

Victory Square Technologies Inc.

**Condensed Consolidated Interim Financial Statements
Three and nine months ended September 30, 2022 and 2021**

Expressed in Canadian Dollars



NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements. The accompanying condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

VANCOUVER, BC
November 29, 2022

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

	Note	September 30, 2022	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents	3	\$ 2,475,771	\$ 4,376,374
Prepays	4	928,679	510,545
Trade receivables	5,17	239,573	289,291
Government sales tax receivable		157,965	121,835
Income taxes receivable		14,163	-
Inventories	6	635,300	144,018
		4,451,451	5,442,063
Non-current assets			
Investments	7	17,932,088	23,945,058
Due from related parties	17	271,653	210,597
Right of use asset	8	501,100	621,361
Property and equipment	9	71,325	284,247
Intangible assets	10	7,531,370	5,187,174
Goodwill		1,640,653	1,640,653
TOTAL ASSETS		\$ 32,399,640	\$ 37,331,153
LIABILITIES			
Current liabilities			
Trade payables	17	\$ 1,049,592	\$ 384,578
Accrued liabilities	13,17	1,086,381	742,497
Current portion of deferred revenue		1,466,024	387,160
Related party loans	17	394,473	959,921
Short term loan	11	225,000	-
Other payables	14	174,916	158,765
Current portion of lease liability	8	240,089	172,690
		4,636,475	2,805,611
Non-current liabilities			
Convertible note	12	200,000	-
CEBA loans	14	140,857	122,150
Deferred revenue		14,428	-
Deferred tax liability		152,213	235,655
Lease liability	8	307,072	463,349
Loans payable	13	5,000,000	2,545,377
TOTAL LIABILITIES		10,451,045	6,172,142
EQUITY			
Share capital	16	43,008,181	42,795,726
Reserve	16	3,235,666	2,226,661
Equity portion of debt	16	89,944	89,944
Broker's warrants	16	427,165	427,165
Obligation to issue shares	16	550,352	1,120,895
Accumulated other comprehensive income		(39,217)	59,400
Deficit		(31,288,127)	(19,337,171)
Equity attributable to owners of the Company		15,983,964	27,382,620
Non-controlling interest	23	5,964,952	3,776,391
EQUITY		21,948,916	31,159,011
TOTAL LIABILITIES AND EQUITY		\$ 32,399,961	\$ 37,331,153

Nature of operations and going concern – Note 1

Subsequent events – Note 24

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 September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Revenue	21	\$ 1,620,221	\$ 337,761	\$ 3,852,101	\$ 748,835
Cost of goods sold	21	710,830	157,450	1,731,708	288,426
		909,391	180,311	2,120,393	460,409
Expenses					
Amortization and depreciation	9, 10	664,067	188,950	1,963,933	553,489
Donations		1,198	-	20,988	263,359
Foreign exchange (gain) loss		(4,994)	3,068	(17,892)	66,606
General and administration		361,558	439,466	968,887	907,047
Insurance		33,436	14,509	83,185	16,589
Investor relations		27,243	64,232	253,761	547,076
Management fees	17	30,030	7,717	65,758	378,616
Professional and consulting fees	17	523,012	(47,809)	1,767,716	294,981
Rent		7,487	9,647	107,182	108,297
Research and development		73,660	437,501	487,176	1,210,275
Sales and marketing		161,621	29,176	722,888	906,252
Share based payments	16	100,565	299,402	437,660	2,385,008
Transaction costs	16	-	-	370,285	-
Transfer agent and regulatory fees		16,005	43,939	95,423	108,350
Wages	17	465,663	536,357	1,976,597	1,212,245
Total expenses		(2,460,551)	(2,026,155)	(9,303,547)	(8,958,190)
Other Items					
Fair value gain on marketable securities		-	-	-	46,375
Gain on exercise of warrants		-	-	-	1,688,148
Equity gain (loss) on investments	7	28,287	(14,559)	(63,191)	132,420
Fair value gain (loss) on investments	7	(1,681,579)	(3,439,904)	(5,866,378)	(6,876,765)
Impairment of investments		-	233,000	-	(620,000)
Impairment of related party loans		-	-	-	5,428
Gain (loss) on disposal of assets		-	4,975	24,368	7,366,770
Loss on settlement of payables		-	-	-	(150,137)
Gain (loss) on settlement of debt	7(i)	-	-	(149,082)	-
Gain (loss) on settlement of receivables		(123,359)	-	-	(923,612)
Gain on CEBA loans		-	-	-	8,649
Interest expense	13,14	(176,418)	(7,626)	(879,637)	26,254
Interest and other income		2,415	132,073	239,884	434,834
		(1,950,654)	(3,092,041)	(6,694,036)	6,404,873
Deferred tax recovery		28,120	-	83,442	-
Net income (loss) from continuing operations for the period		(3,473,694)	(4,937,885)	(13,793,748)	(2,092,908)
Net loss from discontinued operations for the period		-	-	-	(1,900,499)
Net income (loss) for the period		(3,473,694)	(4,937,885)	(13,793,748)	(3,993,407)
Other Comprehensive Income					
Currency translation adjustment		(110,951)	583	(98,617)	(3,104)
Comprehensive income (loss) for the period		(3,584,645)	(4,937,302)	(13,892,365)	(3,996,511)
Net income (loss) attributable to:					
Shareholders of the parent company		(3,311,920)	(4,852,309)	(12,203,500)	(2,923,635)
Non-controlling interest		(161,774)	(85,576)	(1,590,248)	(1,069,772)
		\$ (3,473,694)	\$ (4,937,885)	\$ (13,793,748)	\$ (3,993,407)
Basic earnings (loss) from continuing operations per share attributable to the shareholders of the parent company		\$ (0.03)	\$ (0.05)	\$ (0.12)	\$ (0.03)
Diluted earnings (loss) from continuing operations per share attributable to the shareholders of the parent company		\$ (0.03)	\$ (0.05)	\$ (0.12)	\$ (0.03)
Weighted average number of common shares outstanding for the period - basic		99,564,971	97,387,700	98,032,468	93,059,903
Weighted average number of common shares outstanding for the period - diluted		99,564,971	97,387,700	98,032,468	93,059,903

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	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, 2021		76,491,818	\$ 31,865,593	\$ 59,078	\$ 442,591	\$ -	\$ 199,703	\$ 4,889,021	\$ 427,165	\$ (4,938,669)	\$ 5,760,345	\$ 38,704,827
Conversion of special warrants, net of issuance costs		11,713,053	4,889,021	-	-	-	-	(4,889,021)	-	-	-	-
Shares issued - acquisition of Hydreight		3,239,124	2,267,386	-	-	396,691	-	-	-	-	-	2,664,077
Shares issued - acquisition of intangible assets		4,600,048	3,404,035	-	-	-	-	-	-	-	-	3,404,035
Shares issued - investment in Stardust		674,157	438,202	-	-	-	-	-	-	-	-	438,202
Share buybacks		(105,000)	(81,830)	-	-	-	-	-	-	-	-	(81,830)
Exercise of warrants		62,000	43,548	-	-	-	-	-	1,691	-	-	45,239
Share-based payments		-	-	-	1,956,179	-	-	-	-	-	428,829	2,385,008
Deconsolidation of GameOn Entertainment		-	-	-	(5,178)	-	(199,703)	-	-	1,444,722	(5,731,117)	(4,491,276)
Exercise of stock options		712,500	155,548	-	(48,673)	-	-	-	-	-	-	106,875
Subscription receipts - subsidiary company		-	-	-	-	-	-	-	-	-	2,247,017	2,247,017
Dividend in kind		-	-	-	-	-	-	-	-	(499,994)	-	(499,994)
Currency translation adjustment		-	-	(3,104)	-	-	-	-	-	-	-	(3,104)
Shares issued - subsidiary company		-	-	-	-	-	-	-	-	-	1,172,795	1,172,795
Net loss for the period		-	-	-	-	-	-	-	-	(3,993,407)	-	(3,993,407)
Balance at September 30, 2021		97,387,700	42,981,503	55,974	2,344,919	396,691	-	-	428,856	(7,987,348)	3,877,869	42,098,464
Balance at January 1, 2022		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
Adjustment to opening deficit		-	-	-	-	-	-	-	-	252,544	-	252,544
Shares issued - Hydreight earn out	16	1,634,271	212,455	-	908,440	(1,120,895)	-	-	-	-	-	-
Shares issued - investment in Shop and Shout	7(f),17	-	-	-	-	550,352	-	-	-	-	-	550,352
Share-based payments	16	-	-	-	100,565	-	-	-	-	-	337,095	437,660
Subsidiary company shares issued - Finders fee	7(j),16	-	-	-	-	-	-	-	-	-	370,285	370,285
Subsidiary company shares issued - SVR acquisition		-	-	-	-	-	-	-	-	-	3,071,429	3,071,429
Currency translation adjustment		-	-	(98,617)	-	-	-	-	-	-	-	(98,617)
Net loss for the period		-	-	-	-	-	-	-	-	(12,203,500)	(1,590,248)	(13,793,748)
Balance at September 30, 2022		99,564,971	\$ 43,008,181	\$ (39,217)	\$ 3,235,666	\$ 550,352	\$ 89,944	\$ -	\$ 427,165	\$ (31,288,127)	\$ 5,964,952	\$ 21,948,916

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)

	Nine months period ended September 30,	
	2022	2021
Operating activities		
Net income (loss) for the period	\$ (13,793,748)	\$ (3,993,407)
Adjustments for non-cash items:		
Amortization and depreciation	1,963,933	553,489
Accretion and amortization of debt	879,637	-
Deferred tax recovery	(83,442)	-
Foreign exchange (gain) loss	(17,892)	66,606
Non-cash consulting costs	-	362,500
Share based payments	807,945	2,385,008
Fair value gain on marketable securities	-	(46,375)
Gain on deconsolidation of subsidiaries	-	(5,266,509)
Gain on exercise of warrants	-	(1,688,148)
Equity (gain) loss on investments	63,191	(132,420)
Fair value (gain) loss on investments	5,866,378	6,876,765
Impairment of investment	-	620,000
Impairment of related party loans	-	(5,428)
Gain on disposal of assets	(24,368)	(7,366,770)
(Gain) loss on settlement of payables	149,082	150,137
(Gain) loss on settlement of receivables	-	923,612
Gain on CEBA loans	-	(8,649)
Accrued interest expense	-	(26,254)
Accrued interest income	-	(112,450)
Changes in non-cash working capital items:		
Trade receivables	57,732	(222,044)
Government sales tax recoverable	(36,130)	7,667
Prepaid expenses	(418,135)	(79,347)
Trade payables	648,193	135,605
Accrued liabilities	259,933	(484,218)
Inventories	(491,282)	(116,271)
Deferred revenue	1,078,864	193,073
Other payables	16,150	(245,655)
Net cash flows used in operating activities by continuing operations	(3,073,959)	(7,519,483)
Net cash flows used in operating activities by discontinued operations	-	(1,239,583)
Investing activities		
Cash used for investments	-	(85,496)
Cash (used) reimbursed for additions to property and equipment	190,894	(133,490)
Cash used for additions to intangible assets	(341,576)	(1,550,583)
Cash used for share buybacks	-	(81,830)
Cash used on Synthesis acquisition	(200,000)	-
Proceeds received on acquisition of subsidiary	-	90,113
Loans to portfolio companies	(349,069)	-
Proceeds received from note receivable	-	1,697,912
Proceeds received from sale of investments	107,768	3,264,885
Proceeds received from sale of marketable securities	-	44,508
Net cash flows provided by (used in) investing activities by continuing operations	(591,983)	3,246,019
Net cash flows provided by (used in) investing activities by discontinued operations	-	(3,810,447)
Financing activities		
Cash used for lease payments	(212,809)	(7,852)
Cash used for (proceeds from) payments to related parties	(184,177)	(175,221)
Cash used for interest payments	(163,736)	-
Proceeds from convertible debenture	200,000	-
Proceeds on loan from PCL to AssetCo	225,000	-
Proceeds from Loan Payable, net	2,000,000	-
Proceeds received for exercise of warrants	-	45,240
Proceeds received for exercise of stock options	-	106,875
Proceeds received for share issuance of subsidiary	-	2,087,761
Proceeds received (refunded) in advance of convertible debenture issuance of subsidiary	-	(95,000)
Proceeds received from CEBA loans	-	20,000
Net cash flows provided by financing activities by continuing operations	1,864,278	1,981,803
Net cash flows provided by financing activities by discontinued operations	-	5,702,482
Effect of foreign exchange on cash	(98,939)	-
Change in cash and cash equivalents	(1,900,603)	(1,639,209)
Cash and cash equivalents, beginning	4,376,374	4,551,751
Cash and cash equivalents, ending	\$ 2,475,771	\$ 2,912,542

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 condensed consolidated interim 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”), Victory Square Digital Health Inc. (“VS Digital Health”) and 1362795 B.C. Ltd. (“AssetCo”). The Company also consolidates and reports Non-Controlling Interest (“NCI”) on XR Immersive Tech Inc. (“XRI”), of which the Company holds 58.75% and control as of September 30, 2022. 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.

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 September 30, 2022, the Company had working capital deficit of \$185,024 (December 31, 2021 – surplus of \$2,636,452) and an accumulated deficit of \$31,288,127 (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 three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

2. Significant Accounting Policies

These condensed consolidated interim unaudited financial statements were authorized for issue on November 29, 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, XRI, BlockX Capital (incorporated on March 29, 2021), VS Blockchain (incorporated on February 28, 2021), Hydreight (from acquisition on February 10, 2021), Victory Entertainment, VS Digital Health, and AssetCo (incorporated on May 13, 2022).

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, VS Digital Health, and AssetCo. 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 and \$16,151 (December 31, 2021 - \$Nil) in AssetCo share subscription receipts, which is restricted.

4. Prepaids

Prepaids consist of the following:

	September 30, 2022	December 31, 2021
Marketing fees	\$ 535,991	\$ 177,672
Insurance	142,625	-
Rental deposits	60,919	77,085
Transfer agent	7,638	31,928
Consulting	131,808	156,616
Software	30,000	30,000
Deposit on medical supplies	9,382	9,382
Listing fees	-	18,823
Legal	10,316	9,039
	\$ 928,679	\$ 510,545

Victory Square Technologies Inc.
Notes to the condensed consolidated interim financial statements
For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

5. Trade Receivables

Trade receivables consists of the following:

	September 30, 2022		December 31, 2021	
Immersive services	\$	17,248	\$	200,054
Other		222,325		89,237
	\$	239,573	\$	289,291

Other receivables consist of amounts invoiced to related parties for back-office services and sub-lease revenue (Note 7(f) and 15).

6. Inventories

During the year ended December 31, 2021, XRI began incurring costs related to a project ("UNCONTAINED"). To September 30, 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		88,897		75,604		326,781	491,282
Balance September 30, 2022	\$	229,596	\$	78,923	\$	326,781	\$ 635,300

7. Investments

The Company's investments consist of the following:

	September 30, 2022		December 31, 2021	
FansUnite (2)	\$	763,607	\$	3,258,057
Cassia, dba CoPilot (1)		1,256,128		1,319,319
Victory Square Health (2)		11,691,937		11,691,937
Turnium (2)		684,020		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)		242,206		1,294,430
GameOn (2)		641,625		2,605,185
Stardust Solar (2)		1,153,000		1,153,000
Other (1) (2)		119,950		95,515
	\$	17,932,088	\$	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

As at September 30, 2022, the Company held 8,851,794 shares of FansUnite with a market value of \$796,661 (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 of September 30, 2022, is \$763,607 (December 31, 2021 - \$3,258,057), or a 4.15% (December 31, 2021 - 9.1%) weighted average discount rate. For the period ended September 30, 2022, the Company recognized a fair value loss of this investment of \$2,494,450 (2021 - loss of \$520,593).

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 September 30, 2022, the Company holds an interest of 25.7% in Cassia (December 31, 2021 – 25.7%).

During the period ended September 30, 2022, the Company reported an equity loss of \$63,191 (September 30, 2021 – equity gain of \$107,001).

As at September 30, 2022, the value of the Company's investment in Cassia is \$1,256,128 (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 September 30, 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.

On June 22, 2022, Turnium underwent a going public transaction whereby its shares began trading on the TSX Venture Exchange under the ticker symbol TTGI.V. As at September 30, 2022, the value of the Company's investment in Turnium was fair valued at \$684,020 (December 31, 2021 - \$1,148,000), and a \$463,980 fair value loss was recognized for the period ended September 30, 2022 (2021 - \$Nil).

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 September 30, 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 on the date of issuance and a deemed value of \$1,000,000. The agreement contemplated contingent consideration should the fair market value of VST shares be less than the agreed consideration of \$1,000,000 after the subjected holding period. This contingent consideration was to be settled in cash or VST shares at the option of the Company and was valued at \$550,352 on closing based on a fixed share price defined in the agreement. The Company intention is to settle the contingency in VST shares and presents the contingency in equity. The total value

7. Investments (Continued)

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, and remains unchanged at September 30, 2022.

During the period ended September 30, 2022, the Company and Creator agreed to a series of working capital loans (Note 15) and rent deferments (Note 5) to accommodate the financing requirements of Creator.

During the period ended September 30, 2022, there was no change in the fair value of this investment and the ending balance as of September 30, 2022, was \$1,116,115.

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.

During the period ended September 30, 2022, the Company sold 278,000 common shares for gross proceeds of \$107,768.

As at September 30, 2022, the Company held 4,036,765 common shares of Cloud Nine. During the period ended September 30, 2022, the Company recorded a fair value loss on the Cloud Nine shares of \$968,824 (2021 - \$6,209,039) for an ending balance as at September 30, 2022 of \$242,206 (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. 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 September 30, 2022, the Company held 13,949,373 out of 64,730,846 shares of GameOn or 21.55% with a market value of \$697,469. Given these shares are held in escrow with release dates from May 2021 to March 2023, the discounted fair value as at September 30, 2022 is \$641,625. For the period ended September 30, 2022, the Company recognized a fair value loss of this investment of \$1,963,560 (2021 – fair value gain of \$926,241).

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. 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 ("Adjustment Value"). The liability was recorded at a value of \$130,918 in related party loans (Note 15) at the time of the transaction. Upon initial recognition, this investment was recorded as an investment measured at fair value under IFRS 9 and the Venture Capital Exemption.

On April 25, 2022, each common share in the capital of Stardust Solar was subdivided into 96 common shares, such that the Company owns 2,400,000 common shares of Stardust Solar. On May 22, 2022, an amending agreement to the share purchase agreement was executed wherein \$280,000 was fixed as the Adjustment Value and set off against \$280,000 loaned to Stardust Solar up to the date of the amending agreement. The result of the amending agreement is a \$149,082 loss on settlement of contingent consideration.

As at September 30, 2022 and December 31, 2021, this investment was fair valued at \$1,153,000.

7. Investments (Continued)

j) Synthesis

On January 4, 2022, XRI signed a share purchase agreement to acquire all of the shares of Synthesis VR Inc. (“Synthesis”), 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 paid a finder’s fee by the issuance of 2,057,142 common shares at a fair market value of \$370,285, reported as Transaction costs expense.

The acquisition was treated as a business combination. In accordance with IFRS 3 Business Combinations, the fair value of consideration in excess of the fair value of the identifiable assets and liabilities acquired will be recognized as goodwill. As at the date of issuance of the financial statements, a valuation of the identifiable assets and liabilities acquired has not yet been performed. In accordance with the measurement period guidance in IFRS 3, provisional amounts have been reported for acquired assets and liabilities. The Company will begin amortizing the intangible asset when the amount is finalized, and an amortization period determined. The acquisition was recorded as follows:

	Acquisition of Synthesis VR Inc.
Fair value of consideration	
Common shares	\$ 3,071,428
Cash	200,000
Balance due on initial cash purchase price	300,000
	<u>3,571,428</u>
Assets and liabilities acquired	
Intellectual property	3,571,428
Accruals	(246,101)
Provision	\$ 246,101
	<u>3,325,327</u>
Net assets acquired	\$ 3,325,327
Provision	246,101
	<u>\$ 3,571,428</u>

For the period ended September 30, 2022, the SVR Intellectual Property acquired is presented on the Statement of Financial Position in Intangible assets (Note 10) as SVR acquired assets and the Provision is included under Accrued liabilities. The excess of net assets acquired over consideration is labelled Provision and included in the Acquisition amount.

k) Shape Immersive

On May 4, 2022, Alpha Metaverse Technologies Inc (“Alpha”), a company traded on the CSE, completed the acquisition of 100% of the issued and outstanding share capital of Shape Immersive Inc. (“Shape”). Prior to the

7. Investments (Continued)

acquisition, XRI held an equity interest in Shape. 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, being a nominal amount. On closing of the acquisition, XRI received 700,000 Class A common shares of Alpha, of which 630,000 were restricted in escrow with scheduled release in equal instalments through January 2024. XRI recognized a gain on investments of \$89,235 on the closing of the transaction. For the period from May 4, 2022, to September 30, 2022, the Company recognized a fair value loss of \$53,535, for a net fair value gain of \$35,685 for the period ended September 30, 2022 (September 30, 2021 – \$Nil).

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		Hydreight		XRI		Total
Balance, January 1, 2022	\$	576,049	\$	-	\$	45,312	\$	621,361
Additions		-		39,780		-		39,780
Amortization		(144,012)		(2,436)		(13,593)		(160,041)
Balance, September 30, 2022	\$	432,037	\$	37,344	\$	31,719	\$	501,100

Lease liability

		VST		Hydreight		XRI		Total
Balance, January 1, 2022	\$	588,239	\$	-	\$	47,800	\$	636,039
Additions		-		39,780		-		39,780
Interest expense		77,488		353		6,310		84,151
Lease payment		(193,524)		(3,193)		(16,092)		(212,809)
		472,203		36,940		38,018		547,161
Less: Current portion		184,171		36,940		18,978		240,089
Balance, September 30, 2022	\$	288,032	\$	-	\$	19,040	\$	307,072

Victory Square Technologies Inc.
Notes to the condensed consolidated interim financial statements
For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

Future fixed lease payments are as follows:

		VST		Hydreight		XRI		Total
2022	\$	129,016	\$	37,191	\$	11,856	\$	178,063
2023		258,032		-		25,404		283,436
2024		258,032		-		13,548		271,580
	\$	645,081	\$	37,191	\$	50,808	\$	733,080

9. Property and Equipment

Property and equipment consist of the following:

		Computer Equipment		Furniture and Other Equipment		Leasehold Improvements		Total
Cost								
Balance, January 1, 2022	\$	35,167	\$	22,108	\$	250,835	\$	308,110
Additions (reimbursements)		4,880		2,473		(198,246)		(190,893)
Balance, September 30, 2022	\$	40,047	\$	24,581	\$	52,589	\$	117,217
Accumulated depreciation								
Balance, January 1, 2022	\$	19,979	\$	3,884	\$	-	\$	23,863
Depreciation		3,355		1,583		17,091		22,029
Balance, September 30, 2022	\$	23,334	\$	5,467	\$	17,091	\$	45,892
Net book value, January 1, 2022	\$	15,188	\$	18,224	\$	250,835	\$	284,247
Net book value, September 30, 2022	\$	16,713	\$	19,114	\$	35,498	\$	71,325

In the period ended September 30, 2022, the Company recovered \$198,246 in amounts spent on leasehold improvements in the year ended December 31, 2021, in accordance with its sub-lease agreement and property manager.

10. Intangible Assets

Intangible assets consist of the following:

		Blockchain Technology	DiscreetCare Website	SVR Acquired Assets		Hydreight - White Label	Hydreight App		Total	
Cost										
Balance, January 1, 2022	\$	5,536,298	\$	-	\$	-	\$	1,593,739	\$	7,130,037
Additions		-		18,900		3,571,428		535,942		4,126,270
Balance, September 30, 2022	\$	5,536,298	\$	18,900	\$	3,571,428	\$	535,942	\$	11,256,307
Accumulated depreciation										
Balance, January 1, 2022	\$	(1,471,290)	\$	-	\$	-	\$	(471,573)	\$	(1,942,863)
Depreciation		(1,380,283)		-		-		(4,448)		(1,782,074)
Balance, September 30, 2022	\$	(2,851,573)	\$	-	\$	-	\$	(4,448)	\$	(3,724,937)
Net book value, January 1, 2022	\$	4,065,008	\$	-	\$	-	\$	1,122,166	\$	5,187,174
Net book value, September 30, 2022	\$	2,684,725	\$	18,900	\$	3,571,428	\$	531,494	\$	7,531,370

11. Short-term Loan

In connection with Qualifying Transaction involving Hydreight and AssetCo occurring after the reporting period (Note XX), AssetCo received a refundable secured, non-interest bearing advance from Perihelion Capital Ltd. ("PCL") (TSXV:PCL.P), a capital pool company listed on the TSX Venture Exchange (the "Exchange"), in the amount of \$225,000. The advance was used for working capital purposes and is fully repayable to PCL within seven days of receipt of written notice demanding the refund.

12. Convertible Note

The Company's subsidiary, Draft Label, issued a \$200,000 convertible debenture to an arm's length investor in August 2022 in anticipation of liquidity event anticipated to close in 2023. The convertible note bears interest at 0% and is convertible into common shares of Draft Label at a conversion price of \$0.15 per common share.

13. Loans Payable

On August 26, 2022, the Company entered into a non-dilutive loan agreement with an arm's length individual for \$2,000,000. The loan bears interest at 13% per annum payable in advance in cash or marketable securities held by VST calculated and compounded monthly based on a 365-day year basis and matures on the two-year anniversary of the closing date of the Loan. The loan is secured against certain shares of publicly traded companies currently held by VST, including the resulting issuer shares involving Hydreight disclosed in Note 24. In connection with the Loan, VST also grants the lender the right to acquire up to 1,222,222 resulting issuer shares to be received by VST in connection with the subsequently closed transaction at a price per resulting issuer share of \$0.63 at any time after 4 months following the completion of the subsequent transaction subject to certain additional conditions. VST intends to use the proceeds from the loan for strategic opportunities and general working capital purposes.

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. XRI 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 XRI'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.

On August 31, 2022, the loan agreement was amended to extend the maturity date to August 31, 2024. XRI had paid its coupon interest monthly through May 2022, but defaulted on the June, July, and August payments. As per the amended agreement, the interest rate effective June 1, 2022, was increased to 15% from 12%, with interest accruing and payable on August 31, 2023. From September 1, 2023, until the maturity date, interest is payable monthly on the first Business Day of the month.

In addition, the amended agreement amended the exercise price of the 2,000,000 lender warrants from \$0.52 per common share to \$0.08 per common share. As an additional inducement for the lender to close the loan amendment agreement, XRI agreed to issue share purchase warrants exercisable to purchase up to 3,000,000 additional common shares at an exercise price of \$0.00 per common share (the "Additional Warrants"), expiring on the fourth anniversary of loan amendment date. As at September 30, 2022, and through the date of these Financial Statements, the amended lender warrants and Additional Warrants had not been issued and are not recognized in the financial statements ended September 30, 2022.

Interest expense, accretion expense and the amortization of debt costs are being recognized over the loan period, with a total of \$753,975 being recognized as interest and accretion expense during the nine months ended September 30, 2022 (September 30, 2021 - \$Nil). As a result of the loan amendment agreement and full amortization of debt costs and fair value discount recognized on initial recognition, the carrying value of the loan principal excluding coupon interest as at September 30, 2022 is \$3,000,000 (December 31, 2021 - \$2,545,377) and presented as a non-current liability. Accrued interest as at September 30, 2022 is \$150,411 (December 31, 2021 - \$14,795).

14. CEBA loans

The Canada Emergency Business Account (CEBA) loan originally launched on April 9, 2020 and is intended to support businesses during the COVID-19 pandemic. The value of the government loan received at below market rate of interest is treated as a government grant. Four of the Company's subsidiaries applied for and received the first \$40,000 in funds, and the same four entities applied the additional \$20,000. Only three entities received this additional amount in the year ended December 31, 2020. The full value of the grant has been spent in the course of business operations and the gain has been recognized in other income.

Victory Square Technologies Inc.
Notes to the condensed consolidated interim financial statements
For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

14. CEBA loans (Continued)

The loans were recognized at fair value using the Company's incremental borrowing rate of 20%. The difference between this discounted value of \$114,828 and the proceeds received of \$220,000 was recognized as a gain on CEBA loans of \$105,172. The loan also had accretion of \$16,507 for the period ended September 30, 2022. The balance of the loan as at September 30, 2022 was \$138,657.

15. Other Payables

Other payables consist of the following:

	September 30, 2022		December 31, 2021	
Funds received from investors for investments not proceeding	\$	158,765	\$	158,765
Subscription receipts - AssetCo		16,151		-
	\$	174,916	\$	158,765

Other payables include amounts advanced by third parties in connection with investments which did not proceed. The amounts are unsecured, non-interest bearing and payable on demand.

Also included in other payables is \$16,151 of subscription receipts in the shares of AssetCo received in advance of the Qualifying Transaction between PCL, Hydreight, and AssetCo (Note 24).

16. Share Capital

Authorized Share Capital

Unlimited common shares without par value.

Issued Share Capital

As at September 30, 2022, there were 99,564,971 common shares outstanding (December 31, 2021 - 97,930,700).

The Company issued 1,634,271 common shares to the CEO of Hydreight pursuant to an equity earn-out clause payable in VST shares as per the Share Purchase Agreement (the "SPA") of Hydreight dated January 29, 2021. The equity earn-out was based the satisfaction of certain earn-out milestones as agreed to in the SPA and subject to certain issuance limitations set out in the SPA. The common shares issued were recorded at the fair market value on the date of issuance of \$212,455, with the difference between the obligation provision recognized at December 31, 2021 of \$1,120,895 recorded to reserve.

Reserve

The Company has a stock option plan whereby share purchase options are granted in accordance with the policies of regulatory authorities at an exercise price equal to the market price of the Company's shares on the date of the grant and, unless otherwise stated, vest on the grant date and with a term not to exceed ten years.

Under the plan, the board of directors may grant up to 10% of the issued number of shares outstanding as at the date of the share purchase option grant.

During the period ended September 30, 2022, the Company recognized \$100,565 in share-based compensation (September 30, 2021 - \$1,903,006).

Victory Square Technologies Inc.
Notes to the condensed consolidated interim financial statements
For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

16. Share Capital (Continued)

Options outstanding as at September 30 2022 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	65,000	December 21, 2022
\$0.43	125,000	December 21, 2023
\$0.43	300,000	December 28, 2023
	7,892,500	

Stock options continuity for the period ended September 30, 2022 is as follows:

	Number of options	WAV option price
Balance, January 1, 2022	7,992,500	\$0.35
Cancelled	(100,000)	\$0.43
Balance, September 30, 2022	7,892,500	\$0.35

Special Warrants

Warrants

	Warrants	Broker's Warrants
Balance, December 31, 2021 and September 30, 2022	6,105,351	772,867

Non-Controlling Interest

Shares issued of subsidiary company

During the period ended September 30, 2022, XRI issued 12,285,714 common shares with a fair value of \$3,071,428 on the acquisition of Synthesis to the vendors of Synthesis and 2,057,142 common shares with a fair value of \$370,285 for a finder's fee (Note 7) recorded as transaction cost expense.

Share-based payments of subsidiary company

During the period ended September 30, 2022, XRI recorded \$337,095 in share-based compensation expense.

Victory Square Technologies Inc.
Notes to the condensed consolidated interim financial statements
For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

17. Related Parties

Related Party Transactions

During the period ended September 30, 2022, and 2021, the Company entered into the following transactions with related parties:

	September 30, 2022		September 30, 2021	
Management fees expense	\$	-	\$	32,500
Management fees revenue	\$	167,561	\$	-
Professional and consulting fees	\$	215,404	\$	206,865
Executive compensation	\$	584,300	\$	290,000
Share-based compensation of the Company	\$	-	\$	942,196
Share-based compensation of subsidiaries	\$	60,833	\$	562,123

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 (September 30, 2021 - \$32,500) in management fees to the CEO;
- \$584,300 (September 30, 2021 - \$290,000) in executive compensation to the CEO and Chief Growth Officer of VST and executive officers of XRI and Hydreight.
- \$215,404 (September 30, 2021 - \$206,865) in professional fees to companies controlled by the CFO, for controller, bookkeeping, corporate secretarial and CFO services;
- \$Nil (September 30, 2021 - \$942,196) in share-based compensation to various Directors and Management of the Company;
- \$60,833 (September 30, 2021 - \$562,123) in share-based compensation related to XRI stock options.

Due from Related Parties

	September 30, 2022		December 31, 2021	
Due from a Director	\$	250	\$	250
Due from Subsidiary Management		239		8,252
Due from GameOn Entertainment		76,619		-
Due from Shop & Shout (Note 7)		185,450		-
Due from Stardust Solar (Note 7)		-		200,000
Due from Safetest		7,000		-
Due from Cassia, dba CoPilot (Note 7)		2,095		2,095
	\$	271,653	\$	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. For the period ended September 30, 2022, an additional \$80,000 had been advanced to Stardust Solar and was recorded as a related party loan. On May 22, 2022, the Company and Stardust Solar executed an amending agreement to the original share purchase agreement whereby the \$280,000 indebtedness was extinguished as consideration for the value of compensation shares issued to Stardust Solar as per the purchase price (Note 7(i)). At the time of the share purchase transaction, a contingent liability of \$130,918 was recognized for the future consideration to be owed on expiration of the Holding Period. On settlement of the indebtedness, the Company recognized a \$149,082 loss on settlement of debt.

Victory Square Technologies Inc.
Notes to the condensed consolidated interim financial statements
For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

17. Related Parties (Continued)

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.

The amount due from Shop & Shout are funds advanced to finance working capital in accordance with the Company's follow-on investment in Shop & Shout (Note 7(f)).

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

Due to Related Parties

	September 30, 2022	December 31, 2021
Due to SVR	\$ 300,000	\$ -
Due to Shop & Shout (Note 7(f))	-	550,352
Due to Stardust Solar (Note 7(i))	-	130,918
Due to CEO	94,473	278,651
	<u>\$ 394,473</u>	<u>\$ 959,921</u>

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

The amount due to SVR is owed by XRI to the former shareholders of SVR, being the balance of the initial purchase price to be settled in cash (Note 7(j)).

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 7(f)). The value of this financial instrument as of September 30, 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(f)). During the period ended September 30, 2022, the Company advanced a total of \$185,450 to Shop & Shout in anticipation of a final settlement to be agreed upon at a later date.

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(j)). The value of this financial instrument as of September 30, 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(i)). This amount was extinguished in an amending agreement described earlier in this section.

As at September 30, 2022, the Company has \$92,305 (December 31, 2021 - \$276,482) in related party loans due to the CEO, which includes \$2,168 (December 31, 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 September 30, 2022, the Company has \$156,999 (December 31, 2021 - \$106,508) due to related parties included in trade payables and accrued liabilities. As at September 30, 2022, the Company has \$222,321 (December 31, 2021 - \$71,000) due from related parties included in trade receivables. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Victory Square Technologies Inc.
Notes to the condensed consolidated interim financial statements
For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

18. 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
SVR	Immersive Services
Victory Entertainment	Investments
Victory Square Technologies ⁽¹⁾	Investments
BlockX Capital	Investments
VS Blockchain	Investments
VS Digital Health	Health
AssetCo	Health
Hydreight	Health

⁽¹⁾ Parent corporation

Segmented operations were as follows as at and for the period ended September 30, 2022:

	Investments	Gaming	Software	Immersive Services	Health	Total
Current assets	\$ 2,184,681	\$ -	\$ 252,315	\$ 1,138,068	\$ 876,387	\$ 4,451,451
Non-current assets	27,135,068	-	(2,391,659)	3,620,722	(415,942)	27,948,189
	\$ 29,319,749	\$ -	\$ (2,139,344)	\$ 4,758,790	\$ 460,445	\$ 32,399,640
Current liabilities	\$ 431,591	\$ -	\$ 241,391	\$ 1,114,734	\$ 2,848,759	\$ 4,636,475
Non-current liabilities	2,383,344	-	46,936	3,347,350	36,940	5,814,570
	\$ 2,814,935	\$ -	\$ 288,327	\$ 4,462,084	\$ 2,885,699	\$ 10,451,045

	Investments	Gaming	Software	Immersive Services	Health	Total
Revenue	\$ 261,861	\$ -	\$ 2,252	\$ 968,814	\$ 2,619,174	\$ 3,852,101
Cost of goods sold	-	-	(70,874)	(327,020)	(1,333,814)	(1,731,708)
Gross margin	261,861	-	(68,622)	641,794	1,285,360	2,120,393
Expenses	(3,650,348)	-	(101,173)	(3,833,466)	(1,718,560)	(9,303,547)
Deferred tax recovery	83,442	-	-	-	-	83,442
Other gains (losses)	(6,362,509)	-	(6,240)	(310,320)	(14,967)	(6,694,036)
Net income (loss)	(9,667,554)	-	(176,035)	(3,501,992)	(448,167)	(13,793,748)
Non-controlling interest	1,590,248	-	-	-	-	1,590,248
Other Comprehensive Income	(17,987)	-	(1,284)	29,890	(109,236)	(98,617)
Comprehensive income (loss)	\$ (8,095,293)	\$ -	\$ (177,319)	\$ (3,472,102)	\$ (557,403)	\$ (12,302,117)

19. Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

20. Financial Risk Management (Continued)

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 September 30, 2022, 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.

Victory Square Technologies Inc.
Notes to the condensed consolidated interim financial statements
For the three and nine months ended September 30, 2022 and 2021
(Expressed in Canadian dollars)

19. Financial Risk Management (Continued)

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 September 30, 2022.

20. Capital Management

The Company manages its cash and common shares as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern 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.

21. Revenue and Cost of Goods Sold

Revenue

	Three months ended September 30, 2022		Nine months ended September 30, 2021	
	2022	2021	2022	2021
Immersive experiences	\$ 443,613	\$ 67,285	\$ 968,814	\$ 107,829
Health	1,125,319	266,642	2,619,174	605,270
Software	778	3,834	2,252	35,736
Management fees	10,461	-	167,561	-
Sublease	40,050	-	94,300	-
	\$ 1,620,221	\$ 337,761	\$ 3,852,101	\$ 748,835

Cost of Goods Sold

	Three months ended September 30, 2022		Nine months ended September 30, 2021	
	2022	2021	2022	2021
Immersive experiences	\$ 172,897	\$ 17,167	\$ 327,020	\$ 45,913
Health	537,933	165,783	1,333,813	233,918
Software	-	(25,500)	70,875	8,595
	\$ 710,830	\$ 157,450	\$ 1,731,708	\$ 288,426

22. Interest and Other Income

During the period ended September 30, 2022, XRI had major sources of interest and other income including \$237,469 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.

23. 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%. On March 28, 2022, and May 12, 2022, XRI issued a total of 14,342,856 shares on the acquisition of SVR, reducing the Company's interest in XRI to 58.75%.

24. Subsequent Events

- a) On July 12, 2022, the Company announced that Hydreight had entered into a merger agreement with Perihelion Capital Ltd. ("PCL") (TSXV:PCL.P), a capital pool company listed on the TSX Venture Exchange, in respect of an arm's length reverse-takeover transaction which will result in PCL acquiring all of the equity interests of Hydreight and shareholders of Hydreight receiving shares of PCL in exchange for their holdings in Hydreight (the "Proposed Transaction"). On November 28, 2022, the Proposed Transaction closed.

Effective November 25, 2022, as a condition to the completion of the Transaction, PCL changed its name to "Hydreight Technologies Inc." ("HT") and consolidated its share capital (the "Consolidation") on the basis of 6.46805 (old) common shares for one (new) common share. Immediately following the Consolidation, HT had an aggregate of 7,936,507 common shares outstanding. VST also completed the transfer all of its equity interest of Hydreight to AssetCo on November 25, 2022, in consideration for the issuance of an aggregate of 27,896,725 common shares of AssetCo ("AssetCo Shares") to VST.

Pursuant to the terms of the Transaction, AssetCo amalgamated with 1203500 B.C. Ltd. by way of a three cornered amalgamation pursuant to the Merger Agreement, a copy of which is available under HT's profile on SEDAR at www.sedar.com, and all outstanding AssetCo Shares were exchanged (the "Securities Exchange") for post-Consolidation common shares of HT ("HT Shares") on the basis of one HT Share for each one AssetCo Share, resulting in approximately 28,511,479 HT Shares being issued to former shareholders of AssetCo. Further details regarding the Transaction can be found in the filing statement of HT and Hydreight dated November 10, 2022 (the "Filing Statement"), a copy of which is available under HT's profile on SEDAR at www.sedar.com.

At closing, on a non-dilutive basis, there will be 37,842,827 HT Shares issued and outstanding, of which approximately 27,896,825 (73.72%) will be held by VST, 614,654 (1.62%) will be held by concurrent financing subscribers, approximately 7,936,507 (20.97%) will be held by former PCL shareholders and 1,394,841 (3.69%) will be held by an arm's length party who earned a finder's fee on the transaction.

24. Subsequent Events (Continued)

The parties to the Transaction have made their final submission to the TSX Venture Exchange (the “Exchange”) in connection with the Exchange’s issuance of its listing bulletin. It is anticipated that HT’s Shares will resume trading on the Exchange under the trading symbol “NURS” on or about December 1, 2022.

Escrowed Shares

On completion of the Transaction, certain Principals (as defined policies of the Exchange) of the resulting issuer holding an aggregate of 29,078,430 HT Shares are subject to escrow in accordance with section 6.2 of Policy 5.4 – Escrow, Vendor Consideration and Resale Restrictions of the Exchange (“Policy 5.4”). Pursuant to Policy 5.4, 5% of the escrowed shares will be released at the time of the final bulletin of the Exchange, 5% of the escrowed shares will be released 6 months from the Final Exchange Bulletin, 10% of the escrowed shares will be released 12 months from the Final Exchange Bulletin, 10% of the escrowed shares will be released 18 months from the Final Exchange Bulletin, 15% of the escrowed shares will be released 24 months from the Final Exchange Bulletin, 15% of the escrowed shares will be released 30 months from the Final Exchange Bulletin, and 40% of the escrowed shares will be released 36 months from the Final Exchange Bulletin.

Certain current and/or former shareholders of HT are subject to an CPC escrow agreement dated August 27, 2021 (the “CPC Escrow Agreement”), with the Exchange and TSX Trust Company, as escrow agent, in respect of 222,630 HT Shares and 15,460 incentive stock options to acquire HT Shares. Under the terms of the CPC Escrow Agreement, 25% of the escrowed securities will be released at the time of the Final Exchange Bulletin, with an additional 25% released on each 6-month anniversary thereafter. TSX Trust Company acts as escrow agent in respect of the CPC Escrow Agreement.