Victory Square Technologies Inc.

Condensed Consolidated Interim Financial Statements
Three months ended March 31, 2023 and 2022

Expressed in Canadian dollars

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM 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 interim 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
May 30, 2023

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

	Notes		March 31, 2023		December 31, 2022
ASSETS					
Current assets					
Cash and cash equivalents	3	$	3,196,578	$	3,836,815
Prepaids	4		584,060		471,762
Trade receivables	5		178,994		27,034
Government sales tax receivable			85,360		86,085
Inventories	6		104,186		104,271
			4,149,178		4,525,967
Non-current assets					
Investments - fair value	7		10,736,392		10,623,417
Investments - equity accounted	8		1,100,703		1,184,648
Due from related parties	22		327,090		272,169
Right of use asset	11		345,606		402,736
Property and equipment	12		27,609		31,655
Intangible assets	13		3,974,573		4,639,881
Goodwill	9		2,495,550		2,495,550
TOTAL ASSETS		**$**	**23,156,701**	**$**	**24,176,023**
LIABILITIES					
Current liabilities					
Trade payables	20	$	1,243,251	$	783,819
Accrued liabilities	20		1,091,034		1,213,765
Current portion of deferred revenue	18		1,398,994		1,703,821
Related party loans	20		1,441,262		1,187,700
Current portion of loans payable	14		136,063		417,604
Income taxes payable			80,592		80,581
Other payables	16		158,765		158,765
Current portion of convertible debt	17		125,000		121,136
Current portion of lease liability	11		190,770		212,196
			5,865,731		5,879,387
Non-current liabilities					
Convertible debt	17		167,452		160,452
CEBA loans	15		139,962		135,222
Deferred revenue	18		18,030		18,045
Deferred tax liability			340,242		367,750
Lease liability	11		203,139		235,993
Loans payable	14		4,617,571		4,133,337
TOTAL LIABILITIES			**11,352,127**		**10,930,186**
EQUITY					
Share capital	19		43,916,621		43,916,621
Reserve	19		12,434,942		12,419,613
Equity portion of debt	19		511,620		511,620
Broker's warrants	19		427,165		427,165
Obligation to issue shares	19		300,000		300,000
Accumulated other comprehensive income			(205,403)		(81,822)
Deficit			(44,851,907)		(43,527,088)
Equity attributable to owners of the Company			12,533,038		13,966,109
Non-controlling interest			(728,464)		(720,272)
EQUITY			**11,804,574**		**13,245,837**
TOTAL LIABILITIES AND EQUITY		**$**	**23,156,701**	**$**	**24,176,023**

Nature of operations and going concern – Note 1
Subsequent event – Note 26

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

	Note		Three months ended March 31, 2023		2022
Revenue	23	$	2,877,325	$	1,017,097
Cost of goods sold	23		1,370,139		442,957
			1,507,186		574,140
Expenses					
Amortization and depreciation	11,12,13		726,261		644,113
Foreign exchange loss			5,849		61
General and administration			273,566		269,430
Insurance			42,021		30,781
Investor relations			6,931		113,447
Management fees	20		27,052		40,150
Professional and consulting fees	20		619,301		459,349
Rent			49,623		16,820
Research and development			18,533		333,814
Sales and marketing			226,465		320,816
Share based payments	19		15,329		526,806
Transfer agent and regulatory fees			80,797		38,140
Wages			376,643		688,208
Total expenses			(2,468,371)		(3,481,935)
Other Items					
Equity loss on investments	8		(83,945)		(91,478)
Fair value gain (loss) on investments	7		112,975		(1,438,272)
Gain on disposal of assets			-		23,620
Interest expense	14,15,17		(252,217)		(368,048)
Interest and other income	24		62,152		219,600
			(161,035)		(1,654,578)
Deferred tax recovery			27,508		27,508
Net loss for the period			(1,094,712)		(4,534,865)
Other Comprehensive Income (Loss)					
Currency translation adjustment			(123,581)		13,607
Comprehensive loss for the period			(1,218,293)		(4,521,258)
Net loss attributable to:					
Shareholders of the parent company			(1,086,520)		(3,969,565)
Non-controlling interest			(8,192)		(565,300)
		$	(1,094,712)	$	(4,534,865)
Basic loss per share attributable to the shareholders of the parent company		**$**	**(0.01)**	**$**	**(0.04)**
Diluted loss per share attributable to the shareholders of the parent company		**$**	**(0.01)**	**$**	**(0.04)**
Weighted average number of common shares outstanding for the period - basic			**99,564,971**		**97,930,700**
Weighted average number of common shares outstanding for the period - diluted			**99,564,971**		**97,930,700**

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

	Note	Share Capital: Number of shares	Share Capital: Amount	Accumulated other comprehensive income	Reserve	Obligation to issue shares	Equity portion of debt	Broker's Warrants	Deficit	Non-controlling interest	Total
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**
Share based payments		-	-	-	-	-	-	-	-	526,806	526,806
Shares issued - subsidiary company		-	-	-	-	-	-	-	-	3,071,429	3,071,429
Equity portion of debt		-	-	-	-	-	-	-	(89,944)	89,944	-
Currency translation adjustment		-	-	13,607	-	-	-	-	-	-	13,607
Net loss for the period		-	-	-	-	-	-	-	(3,969,887)	(565,300)	(4,535,187)
Balance at March 31, 2022		**97,930,700**	**$ 42,795,726**	**$ 73,007**	**$ 2,226,661**	**$ 1,120,895**	**$ 89,944**	**$ 427,165**	**$ (23,397,002)**	**$ 6,899,270**	**$ 30,235,666**
Balance at January 1, 2023		**99,564,971**	**$ 43,916,621**	**$ (81,822)**	**$ 12,419,613**	**$ 300,000**	**$ 511,620**	**$ 427,165**	**$ (43,527,088)**	**$ (720,272)**	**$ 13,245,837**
Share-based payments	19	-	-	-	15,329	-	-	-	-	-	15,329
Reclassification of contingent liability		-	-	-	-	-	-	-	(238,299)	-	(238,299)
Currency translation adjustment		-	-	(123,581)	-	-	-	-	-	-	(123,581)
Net loss for the period		-	-	-	-	-	-	-	(1,086,520)	(8,192)	(1,094,712)
Balance at March 31, 2023		**99,564,971**	**$ 43,916,621**	**$ (205,403)**	**$ 12,434,942**	**$ 300,000**	**$ 511,620**	**$ 427,165**	**$ (44,851,907)**	**$ (728,464)**	**$ 11,804,574**

See accompanying notes to the condensed consolidated interim financial statements.

(Expressed in Canadian dollars)

	Three months period ended March 31, 2023	2022
Operating activities		
Net loss for the period	$ (1,094,712)	$ (4,534,865)
Adjustments for non-cash items:		
Amortization and depreciation	726,261	644,113
Accretion, interest and amortization of debt	237,531	295,056
Deferred tax recovery	(27,508)	(27,508)
Foreign exchange (gain) loss	5,849	(4,583)
Share based payments	15,329	526,806
Equity loss on investments	83,945	91,478
Fair value (gain) loss on investments	(112,975)	1,438,272
Gain on disposal of assets	-	(23,620)
Changes in non-cash working capital items:		
Trade receivables	(149,392)	(443,879)
Government sales tax recoverable	725	(29,759)
Prepaid expenses	(112,298)	(456,828)
Trade payables	516,726	667,190
Accrued liabilities	(128,580)	(178,168)
Inventories	-	(130,598)
Deferred revenue	(304,842)	68,933
Net cash flows used in operating activities	(343,941)	(2,097,960)
Investing activities		
Cash used for investments	-	(200,000)
Cash reimbursed for additions to property and equipment	-	201,966
Loans to portfolio companies	(57,489)	-
Proceeds received from sale of investments	-	77,020
Net cash flows provided by (used in) investing activities	(57,489)	78,986
Financing activities		
Cash used for lease payments	(74,405)	(69,590)
Cash used for payments to related parties	(41,770)	(32,884)
Cash used on loan to investee company	-	(80,000)
Net cash flows used in financing activities	(116,175)	(182,474)
Effect of foreign exchange on cash	(122,632)	13,283
Change in cash and cash equivalents	(640,237)	(2,188,165)
Cash and cash equivalents, beginning	3,836,815	4,376,374
Cash and cash equivalents, ending	**$ 3,196,578**	**$ 2,188,209**

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 subsidiaries Draft Label Technologies Inc. ("Draft Label"), PDL USA Inc. ("PDL USA"), BlockX Capital Corp. ("BlockX Capital"), VS Blockchain Assembly ("VS Blockchain"), Hydreight Technologies Inc. ("HTI"), Hydreight Canada Holdings Inc ("HCH")., IV Hydreight Inc. ("Hydreight"), Healthcare Prosoft LLC ("Prosoft"), Victory Entertainment Inc. ("Victory Entertainment"), Victory Square Digital Health Inc. ("VS Digital Health"), Victory Square Digital Health Inc. ("VS Digital Health USA"), XR Immersive Tech Inc. ("XRI") and Synthesis VR Inc. ("SVR"). The Company reports Non-Controlling Interest ("NCI") on XRI and its subsidiary SVR., of which the Company holds 54.55% (2022 – 54.55%) and on HTI and subsidiaries HCH, Hydreight, and Prosoft, of which the Company holds 73.72% (2022 – 73.72%) as of March 31, 2023. XRI was formerly known as Fantasy 360 Technologies Inc. and changed its name on February 3, 2022.

Victory Square Technologies has numerous investments in emerging technologies such as artificial intelligence (AI), augmented and virtual reality (AR/VR), blockchain and digital health. 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, 2023, the Company had a working capital deficit of $1,718,054 (December 31, 2022 – $1,353,420) and an accumulated deficit of $44,853,406 (December 31, 2022 – $43,527,088). 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 February 2022, Russia commenced a military invasion of Ukraine which generated a response in the form of strict economic sanctions from multiple countries and corporations around the world, including Canada. Although the Company does not have operations in Russia or Ukraine, the global impact of this conflict in commodity prices, foreign currency exchange rates, supply chain challenges and increased fuel prices may have adverse impacts on our costs of doing business.

On November 28, 2022, HTI completed a reverse takeover transaction (the "Reverse Takeover Transaction" or "RTO" or "Transaction") with Hydreight, the Company, 1362795 BC Ltd. ("AssetCo"), and 1203500 B.C. Ltd ("PCL AcquisitionCo"). VST is Hydreight's ultimate controlling parent company before and after the Transaction.

The Transaction was completed (the "Closing") in accordance with the merger agreement effective July 12, 2022 (the "Merger Agreement") which resulted in HTI acquiring all of the equity interests of AssetCo, which immediately

1. Nature of Operations and Going Concern (Continued)

prior to the Closing issued shares to VST in exchange for all of the issued and outstanding shares in Hydreight, resulting in Hydreight becoming a wholly owned subsidiary of AssetCo. Prior to the Closing, HTI consolidated its outstanding shares on a 6.46805 to 1 basis. The share consolidation has been applied retrospectively in the consolidated financial statements and as a result, the common shares and option amounts of HTI are stated on an adjusted post-share consolidation basis. The Transaction constituted a Qualifying Transaction for HTI under Policy 2.4 of the TSX Venture Exchange (the "Exchange") Manual and resulted in AssetCo's shareholders owning the substantial majority of HTI shares. HCH was formed by way of the amalgamation of AssetCo and PCL AcquisitionCo on November 28, 2022.

HTI filed an Article of Amendment to change its name from Perihelion Capital Ltd. (PCL) to Hydreight Technologies Inc. (HTI) and resumed trading on the Exchange under the trading symbol "NURS" (TSXV:NURS.P) on December 1, 2022. See Note 10 for more details.

2. Significant Accounting Policies

These condensed consolidated interim financial statements were authorized for issue on May 30, 2023, 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, 2022.

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, 2022.

b) Principles of Consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries Draft Label, XRI, SVR, BlockX Capital (incorporated on March 29, 2021), VS Blockchain (incorporated on February 28, 2021), HTI, HCH, Hydreight, Prosoft, Victory Entertainment, VS Digital Health, and VS Digital Health USA (incorporated on February 17, 2022). The condensed consolidated interim statement of loss and comprehensive loss exclude the results of operations and cash flows of HTI and HCH pre–RTO Transaction.

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

All of the Company's subsidiaries have a December 31 year end.

2. Significant Accounting Policies (Continued)

c) 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, HTI and HCH. The functional currency of PDL USA, Hydreight, and SVR is the US dollar.

Certain comparative figures have been reclassified to conform to the current year's presentation. These include reclassification of expense line items and has no impact to net income.

3. Cash and Cash Equivalents

Cash and cash equivalents include $Nil (December 31, 2022 – $11,500) of cash held in a GIC.

4. Prepaids

Prepaids consist of the following:

		March 31, 2023		December 31, 2022
Marketing fees	$	342,024	$	344,175
Insurance		146,500		15,602
Rental deposits		6,607		26,043
Transfer agent		48,650		28,331
Consulting		13,209		15,851
Listing fees		18,031		18,031
Legal		9,039		23,729
	$	584,060	$	471,762

5. Trade Receivables

		March 31, 2023		December 31, 2022
XRI - Government tax credit	$	54,087	$	-
Other		124,907		27,034
	$	178,994	$	27,034

Other receivables consist of amount accrued for XRI tax credit and amounts due from related parties (Note 20).

(Expressed in Canadian dollars)

6. Inventories

Hydreight maintains specific pharmacy product inventory for sale in the ordinary course of business. In the period ended March 31, 2023, inventory was relocated to a new warehouse and being reworked for shipment in new starter kits to be sold or distributed in the ordinary course of business.

Balance, January 1, 2023	$	104,271
Foreign currency translation		(85)
Balance March 31, 2023	$	104,186

7. Investments Measured at Fair Value

The Company's investments measured at fair value consist of the following:

	March 31, 2023		December 31, 2022		
	Fair Value	**% holding**	**Fair Value**	**% holding**	**Cost**
FansUnite (1)	$ 573,473	2.73%	$ 573,473	2.73%	$ 3,319,423
Victory Square Health	5,347,000	20.00%	5,347,000	20.00%	1,048,000
Turnium (1)(2)	164,165	4.51%	328,330	4.51%	175,000
Next Decentrum	901,000	13.89%	901,000	13.89%	175,003
Cloud Benefit, dba Cloud Advisors	475,000	5.43%	475,000	5.43%	300,000
Shop & Shout, dba Creator.co	1,193,000	10.46%	1,193,000	10.46%	1,096,257
Cloud Nine (1)	242,206	5.91%	242,206	5.95%	1,816,544
GameOn (1)	976,456	20.70%	694,210	20.73%	1,102,000
Stardust Solar	770,000	20.00%	770,000	20.00%	600,000
Other (2)	94,092		99,198		233,000
	$ 10,736,392		$ 10,623,417		$ 9,865,227

(1) Denotes Level 1 investments (listed) subject to certain trading and hold restrictions and have been discounted for a lack of marketability factor.
(2) 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.

8. Investments Accounted for Using Equity Method

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 March 31, 2023, the Company holds an interest of 24.65% in Cassia (December 31, 2022 – 24.65%). The Company reports its investment in Cassia under IAS 28, Investments in Associates and Joint Ventures and is presented separately on the consolidated statement of financial position as investment – equity accounted.

During the period ended March 31, 2023, the Company reported an equity loss of $83,945 (March 31, 2022 – $91,478).

As at March 31, 2023, the value of the Company's investment in Cassia is $1,100,703 (December 31, 2022, $1,184,648).

(Expressed in Canadian dollars)

9. Acquisitions

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 in share-based payments 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. The acquisition was recorded as follows:

Fair value of consideration		
Common shares of XRI (Notes 19)	$	3,071,429
Cash		494,311
Contingent consideration		295,333
	$	3,861,073
Assets and liabilities acquired		
Cash and cash equilvalents acquired	$	276,819
Deferred income tax liability		(441,695)
Trademark (Note 13)		585,866
Developed Technology (Note 13)		992,542
Goodwill		2,447,541
	$	3,861,073

In February of 2021, the Company acquired Hydreight. The acquisition was recorded in accordance with IFRS 3 with $1,640,653 recognized as goodwill.

The Company has identified Hydreight and SVR as their own cash-generating units ("CGU") for the purposes of goodwill impairment testing. In the year ended December 31, 2022, XRI recognized a goodwill impairment loss on the SVR CGU in the amount of $1,592,644. Goodwill as of March 31, 2023 is as follows:

(Expressed in Canadian dollars)

9. Acquisitions (Continued)

		Hydreight		SVR	Total
Balance, January 1, 2022	$	1,640,653	$	-	$ 1,640,653
Addition		-		2,447,541	2,447,541
Impairment		-		(1,592,644)	(1,592,644)
Balance, December 31, 2022 and March 31, 2023	$	1,640,653	$	854,897	$ 2,495,550

10. Reverse Takeover Transaction

Pursuant to the Merger Agreement effective July 12, 2022, HTI completed an arm's length reverse-takeover transaction on November 28, 2022, which resulted in HTI acquiring all of the equity interests of Hydreight.

In connection with and in anticipation of the Transaction, HTI provided Hydreight with a refundable, unsecured, non-interest-bearing loan of $25,000 concurrently with the signing of the Letter of Intent, which Hydreight used for working capital purposes. Pursuant to the Merger Agreement, HTI provided a refundable, secured, non-interest bearing loan to Hydreight in the amount of $200,000 for the purposes of funding Hydreight's working capital requirements. Pursuant to the $200,000 loan, Hydreight issued a promissory note to HTI and entered into a general security agreement with HTI, each effective as of September 13, 2022. As a result of the RTO effective November 28, 2022, both loans have been eliminated upon consolidation.

Immediately prior to the Closing and in consideration for the issuance by AssetCo to VST of 27,896,725 AssetCo Shares, VST, Hydreight and AssetCo executed an agreement to transfer the equity interest of Hydreight from VST to AssetCo ("Hydreight Equity Transfer"), such that, immediately following the Hydreight Equity Transfer, Hydreight became a wholly owned subsidiary of AssetCo. As a condition to the Closing, AssetCo completed a non-brokered private placement offering of an aggregate of 614,654 shares ("Concurrent Financing Shares") to subscribers ("Concurrent Financing Subscribers") for aggregate gross proceeds of $387,232 at a price per Concurrent Financing Share of $0.63. Prior to the Transaction Closing, HTI consolidated its shares on a 6.46805 to 1 basis. Immediately before Closing, there were (a) 51,333,727 Pre-Consolidation PCL Shares; (b) 100,000 Pre-Consolidation PCL Options; (c) 100 AssetCo Shares, excluding Concurrent Financing Shares; and (d) 614,654 Concurrent Financing Shares issued and outstanding.

On Closing HTI issued 28,511,479 shares at an estimated fair value of $0.63 per share in exchange for all of the issued and outstanding AssetCo Shares, including the Concurrent Financing Shares and reserve for issuance 15,460 shares in connection with the exercise of any Post-Consolidation PCL Options following the Amalgamation. Immediately prior to the Closing, AssetCo and PCL AcquisitionCo, a wholly owned subsidiary of HTI, amalgamated to form Hydreight Canada Holdings Inc. and each AssetCo Shareholder received that number of HTI shares as is equal to the number of AssetCo Shares held by such AssetCo Shareholder immediately prior to closing. Shortly after closing, HTI paid a finder's fee in the amount of $878,750 to Hike Capital Inc. ("Hike"), an arm's length party to HTI, VST and Hydreight, through the issuance of 1,394,841 shares at a deemed issuance price of $0.63.

After Closing, 37,842,827 shares are issued and outstanding on a non-diluted basis, of which approximately 27,896,825 shares are held by VST, 614,654 shares are held by Concurrent Financing Subscribers, and 7,936,507 shares are held by former HTI shareholders and 1,394,841 shares are held by Hike. Accordingly, approximately

(Expressed in Canadian dollars)

10. Reverse Takeover Transaction (Continued)

73.72% of the total issued and outstanding shares are owned by VST, 1.62% of the total issued and outstanding shares are owned by Concurrent Financing Subscribers, approximately 20.97% of the total issued and outstanding shares are owned by pre-Transaction HTI Shareholders, and approximately 3.69% of the total issued and outstanding shares are owned by Hike on a non-diluted basis.

The substance of the Transaction was a reverse acquisition of a non-operating company. For accounting purposes, the Transaction does not constitute a business combination under IFRS 3, since PCL, the predecessor entity, was a Capital Pool Company and did not meet the accounting definition of a business. As a result, the Transaction has been accounted for as an asset acquisition, with the consideration paid being determined as an equity-settled share-based payments transaction under IFRS 2, with Hydreight being identified as the accounting acquirer. As Hydreight was

deemed to be the acquirer for accounting purposes, its assets, liabilities, and operations since incorporation are included in the consolidated financial statements at their historical carrying values. The cost of listing in excess of the net identifiable assets of PCL acquired is charged as a listing expense on the Company's annual financial statement for the year ended December 31, 2022.

The following table represents the fair value of the share-based consideration provided and net assets acquired.

Fair value of consideration:		
Shares issued	$	5,000,000
Share-based payment reserve		6,826
Assumption of related party debt		(225,000)
Total consideration	**$**	**4,781,826**
Net assets acquired:		
Cash		1,851,148
Prepaid expenses		1,365
Accounts payable and accrued liabilities		(53,388)
Total net assets acquired	**$**	**1,799,125**
Non-cash listing expense	**$**	**2,982,701**
Transaction costs:		
Finder's fee		878,750
Legal and professional fees		77,190
Total listing expense	**$**	**3,938,641**

Escrowed Shares

Pursuant to regulatory restrictions upon Closing of the RTO, a total of 28,253,442 common shares were subject to escrow conditions. As at March 31, 2023 and December 31, 2022, a total of 26,796,245 common shares remained subject to these escrow conditions.

(Expressed in Canadian dollars)

11. 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. Subsequent to March 31, 2023, the Company's sub-lease agreement was terminated (Note 27).

Right-of-use asset at March 31, 2023 is as follows:

		VST		Hydreight		Total
Balance, January 1, 2023	$	384,033	$	18,703	$	402,736
Amortization		(48,004)		(9,126)		(57,130)
Balance, March 31, 2023	$	336,029	$	9,577	$	345,606

Lease liability at March 31, 2023 is as follows:

		VST		Hydreight		Total
Balance, January 1, 2023	$	429,526	$	18,663	$	448,189
Interest expense		19,662		484		20,146
Lease payment		(64,508)		(9,897)		(74,405)
Foreign currency translation		-		(21)		(21)
		384,680		9,229		393,909
Less: Current portion		181,541		9,229		190,770
Balance, March 31, 2023	$	203,139	$	-	$	203,139

(Expressed in Canadian dollars)

12. Property and Equipment

Property and equipment at March 31, 2023 consist of the following:

		Computer Equipment		Furniture and Other Equipment		Leasehold Improvements		Total
Cost								
Balance, March 31 and January 1, 2023	$	40,047	$	24,581	$	52,589	$	117,217
Accumulated depreciation								
Balance, January 1, 2023	$	39,946	$	24,581	$	21,035	$	85,562
Depreciation		101		-		3,945		4,046
Balance, March 31, 2023	$	40,047	$	24,581	$	24,980	$	89,608
Net book value, January 1, 2023	$	101	$	-	$	31,554	$	31,655
Net book value, March 31, 2023	$	-	$	-	$	27,609	$	27,609

13. Intangible Assets

Intangible assets at March 31, 2023 consist of the following:

		Blockchain Technology		DiscreetCare Website		SVR Technology and Trademarks		Hydreight - White Label		Hydreight App		Total
Cost												
Balance, March 31 and January 1, 2023	$	5,536,298	$	18,900	$	1,578,408	$	532,648	$	1,593,739	$	9,259,993
Accumulated depreciation												
Balance, January 1, 2023	$	(3,316,721)	$	-	$	(263,069)	$	(37,503)	$	(1,002,819)	$	(4,620,112)
Depreciation		(455,040)		-		(65,757)		(13,296)		(130,992)		(665,085)
Foreign currency translation		-		-		-		(223)		-		(223)
Balance, March 31, 2023	$	(3,771,761)	$	-	$	(328,826)	$	(51,022)	$	(1,133,811)	$	(5,285,420)
Net book value, January 1, 2023	$	2,219,577	$	18,900	$	1,315,339	$	495,145	$	590,920	$	4,639,881
Net book value, March 31, 2023	$	1,764,537	$	18,900	$	1,249,582	$	481,626	$	459,928	$	3,974,573

Blockchain Technology

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

Hydreight App

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

Hydreight White Label

Throughout 2021 and the first quarter of the 2022 fiscal year, Hydreight incurred costs to develop a white-label product built off its core technology. The technology was primarily financed by VST. The capitalized costs of the internally generated software consisted of the directly attributable costs of external labor and an allocation of Hydreight employee and contractor labour.

13. Intangible Assets (Continued)

Synthesis

On January 4, 2022, XRI acquired Synthesis through a share purchase agreement (Note 9). The purchase price allocation of this acquisition was finalized during the year ended December 31, 2022, and $1,578,408 was allocated to intangible assets as a result. The intangible assets include an allocation for trademarks and developed technology. Each component of the intangible asset acquired is being amortized on a straight-line basis over 6 years, commencing on acquisition.

14. 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 HTI disclosed in Note 10. In connection with the Loan as an inducement to the lender, VST also granted 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 Transaction subject to certain additional conditions. VST intends to use the proceeds from the loan for strategic opportunities and general working capital purposes.

The fair value of the debt component of the loan payable was determined at inception using the Company's incremental borrowing rate of 17%. A total of $154,770, representing the difference between the discounted value of $1,845,230 and the proceeds received of $2,000,000, was allocated to the equity component. The Company paid a finder's fee to an arm's length party in the amount of $100,000 and incurred legal fees of $23,087, allocated to the debt and equity component in the amount of $113,561 and $9,525 respectively. The resulting carrying value of the debt at inception was $1,731,668. Included in interest expense on the consolidated statement of loss and comprehensive loss is interest and accretion costs totalling $94,721 (March 31, 2022 - $Nil), resulting in an ending carrying value of $1,847,138 (December 31, 2022 - $1,752,417).

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.

(Expressed in Canadian dollars)

14. Loans Payable (Continued)

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 March 31, 2023, and through the date of these Financial Statements, the amended lender warrants, and Additional Warrants had not been issued.

Interest expense, accretion expense and the amortization of debt costs are being recognized over the loan period, with a total of $107,972 being recognized as interest expense during the period ended March 31, 2023 (March 31, 2022 - $259,191). Accrued interest as at March 31, 2023 is $390,516 (December 31, 2022 - $262,500) and included in accrued liabilities.

Loans payable as at March 31, 2023, consists of the following:

	VST secured loan	XRI	Total
Balance, January 1, 2023	$ 1,752,417	$ 2,798,524	$ 4,550,941
Amortization of transaction costs, accretion, and interest	94,721	107,972	202,693
Balance March 31, 2023	1,847,138	2,906,496	4,753,634
Less: Current portion	136,063	-	136,063
Balance, March 31, 2023	$ 1,711,075	$ 2,906,496	$ 4,617,571

15. CEBA loans

The Canada Emergency Business Account (CEBA) loan originally launched on April 9, 2020, and was 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 for the additional $20,000 made available under the program. Only three entities received this additional amount in the year ended December 31, 2020. The full value of the grant was spent in the course of business operations and the gain has been recognized in other income in the year received.

CEBA loans are eligible for partial loan forgiveness if $40,000 is repaid on or prior to December 31, 2023. If repaid, the balance of $20,000 will be forgiven. As of January 1, 2024, the CEBA loan no longer qualifies for loan forgiveness, interest accrues on the outstanding balance at a rate of 5% per annum, and the loan is due and payable on December 31, 2025.

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 $4,741 (March 31, 2022 - $5,876) for the period ended March 31, 2023. The balance of the loan as at March 31, 2023, was $139,962 (December 31, 2022 - $135,222).

(Expressed in Canadian dollars)

16. Other Payables

Other payables consist of the following:

		March 31, 2023		December 31, 2022
Funds received from investors for investments not proceeding	$	158,765	$	158,765
	$	158,765	$	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.

17. Convertible Note

On September 28, 2022, the Company executed a Share Exchange Agreement (the "Agreement") with 1288273 B.C. Ltd. ("1288273"), a company incorporated under the laws of British Columbia. Pursuant to the Agreement, the Company proposed to sell all of its issued and outstanding common shares to 1288273 with the intention of the Company and 1288273 completing a going public transaction (the "Proposed Transaction") on or before March 31, 2023, with provisions for extensions by both parties. Upon completion of Agreement, the Company would become a wholly-owned subsidiary of 1288273.
In connection to the Proposed Transaction, on August 21, 2022, the Company issued a $200,000 convertible debenture to an arm's length investor. The convertible note is non-interest bearing, unsecured, and upon a Liquidity Event, becomes convertible at the option of the holder into common shares of the Company at a conversion price of $0.15 per common share. The convertible debenture will mature two years after the closing date if no Liquidity Event occurs. Liquidity Event for the convertible debenture is defined as:

- the acquisition of the Company by another entity by means of any transaction or series of related transactions to which the Company is party (including, without limitation, any stock acquisition, reorganization, merger, amalgamation, arrangement, consolidation or other transaction but excluding any bona fide sale of stock for capital raising purposes);
- the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company or any subsidiary of the Company of all or substantially all the assets of the Company and its subsidiaries taken as a whole, or (2) the sale or disposition (whether by merger, amalgamation, arrangement, consolidation or otherwise and whether in a single transaction or a series of related transactions) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where the sale, lease, transfer, exclusive license or other disposition is to a wholly-owned subsidiary of the Company; or
- the closing of the transfer (whether by merger, amalgamation, arrangement, consolidation or otherwise), in a single transaction or series of related transactions, to a "person" or "group", of the Shares if, after such closing, such person or group would become the "beneficial owner" of more than 50% of the outstanding voting securities of the Company (or the surviving or acquiring entity).

On November 1, 2022, the Company received $125,000 from 1288273. The loan is unsecured, non-interest bearing and is due on the earlier of:

- the date of closing a Proposed Transaction with 1288273, or
- the termination of the Agreement in accordance with its respective terms and conditions.

(Expressed in Canadian dollars)

17. Convertible Note (Continued)

If the loan is not repaid upon the aforementioned maturity date, the loan will bear interest at 10% per annum. Interest will accrue on the loan until the total outstanding principal and interest is repaid in full.

Upon closing the Proposed Transaction, the outstanding principal amount of the loan shall automatically convert into common shares of the Company at a deemed price of $0.10 per common share.

Both the 1288273 convertible debt and the arm's length convertible debt have been assessed to be compound instruments with fixed conversion rates, and therefore the conversion feature is determined to be an equity component. The fair value of the 1288273 convertible debt has had its debt host liability fair valued using an market rate of interest of 16.51%, with $117,392 being allocated to the debt host and $7,608 being allocated to equity using the residual method. The fair value of the arm's length convertible debt has had its debt host liability fair valued using an market rate of interest of 13.99%, with $153,921 being allocated to the debt host and $46,079 being allocated to equity using the residual method.

The following table illustrates the movement of convertible debt's during the period ended March 31, 2023.

	2023	2022
Convertible debt	$ 281,588	$ 325,000
Interest accretion	10,864	10,275
Amount allocated to equity	-	(53,687)
	$ 292,452	$ 281,588
Short-term	$ 125,000	$ 121,136
Long-term	167,452	160,452
	$ 292,452	$ 281,588

(Expressed in Canadian dollars)

18. Deferred Revenue

Deferred revenue for the period ended March 31, 2023, consists primarily of Hydreight deferred revenue related to the unearned portion of annual subscription sales and an amount of pharmacy product sales for which the delivery of goods occurred after the year ended December 31, 2022. The following table is a summary of deferred revenue from contracts with customers and the change in those balances during the period ended March 31, 2023, and 2022. As at March 31, 2023, $Nil (December 31, 2022 - $105,626) of deferred revenue relates to goods and services transferred at a point in time, with the remaining $1,417,024 (December 31, 2022 - $1,616,240) relating to its services transferred over time.

	2023	2022
Balance, January 1	$ 1,721,866	$ 302,646
Revenue deferred in previous period and recognized as revenue in current period	(752,498)	(285,337)
New additions from contracts with customers during the current period	447,656	1,704,557
Balance, December 31	$ 1,417,024	$ 1,721,866
Current portion	$ 1,398,994	$ 1,703,821
Long-term portion	18,030	18,045
	$ 1,417,024	$ 1,721,866

19. Share Capital

Authorized Share Capital
Unlimited common shares without par value.

Issued Share Capital
As at March 31, 2023, there were 99,564,971 common shares outstanding (December 31, 2022 - 99,564,971).

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.

The Company did not grant any stock options during the period ended March 31, 2023. A total of 215,000 options granted in two issuances in 2021, expired through the period ended March 31, 2023. The combined weighted-average exercise price of the expired options was $0.79.

The Company's board of directors authorized the issue of 3,540,000 stock options to employees, officers, directors, and consultants during the comparative year ended December 31, 2021. Share-based payments for the period ended March 31, 2023, relating to the vesting of the options was $6,963 (March 31, 2022 - $Nil) and is recorded in the statement of loss and comprehensive loss. The value of expired options for the period ended March 31, 2023 was fully expensed in prior periods and will remain in reserve in accordance with the Company's share-based

(Expressed in Canadian dollars)

19. Share Capital (Continued)

payment and reserve accounting policy. The fair value of the options was calculated using the Black-Scholes option pricing model with the following assumptions:

	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)
Issued March 17, 2020	116%	0.15%	0%	5
Issued January 11, 2021	176%	0.30%	0%	3
Issued April 23, 2021	197%	0.30%	0%	2
Issued July 22, 2021	174%	0.60%	0%	3
Issued July 28, 2021	194%	0.42%	0%	2
Issued December 21, 2021	185%	1.00%	0%	2
Issued December 28, 2021	185%	0.99%	0%	3.25

Options outstanding as at March 31, 2023, 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
$0.51	250,000	July 22, 2024
$0.53	75,000	July 28, 2023
$0.43	125,000	December 21, 2023
$0.43	300,000	March 17, 2025
	7,677,500	

Stock options continuity for the year ended March 31, 2023, is as follows:

	Number of options	**WAV option price**
Balance, January 1, 2023	7,892,500	$0.36
Cancelled	(215,000)	$0.79
Balance, March 31, 2023	7,677,500	$0.34

Warrants

As a part of a special warrants financing transaction during the year ended December 31, 2020, 784,867 broker's warrants were issued, which convert to 1 common share and ½ agent's warrant, of which each full agent's warrant can be exercised to purchase a common share of the Company at $0.52. Additionally, 292,825 warrants were issued which are exercisable to purchase a common share of the Company at $0.78. The fair value of warrants issued excluding the special warrants was $427,165.

(Expressed in Canadian dollars)

19. Share Capital (Continued)

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

		Warrants		Broker's Warrants
Balance, March 31, 2023 and January 1, 2023	$	6,105,351	$	772,867
	$	6,105,351	$	772,867

Non-Controlling Interest

Share-based payments of subsidiary company

During the period ended March 31, 2023, XRI recorded $8,107 (March 31, 2022 - $526,806) in share-based compensation expense.

On May 1, 2021, XRI granted 4,300,000 stock options to employees, consultants, and directors exercisable at $0.25 and expiring on May 1, 2026. On August 12, 2021, XRI granted 3,100,000 stock options to employees and consultants exercisable at $0.25 and expiring on August 12, 2026. On January 27, 2023, XRI granted 591,428 options to consultants exercisable at $0.10 and expiring on January 27, 2025. These stock options vest according to specific terms on each employee, consultant, or director's stock option agreements.

The following weighted average assumptions were used in calculating the fair value of stock options granted and exercisable through the period ended March 31, 2023, using the Black-Scholes Option Pricing Model:

	Expected Volatility	**Risk-free Interest Rate**	**Expected Dividend Yield**	**Expected Life (in periods)**
Issued May 1, 2021	167%	0.92%	0%	5
Issued August 12, 2021	162%	0.91%	0%	5
Issued January 27, 2023	82%	3.65%	0%	2

The following weighted average assumptions were used in calculating the fair value of broker warrants and consultant warrants exercisable through the period ended March 31, 2023, using the Black-Scholes Option Pricing Model:

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

Share purchase rights agreement

The $2,000,000 loan agreement (Note 14) contains a share purchase rights clause whereby the lender has the right to acquire up to 1,222,222 of HTI shares from VST at the Transaction price over the term of the loan any time after

(Expressed in Canadian dollars)

19. Share Capital (Continued)

4 months following the completion of the Transaction. The lender has not exercised any share purchase rights as of the date of these consolidated financial statements.

Shares of subsidiary company transferred by Company

On August 26, 2021, the Company distributed 4,500,000 of its shares held in XRI to the Company's shareholders as a dividend and reduced its ownership to 78.7%. On September 10, 2021, the Company distributed 1,220,300 of its shares held in XRI to various related parties and reduced its ownership to 77%. The fair value of the transaction was $305,075, with $192,147 and $112,928 recorded to consulting expense and prepaids respectively. On November 11, 2021, the Company distributed 4,500,000 for the second tranche of the dividend of its shares held in XRI to the Company' shareholders reducing its ownership to 70.5%. As at March 31, 2023, the Company's ownership interest was 54.55% (December 31, 2022–- 54.55%), reduced further by the shares of XRI issued on the acquisition of Synthesis (Note 9).

20. Related Parties

Related Party Transactions

During the period ended March 31, 2023, and 2022, the Company entered into the following transactions with related parties:

		March 31, 2023		March 31, 2022
Management fees revenue	$	-	$	100,820
Professional and consulting fees	$	54,733	$	113,531
Executive compensation	$	230,750	$	125,000
Share-based compensation of subsidiaries	$	-	$	48,058

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:

- $230,750 (March 31, 2022 - $125,000) in executive compensation to the CEO and Chief Growth Officer of VST and executive officers of XRI and Hydreight.
- $54,733 (March 31, 2022 - $113,531) in professional fees to company controlled by the CFO, for controller, bookkeeping, corporate secretarial and CFO services;
- $Nil (March 31, 2022 - $48,058) in share-based compensation related to XRI stock options to the CEO and CFO.

(Expressed in Canadian dollars)

20. Related Parties (Continued)

Due from Related Parties

		March 31, 2023		December 31, 2022
Due from a Director	$	250	$	250
Due from Subsidiary Management		215		215
Due from GameOn Entertainment		106,080		67,159
Due from Shop & Shout		185,450		185,450
Due from Victory Square Health		7,000		7,000
Due from Safetest		26,000		10,000
Due from Cassia, dba CoPilot		2,095		2,095
	$	327,090	$	272,169

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

Due to Related Parties

		March 31, 2023		December 31, 2022
Due to former owners of SVR (Note 9)	$	300,000	$	300,000
Due to former owners of SVR - contingent consideration (Note 9)		295,333		-
Due to Shop & Shout		801,654		801,654
Due to CEO		44,275		86,046
	$	1,441,262	$	1,187,700

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

The amount due to former owners of SVR is owed by XRI to the former shareholders of SVR, being the balance of the initial purchase price to be settled in cash as well as the initial value attributable to contingent consideration at the time of the acquisition (Note 9).

The amount due to Shop & Shout relates to a clause within the Shop & Shout investment agreement from the fourth quarter of 2021 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 and using historical stock price data and scenario modelling, the contingent consideration was valued at $550,352, such that the total investment book value on the date of investment was $975,352. The value of this contingent consideration as of March 31, 2023, was determined to be $652,247 (December 31, 2022 - $652,247) after a $Nil (December 31, 2022 - $101,894) revaluation of the contingent liability based on the Company's share price as at March 31, 2023. As at the period ended March 31, 2023, the Company has advanced a total of $185,450 to Shop & Shout in anticipation of a final settlement to be agreed upon at a later date.

As at March 31, 2023, the Company has $42,107 (December 31, 2022 - $50,515) in related party loans due to the CEO, which includes $2,168 (December 31, 2022 - $2,168) in accrued interest. This related party loan is unsecured, due on demand, and bear interest at 3%.

(Expressed in Canadian dollars)

20. Related Parties (Continued)

Related Party Balances

As at March 31, 2023, the Company has $268,332 (December 31, 2022 - $132,680) due to related parties included in trade payables and accrued liabilities. As at March 31, 2023, the Company has $159,253 (December 31, 2022 - $27,034) due from related parties included in trade receivables. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

21. 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
VS Digital Health (Delaware)	Health
Hydreight Technologies Inc	Health
Hydreight Canada Holdings Inc	Health
IV Hydreight Inc	Health

[1] Parent corporation

Segmented operations were as follows as at and for the period ended March 31, 2023:

	Investments	Software	Immersive Services	Health	Total
Current assets	$ 1,086,315	$ 69,246	$ 588,537	$ 2,405,080	$ 4,149,178
Non-current assets	17,039,098	-	991,553	976,872	19,007,523
	$ 18,125,413	$ 69,246	$ 1,580,090	$ 2,137,354	$ 23,156,701
Current liabilities	$ 2,257,204	$ 63,706	$ 1,441,621	$ 2,103,200	$ 5,865,731
Non-current liabilities	2,133,464	39,055	3,304,648	9,229	5,486,396
	$ 4,390,668	$ 102,761	$ 4,746,269	$ 2,112,429	$ 11,352,127

(Expressed in Canadian dollars)

21. Operating Segments (Continued)

	Investments	Software	Immersive Services	Health	Total
Revenue	$ 20,000	$ 25,854	$ 200,659	$ 2,630,812	$ 2,877,325
Cost of goods sold	-	-	(10,915)	(1,359,224)	(1,370,139)
Gross margin	20,000	25,854	189,744	1,271,588	1,507,186
Expenses	(1,010,376)	(86,028)	(213,002)	(1,158,965)	(2,468,371)
Deferred tax recovery	27,508	-	-	-	27,508
Other gains (losses)	(105,638)	-	(49,641)	(5,756)	(161,035)
Net income (loss)	(1,068,506)	(60,174)	(72,899)	106,867	(1,094,712)
Non-controlling interest	8,192	-	-	-	8,192
Other Comprehensive Income	(4,469)	-	(118,310)	(802)	(123,581)
Comprehensive income (loss)	$ (1,064,783)	$ (60,174)	$ (191,209)	$ 106,065	$ (1,210,101)

22. 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, government sales tax receivable, and due from related parties. Based on the evaluation of receivables at March 31, 2023, the Company believes that its receivables are collectable and management has determined credit risk to be low.

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.

(Expressed in Canadian dollars)

22. Financial Risk Management

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.

Contractual Obligations As at March 31, 2023	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Trade payables and accrued liabilities	$2,334,285	$2,334,285	$ -	$ -	$ -
Other payables	158,765	158,765	-	-	-
Related party loans	1,441,262	1,441,262	-	-	-
Leases	393,909	190,770	203,139	-	-
Loans payable	4,753,634	136,063	4,617,571	-	-
CEBA Loans	139,962	-	139,962	-	-
Total Contractual Obligations	$6,887,532	$1,926,860	$4,960,672	$ -	$ -

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's subsidiaries, Hydreight and SVR, have a functional currency of the USD and therefore the Company bears the risk of fluctuations in the exchange rate between the USD and CAD with respect to Hydreight and SVR's results of operations and financial position.

e) Fair value risk

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.

22. Financial Risk Management (Continued)

Cash, marketable securities, and unrestricted public company investments are measured using Level 1 inputs. Public company investments subject to restrictions are considered Level 2.

Private company investments and contingent consideration derivative liabilities are considered Level 3.

For investments that are not publicly traded, subsequent to initial recognition, the fair value of these investments is determined by the Company using the most appropriate valuation methodology in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio.

Investments are valued at cost for a limited period after the date of acquisition, if the purchase price remains representative of the fair value at the reporting date; otherwise, investments are valued using one of the other methodologies detailed below.

Investments in which there has been a recent or in-progress funding round involving significant financing from external investors are valued at the price of the recent funding, whereby the various shareholder categories rights are taken into account in the valuation. The price is adjusted, where appropriate.

Investments in which there has been a recent private secondary market trade of meaningful volume and the transaction is undertaken by a sophisticated, arm's-length investor are valued at the price of the recent trade.

Investments in established companies for which there has not been any recent independent funding or secondary private market transaction are valued using revenue or earnings multiples. When valued on a multiple basis, the maintainable revenue or earnings of a portfolio company are multiplied by an appropriate multiple. The multiple is derived from the market capitalization of a peer group. Companies are selected for the peer group that are comparable with the portfolio company to be valued as to their business model and size. If the portfolio company to be valued differs in certain aspects compared with features of companies in the peer group, discounts or premiums are applied to the relevant multiple or resulting valuation.

Investments in early-stage companies not generating sustainable revenue or earnings and for which there has not been any recent independent funding are valued using alternative methodologies. The Company considers investee company performance relative to plan, going concern risk, continued funding availability, comparable peer group valuations, exit market conditions and general sector conditions and calibrates its valuation of each investment as appropriate.

The Company may apply a further illiquidity discount to the fair value of an investment if conditions exist that could make it challenging to monetize the investment in the near term at a price indicated by the valuation models. The amount of illiquidity discount applied requires considerable judgment and is based on the facts and circumstances of each investment.

The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties, and the resulting values may differ significantly from values that would have been used had a ready market existed for the investments. These differences could be material to the fair value of investments in the portfolio.

During the period there has been no movement of investments from Level 3 to Level 1 or Level 2.

The Company's financial instruments consist of cash and cash equivalents, trade receivables, marketable securities, certain investments, amounts due from related parties, trade payables, loans payable, other payables, convertible

(Expressed in Canadian dollars)

22. Financial Risk Management (Continued)

debt, and related party loans. The carrying value of financial instruments approximates the fair value at March 31, 2023.

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.

23. Revenue and Cost of Goods Sold

Revenue

	Three months ended March 31, 2023	Three months ended March 31, 2022
Immersive experiences	$ 200,659	$ 110,389
Health	2,630,812	780,217
Software	25,854	970
Management fees	-	100,821
Sublease	20,000	24,700
	$ 2,877,325	$ 1,017,097

Cost of Goods Sold

	Three months ended March 31, 2023	Three months ended March 31, 2022
Immersive experiences	$ 4,146	$ 82,123
Health	1,359,224	289,959
Software	6,769	70,875
	$ 1,370,139	$ 442,957

24. Interest and Other Income

During the period ended March 31, 2023, XRI accrued $54,087 (March 31, 2022 - $Nil) for a provincial government tax credit for eligible salaries and wages incurred in the 2021 taxation year. The credit is anticipated to be refunded in the second quarter of 2023. In the comparative period ended March 31, 2022, XRI had major sources of interest and other income of $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.

25. Non-Controlling Interest

HTI

On closing of the Transaction (Note 10), 37,842,827 shares of HTI are issued and outstanding on a non-diluted basis, of which approximately 27,896,825 shares are held by VST representing a 73.27% interest, with the balance of 26.73% reported in NCI.

XRI

As of March 31, 2023, the Company owns 54.55% of XRI and records the balance of 45.45% in NCI.

26. Subsequent Event

a) Subsequent to period end, the Company negotiated a termination of its right-of-use office lease. The right-of-use asset and related liability related to this lease will be derecognized in the ensuing reporting period (Note 11).

b) On April 3, 2023, the Company sold 1,250,000 shares of Cloud Nine to an arm's length party for proceeds of $62,500.