MANAGEMENT DISCUSSION AND ANALYSIS FOR VICTORY SQUARE TECHNOLOGIES INC.

Year ended December 31, 2023 and 2022

Prepared as of April 29, 2024

TABLE OF CONTENTS

This MD&A

This management's discussion and analysis (this "**MD&A**") of the performance, financial condition, and results of operations of Victory Square Technologies Inc. ("**Victory Square**", "**VST**", the "**Company**", "**we**" and "**our**"), should be read in conjunction with the Company's audited annual consolidated financial statements and the related notes thereto for the twelve months ended December 31, 2023 and December 31, 2022 (the "**2023 Financial Statements**"). The Company's reporting currency is the Canadian dollar, and all dollar amounts in this MD&A are expressed in Canadian dollars, unless otherwise specified. Unless otherwise indicated, the information contained in this MD&A is as of April 29, 2024.

The financial information of the Company contained in this MD&A is derived from the 2023 Financial Statements which were prepared in accordance with International Accounting Standards using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. The accounting policies and methods of computation applied in the Company's annual consolidated Financial Statements as at and for the year ended December 31, 2023.

Additional information relating to the Company, including the Financial Statements, is available at www.sedarplus.ca.

Cautionary Statement Regarding Forward-Looking Statements

Statements that are not reported financial results or other historical information are forward-looking statements or forward-looking information within the meaning of applicable securities laws (collectively, "**forward-looking statements**"). This MD&A includes forward-looking statements regarding the Company and its Investees (as defined herein) (collectively, the "**Group**") and the industries in which the Group operates, including statements about, among other things, expectations, beliefs, plans, future operations of the Group and origination of additional companies in which the Company holds an interest and acquisition opportunities for the Group, business and acquisition strategies, opportunities, objectives, prospects, assumptions, including those related to trends and prospects, and future events and performance. Sentences and phrases containing or modified by words such as "anticipate", "plan", "continue", "estimate", "intend", "expect", "may", "will", "project", "predict", "potential", "targets", "projects", "is designed to", "strategy", "should", "believe", "contemplate" and similar expressions, and the negative of such expressions, are not historical facts and are intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Forward-looking statements should not be read as guarantees of future events, future performance or results, and will not necessarily be accurate indicators of the times at, or by which, such events, performance or results will be achieved, if achieved at all. Forward-looking statements are based on information available at the time and/or management's expectations with respect to future events that involve a number of risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. The factors described under the heading "*Other Risks and Uncertainties*", as well as any other cautionary language in this MD&A, provide examples of risks, uncertainties and events that may cause the Group's actual results to differ materially from the expectations it describes in its forward-looking statements. Readers should be aware that the occurrence of the events described in these risk factors and elsewhere in this MD&A could have an adverse effect on, among other things, the Group's business, prospects, operations, results of operations and financial condition.

Specific forward-looking statements contained in this MD&A may include, among others, statements, management's beliefs, expectations or intentions regarding the following:

- timelines;
- strategic plans;
- the business and operations of the Group;
- the business, operations, strategies and expectations of the Group;
- the inflationary environment and uncertainty created by Russia's invasion of Ukraine;
- the Group's reliance on key management personnel, advisors and consultants;
- the continuation of the Company as a going concern;
- the impacts of changes in the legal and regulatory environment in which the Company operates;
- the Group's business objectives and discussion of trends affecting the business of the Group;
- the funds available to the Group and the principal purposes of those funds;
- anticipated revenues and cash flows from operations and funding requirements of the Group;
- capital, operating and general expenditures;
- expectations regarding the ability to raise capital;
- anticipated revenues to be realized by the Group from future contracts;
- treatment under governmental regulatory regimes and expectations with respect to regulatory approvals; and
- other forward-looking statements including, but not limited to, information concerning the intentions, plans and future actions of the Group.

Forward-looking statements are based on reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such information is made available. Forward-looking statements are inherently subject to known and unknown risks and uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Group to be materially different from those expressed or implied by such forward-looking statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended, including the factors and risks described or referred to elsewhere herein, as well as unanticipated and/or unusual events. Many of such factors are beyond the Company's ability to predict or control. Risks and uncertainties that may affect forward-looking statements include, but are not limited to, those which relate to the following:

- the limited operating history of members of the Group, including the Company;
- the current lack of profitability of members of the Group, including the Company;
- the need to obtain additional financing and uncertainty as to the availability and terms of future financing;
- the ability to acquire funds necessary for general working capital and continuing operations;
- reliance on sale of equity or investments to access funds required;
- the possibility that opportunities will arise that require more cash than the Group has or can reasonably obtain;
- uncertainties associated with business opportunities that may be presented to, or pursued by the Group;
- parameters and assumptions underlying future investments and acquisitions;
- risks relating to investments in equity securities;
- the possibility that the Group will be unable to dispose of illiquid securities;
- risks that the asset classes held in the Group's equity portfolio will underperform the market;
- risks associated with investments in blockchain, healthcare, gaming and other technologies;
- risk the Company's portfolio is too concentrated and not sufficiently diversified;
- risks associated with investments in the technology sector;

- risks associated with investments in small and mid-capitalization companies;
- the Group's operations, investment strategies and profitability may be adversely affected by competition from other similar entities;
- uncertainties related to early stage of technology and product development;
- uncertainties related to regulatory regimes and laws;
- dependence on key personnel;
- fluctuations in the currency markets and stock market volatility;
- going concern considerations;
- conflicts of interest;
- changes in the regulatory environment;
- competition for, among other things, capital, acquisitions, equipment and skilled personnel;
- operating or technical difficulties in connection with business activities;
- the possibility of cost overruns or unanticipated expenses; and
- the other factors discussed under the heading "*Other Risks and Uncertainties*".

Readers are cautioned that the foregoing list of forward-looking statements should not be construed as being exhaustive.

In making the forward-looking statements in this MD&A, the Company has made assumptions regarding general economic conditions, strength of relationships with Investees, regulatory oversight and such other risks or factors described in this MD&A and from time to time in public disclosure documents of the Group that are filed with securities regulatory authorities.

The Company notes that management can offer no assurance such forward-looking statements will occur or be accurate in the circumstances. Accordingly, readers should not place undue reliance on forward-looking statements, which speaks only to opinions, estimates and assumptions as of the date made. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement and are made as at the date of this MD&A. The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. If the Company does update one or more forward-looking statements, it is not obligated to, and no inference should be drawn that it will, make additional updates with respect thereto or with respect to other forward-looking statements.

Russian invasion of Ukraine

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.

The Company and Key Milestones

General

Victory Square is a Venture Builder focused on investing in disruptive innovation.

VST was founded to fill the early-stage investment gap for a broad range of investors.

Victory Square provides investors with a liquid way to invest in some of the world's most innovative early-stage technology companies without buying a venture fund that requires accredited investor status or multi-year commitments. It also can be purchased by non-accredited investors who are restricted from buying venture funds. It is an excellent way to diversify into early-stage ventures.

VST invests primarily in leading edge technology, such as artificial intelligence (AI), machine learning (ML), digital health, blockchain, gaming and climate tech, which provide the potential for high growth and returns.

Our Advantage is twofold:

1. We have unparalleled access to start-ups through our internal incubator, Living Labs, and start up accelerators like Launch Academy with more than 80 global accelerator partners.
2. Second, our management team and advisors are actively involved in our investments from incubation through monetization, providing them with financial, operational, and strategic support to scale globally.

With real skin in the game, management is aligned with investors. The company's goal is to increase its NAV as well as spin off investments to shareholders increasing their total returns. The company funds its new investments primarily with shares and by selling off older ones for cash and keeps share dilution to a minimum.

As of the date hereof, our portfolio consists of twelve subsidiaries (the "**Subsidiaries**") and certain investments in additional companies (the "**Portfolio Companies**" and, together with the Subsidiaries, the "**Investees**").

Subsidiaries

The subsidiaries are controlled by the Company. Control exists when the Company is exposed, or has rights, to the variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Portfolio Companies

Portfolio companies are recorded as investments (see further details in Note 2 of the 2023 Financial Statements). Investments which are classified as financial instruments under IFRS 9 are initially recorded at the fair value at the time of acquisition. Subsequent measurement depends on the classification of the financial instrument. For those investments in which the Company has significant influence the Company uses the equity method of accounting whereby an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net profit or loss of the investee. Any distributions received from the investee company reduce the carrying amount of the investment.

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

Investments in films and games are classified as intangible assets and recorded at the lower of amortized cost or recoverable amount. The valuation of investments in films and games are reviewed when an event or change in circumstances indicates that the fair value of a film or game is less than its unamortized cost. The Company records an impairment charge if the amount is less than the amortized cost.

Victory Square is headquartered in Vancouver, Canada, and the common shares in the capital of the Company (the "**Common Shares**") are listed on the Canadian Securities Exchange under the symbol "VST", the Frankfurt Stock Exchange under the symbol "6F6" and the OTCQX tier of the OTC Markets under the symbol "VSQTF".

Development of the Business

The Company was incorporated as Fantasy 6 Sports Inc. under the *Business Corporations Act* (British Columbia) on February 10, 2015. On October 19, 2015, the Company acquired Draft Label Technologies Inc. and its subsidiary, PDL USA Inc., pursuant to a share exchange agreement. As a result of this business combination, the Company acquired certain software, source code and cloud hosting services.

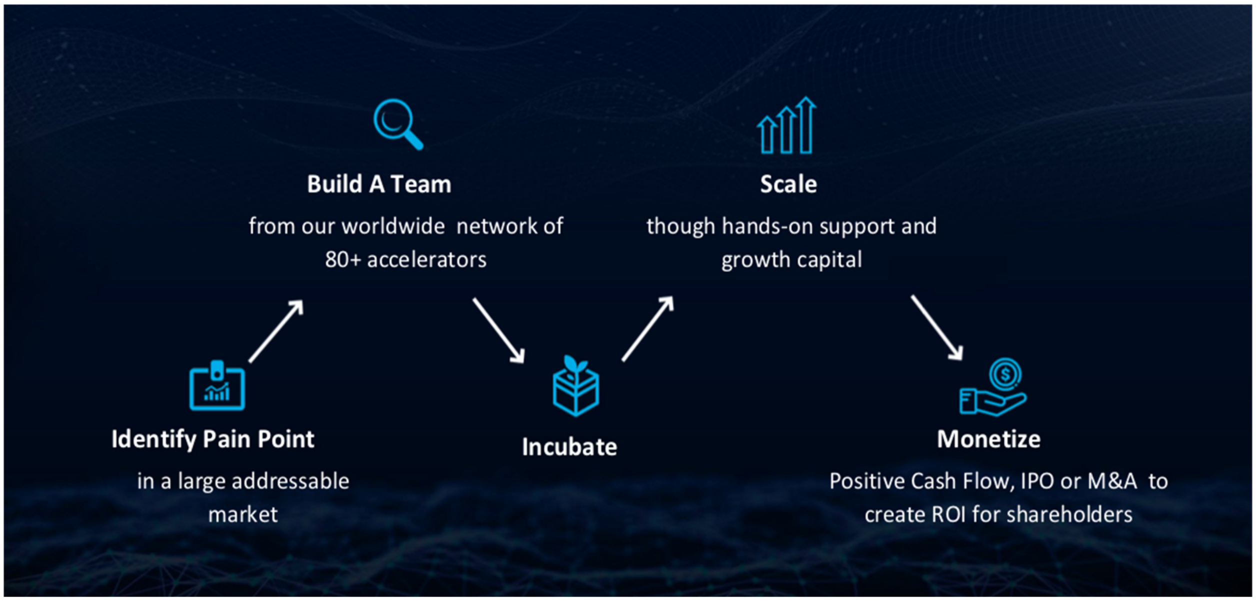
On April 29, 2016, the Company filed a long form prospectus with the BCSC, qualifying the distribution of 5,094,000 common shares issuable upon the exercise of special warrants previously issued by the Company for gross proceeds of $509,400. Trading in the common shares commenced on the CSE on May 4, 2016.

On June 9, 2017, the Company changed its name to Victory Square Technologies Inc and changed its trading symbol on the CSE from "FYS" to "VST".

Our Approach

What We Do Differently for Start-Ups

Victory Square isn't just another investor. With real skin in the game, we are committed to ensuring each Investee succeeds. Our secret sauce starts with selecting start-ups that have real solutions, not just ideas. We pair these companies with senior talent in product, engineering, customer acquisition and more. Then we let the companies do what they do best – build, innovate and disrupt. In 24 to 48 months, the companies are generally ready to scale and monetize.



What We Do Differently for Investors

For investors, we offer a liquid way to invest in some of the world's most innovative early-stage technology companies without buying a venture fund that requires accredited investor status or multi-year commitments. It also can be purchased by non-accredited investors who are restricted from buying venture funds. Our portfolio provides a uniquely liquid, and transparent way for investors to get access to the latest technologies and emerging global trends. It is an excellent way to diversify into early-stage ventures.

VST invests primarily in leading edge technology, such as artificial intelligence (AI), machine learning (ML), digital health, blockchain, gaming and climate tech, which provide the potential for high growth and returns

Philanthropic Contributions

Victory Square is dedicated to giving back to the communities in which it operates. The Company's mandate is to assist organizations through its time, talent, and treasury. The Company is committed to organizations that provide services in the youth, mental health, special needs, sport, tech, education, marginalized groups, First Nations, and accessibility sectors.

The company has provided time, knowledge and financial contributions to: Variety the Children Charity of BC, CKNW KIDS FUND, Simon Fraser University Tech Camp, The BC Sports Hall of Fame & Museum, Covenant House Vancouver, YWCA, Coast Mental Health, The Cerebral Palsy Association of BC, and the BC Children's Hospital Foundation.

Our Investees

Our Subsidiaries

The table below sets out our Subsidiaries as at the date hereof.

Subsidiary	Vertical
VS Digital Health Inc. ("**VS Digital Health USA**") VS Digital Health Inc. ("**VS Digital Health**")	Digital Health, Online Pharmacy, Diagnostic Testing, Artificial Intelligence (AI), Machine Learning (ML)
Hydreight Canada Holdings Inc. ("**HCH**")	Digital Health, Online Pharmacy, Diagnostic Testing
IV Hydreight Inc. ("**Hydreight**")	Digital Health, Online Pharmacy, Diagnostic Testing
Hydreight Technologies Inc. ("**HTI**")	Digital Health, Online Pharmacy, Diagnostic Testing
Healthcare Prosoft LLC ("**Prosoft**")	Digital Health, Online Pharmacy, Diagnostic Testing
Futura Health & Wellness Inc. **("Futura")**	Digital Health, Online Pharmacy, Diagnostic Testing, Artificial Intelligence (AI), Machine Learning (ML)
Draft Label Technologies Inc. ("**Draft Label**")	Digital Health, Online Pharmacy, Diagnostic Testing, Artificial Intelligence (AI), Machine Learning (ML)
PDL USA Inc. ("**PDL USA**")	Custom Software Development
XR Immersive Tech Inc., (formerly Fantasy 360 Technologies Inc) ("**XR Immersive Tech**")	Virtual Reality ("**VR**"), Augmented Reality ("**AR**"), Artificial Intelligence (AI), Machine Learning (ML), Web3
Synthesis VR Inc. ("**Synthesis**")	Virtual Reality ("**VR**"), Augmented Reality ("**AR**"), Artificial Intelligence (AI), Machine Learning (ML), Game Development, Web3
Insu Therapeutics Inc. ("**Insu**")	Injectables Medicines, Peptide–Based Medicines, Diabetes Treatment, Non-Invasive Oral Insulin Delivery Technology
VS Blockchain Assembly Inc. ("**VS Blockchain**")	Blockchain, Artificial Intelligence (AI), Machine Learning (ML)
BlockX Capital Corp. ("**BlockX**")	Blockchain, Artificial Intelligence (AI), Machine Learning (ML)

Subsidiaries are fully consolidated with any applicable non-controlling interest ("**NCI**") taken in the audited financial statements for the year ended December 31, 2023.

Our Portfolio Companies

The table below sets out our Portfolio Companies as at the date hereof.

Portfolio Company	Vertical
Victory Square Health Inc. ("**VS Health**")	Digital Health, Diagnostic Testing, Artificial Intelligence (AI), Machine Learning (ML)
Cassia Research Inc., doing business as CoPilot AI ("**CoPilot AI**")	Artificial intelligence (AI), Sales & Marketing Automation
Cloud Benefit Solutions Inc., doing business as Cloud Advisors ("**Cloud Advisors**")	Insurance Tech, Artificial Intelligence (AI), Machine Learning (ML)
MLVX Technologies Inc., doing business as Metaspectral [(1)] ("**Metaspectral**")	Artificial intelligence (AI), Machine Learning (ML), Computer Vision
FansUnite Entertainment Inc. ("**FansUnite**")	Sports Betting, Gaming, Esports
Flo Digital Inc. [(1)] ("**Flo Digital**")	Virtual Reality ("**VR**"), Augmented Reality ("**AR**"), Metaverse, Web3
Kyn Biosciences Inc. [(1)] ("**Kyn**")	Plant-based Science
Howyl Ventures Inc., doing business as Capaciti [(1)] ("**Capaciti**")	Web3, Future of Work
Turnium Technology Group Inc. (formerly Multapplied Networks Inc.) ("**Turnium**")	Software Defined Wide Area Network Platforms (SD-WAN)
Next Decentrum Technologies Inc. ("**Next Decentrum**")	Web3, Blockchain, NFTs
PayVida Solutions Inc. [(1)] ("**PayVida**")	Fintech
Silota Research and Development Inc. ("**Silota**")	Web3, Blockchain, DeFi, Data Infrastructure
Shop & Shout Ltd., doing business as Creator.co ("**Creator.co**") [(2)]	Creator Economy, Web3, NFTs
Anonymous Intelligence Company Inc. ("**ANON**")	Web3, EdTech, Artificial Intelligence (AI), Machine Learning (ML)
Stardust Solar Technologies Inc. ("**Stardust Solar**")	Solar Energy, Renewables, EV Charging
Flora Growth Corp. [(1)] ("**Flora Growth Corp.**")	Plant-based Science
GameOn Entertainment Technologies Inc. ("**GameOn**")	Web3, Blockchain, Gaming, NFTs, Sports, Entertainment

(1) Included in "Other" in the Financial Statements in Note 9 "Investments" in 2023 Financial Statements
(2) The Company's interest in Creator.co was divested in the year ended December 31, 2023. See Note 9 in the 2023 Financial Statements.

Portfolio companies are reflected in the audited annual consolidated 2023 Financial Statements in Notes 9 and 10 for movements in each distinct and material investment for the current and prior comparative year. A majority of the Company's portfolio companies are investments in privately held companies, and as such no additional operating information is publicly disclosed beyond what is required for financial statement disclosures.

Key Transactions in 2023

The following key transactions were recorded in the 2023 Financial Statements:

- Effective July 4, 2013, the Company transferred 1,138,247 common shares of HTI to third party consultants as consideration for several software development projects in development. The transfer was recorded based on the share price of HTI shares of $0.43 on the date of transfer. The decrease in VSTs interest in HTI is recorded in NCI.

- On July 10, 2023, the Company divested its interest in Shop & Shout by way of a settlement agreement whereby it transferred all shares and forfeiture of its options in Shop & Shout in exchange for consideration of $300,000. The consideration was also in settlement of its amount due from Shop & Shout of $185,450 and $29,485 of unpaid sub-lease rent included in trade receivable, together included in other losses as loss on settlement of receivables. Also included in other gains, the Company derecognized $801,654 in contingent consideration. The difference between the cash consideration received and carrying value of the investment amounted to $893,000 and is recognized as a realized loss on investment and included in other gains (losses) on the consolidated statement of loss and comprehensive loss.

- On July 12, 2023, the Company and Draft Label 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 exchanged all of its issued and outstanding common shares of Draft Label to 1288273 in exchange for 45,000,000 common shares and 15,000,000 preferred shares of 1288273. Upon completion of the Agreement, Draft Label and its subsidiary PDL USA became wholly owned legal subsidiaries of 1288273. On August 14, 2023, 1288273 changed its name to Futura Health & Wellness Inc. ("Futura"). Also, effective August 14, 2023, a director resolution was executed appointing the CFO of VST as a director of Futura and the resignation of the sole former director. Immediately after the Agreement and through the year ended December 31, 2023, VST owned 58.46% of the common shares and 100% of the preferred shares of Futura.

  The substance of the share exchange transaction was a reverse acquisition of a non-operating company. For accounting purposes, the share exchange transaction does not constitute a business combination under IFRS 3, since Futura, the predecessor entity, is a private company and did not meet the accounting definition of a business. As a result, the share exchange transaction has been accounted for as an asset acquisition, with the consideration paid being determined as an equity-settled share-based payment transaction under IFRS 2, with Draft Label being identified as the accounting acquirer as a result of Futura becoming a wholly owned accounting subsidiary of DLT. As DLT was deemed to be the acquirer for accounting purposes, all of DLT and Futura assets, liabilities, and operations since incorporation are consolidated at their historical carrying values. The total consideration in excess of the net identifiable assets of Futura acquired is charged as a transaction expense in contemplation of a go-public transaction in the consolidated statement of loss and comprehensive loss.

The fair value of consideration shares deemed issued by DLT is $2,272,425, calculated based on the share price of the most recent issuance per share of $0.10 multiplied by the deemed exchange ratio.

The acquisition was recorded as follows:

		Futura Asset Acquisition
Number of Draft Label shares issued:		22,724,253
Price per share		$0.10
Fair value of consideration	$	2,272,425
Less: Pre-existing relationship		(157,000)
		2,115,425
Less: Fair value of 1288273 net assets		(1,580,747)
Add: Legal fees attributable to transaction		62,228
Total transaction expense on acquisition of Futura	$	596,906

Summary of Quarterly Results

The table below sets out a summary of certain financial results of the Company over the past eight quarters and is derived from the audited annual consolidated financial statements of the Company.

Fiscal Quarter Ended	Revenue	Net Loss for the Period	Comprehensive Loss for the Period	Basic and Diluted Loss Per Share
December 31, 2023	3,325,822	(12,462,193)	(12,501,552)	(0.10)
September 30, 2023	3,213,031	(2,576,681)	(2,799,383)	(0.02)
June 30, 2023	2,638,892	(1,199,873)	(851,936)	(0.01)
March 31, 2023	2,877,325	(1,150,300)	(1,273,881)	(0.01)
December 31, 2022	2,076,995	(14,794,620)	(14,837,225)	(0.12)
September 30, 2022	1,620,221	(3,473,694)	(3,584,645)	(0.04)
June 30, 2022	1,214,783	(5,785,189)	(5,786,462)	(0.05)
March 31, 2022	1,017,097	(4,534,865)	(4,521,258)	(0.04)

The Company invests in early-stage technology companies. Increases and decreases in the value of those companies have the greatest impact on the results of operations of the Company from quarter to quarter. It is within the business cycle to see periods of net losses when first investing in a new company, spending 18-36 months incurring expenses and building the business, and then in subsequent periods realizing the gains and revenues from those early investments. This trend can be seen in the quarterly information above as the Company made major investments in 2018 through 2021, incurred expenses and losses throughout these periods while investing in those companies, and then began to monetize and realize increased revenues and gains as the companies mature and increase in value. The Company's net loss and comprehensive loss per period is materially affected by the fair value adjustments of its publicly listed investees and fourth quarter adjustments when valuing interests in privately held investments for annual audited financial statements.

- The net loss for the quarter ended December 31, 2023, is primarily due to operating losses from consolidated subsidiaries, impairment of non-financial assets and partially offset by increased revenue from Hydreight.
- The net loss for the quarter ended September 30, 2023, was mainly attributed to operating losses from consolidated subsidiaries, partially offset by increased revenue from Hydreight and a decrease in revenue from XRI.

- The net loss for the quarter ended June 30, 2023, was primarily due to operating losses from consolidated subsidiaries, partially offset by increased revenue from Hydreight and a decrease in revenue from XRI.
- The net loss for the quarter ended March 31, 2023, was mainly attributed to operating losses from consolidated subsidiaries, partially offset by increased revenue from Hydreight.
- The net loss for the quarter ended December 31, 2022, resulted primarily from the fair value write-down on portfolio investments due to the market environment as well as operating losses from consolidated subsidiaries, partially offset by increased revenue from Hydreight.
- The net loss for the quarter ended September 30, 2022, was correlated to the fair value write-down on portfolio investments due to the market environment as well as operating losses from consolidated subsidiaries.
- The net loss for the quarter ended March 31, 2022, resulted from continued operating losses in XRI and VST.

Selected Annual Information

The table below sets out selected annual financial results of the Company and is derived from the Financial Statements.

	As at December 31, 2023	As at December 31, 2022	As at December 31, 2021
Current assets	$ 2,588,292	$ 4,525,967	$ 5,442,063
Non-current assets	9,196,339	19,650,056	31,889,090
Total assets	11,784,631	24,176,023	37,331,153
Currrent liabilities	7,986,641	5,879,387	5,337,645
Non-current liabilities	4,083,954	5,050,799	834,497
Total liabilities	12,070,595	10,930,186	6,172,142

	2023	2022	2021
Total revenue	$ 12,055,070	$ 5,929,096	$ 1,494,450
Net income (loss)	(17,389,047)	(28,537,234)	(15,745,665)
Comprehensive income (loss)	(17,426,752)	(28,678,456)	(15,745,343)
Net income (loss) per share, basic	(0.14)	(0.25)	(0.15)
Net income (loss) per share, diluted	(0.14)	(0.25)	(0.15)

Discussion of Operations

The 2023 Consolidated Financial Statements comprise the financial statements of the Company plus the financial statements of the subsidiaries of the Company described in the table below:

	Percentage Ownership as at	
	December 31, 2023	**December 31, 2022**
Futura [3]	58.46%	100.00%
XRI[1]	54.10%	69.80%
Insu[4]	0.00%	100.00%
BlockX Capital	100.00%	100.00%
VS Blockchain Assembly	100.00%	100.00%
VS Digital Health	100.00%	100.00%
VS Digital Health USA	100.00%	100.00%
HTI[2]	69.83%	100.00%

1 SVR is a wholly owned subsidiary of XRI
2 HCH and Hydreight are wholly owned subsidiaries of HTI
3 Draft Label and PDL USA are wholly owned subsidiaries of Futura. As at December 31, 2023, VST owned 100% of Draft Label and PDL USA prior to share exchange agreement.
4 Insu was deconsolidated during the fiscal year ended December 31, 2023.

Revenue

Revenue for the three-months and year ended December 31, 2023, was $3,325,822 and $12,055,070 compared to $2,076,995 and $5,929,096 for the comparative periods. The increase in revenues is primarily related to substantial growth in Hydreight revenues and user base resulting in increasing subscription, pharmacy and net commission revenues.

The table below sets out revenues of the Company:

	Three months ended December 31		Years ended December 31,	
	2023	**2022**	**2023**	**2022**
Immersive experiences	$ (21,517)	$ 226,579	$ 521,574	$ 1,195,393
Film Royalties		5,633		$ 5,633
Health	3,373,194	1,784,071	11,509,496	4,403,245
Health tech	(25,855)	-	-	2,252
Management fees (expense)	-	29,512	-	197,073
Sublease (expense)	-	31,200	24,000	125,500
	$ 3,325,822	$ 2,076,995	$ 12,055,070	$ 5,929,096

Cost of Goods Sold

Cost of goods sold for the three-months and year ended December 31, 2023, was $1,789,786 and $6,564,681 compared to $940,964 and $2,672,672 for the comparative periods. The increase in cost of goods sold is related to the above-described changes in revenues, primarily due to the cost of pharmacy purchases associated with the increased pharmacy sales of Hydreight.

The table below sets out the cost of goods sold of the Company:

	Three months ended December 31		Years ended December 31,	
	2023	**2022**	**2023**	**2022**
Immersive experiences (recovery)	$ 16,627	$ 81,992	$ 16,627	$ 409,012
Health	1,773,159	929,847	6,548,054	2,263,660
Health tech (recovery)	-	(70,875)	-	-
	$ 1,789,786	$ 940,964	$ 6,564,681	$ 2,672,672

Gross Margin

The gross margin for the three-months and year ended December 31, 2023, was $1,536,036 and $5,490,389 compared to $1,136,031 and $3,256,424 for the corresponding comparative periods. The current period gross margin is driven primarily by the online pharmacy sales of Hydreight. Also, Hydreight revenue includes subscription revenue earned over time, which doesn't have a corresponding cost of expense as with pharmacy purchases.

The table below sets out gross margins of the Company:

	Three months ended December 31				Years ended December 31,			
		2023		**2022**		**2023**		**2022**
Immersive experiences	177%	$ (38,144)	64%	$ 144,587	97%	$ 504,947	66%	$ 786,381
Film Royalties	-	-	100%	5,633	-	-	100%	5,633
Health	47%	1,600,035	48%	854,224	43%	4,961,442	49%	2,139,585
Health tech	100%	(25,855)	-	70,875	-	-	100%	2,252
Management fees	-	-	100%	29,512	-	-	100%	197,073
Sublease	-	-	100%	31,200	100%	24,000	100%	125,500
		$ 1,536,036		$ 1,136,031		$ 5,490,389		$ 3,256,424

Expenses

For the three-months and year ended December 31, 2023, total expenses were $14,852,139 and $23,519,802 compared to $28,921,518 and $31,655,743 for the three-months and year ended December 31, 2022. Material variances over this period are discussed below.

Fair Value Movement, Impairment, and Equity Loss

For the three-months and year ended December 31, 2023, the Company recorded a total of $8,467,014 and $7,109,713 compared to $8,239,638 and $14,169,207 for the three-months and year ended December 31, 2022 in the following expenses:

- Equity loss on investments – equity accounted
- Fair value loss on investments – fair value
- Impairment of non-financial assets
- Movement in provision

The Company records the gain or loss of publicly traded investments at each quarterly reporting period and material private investments on an annual basis. The Company records the equity gain or loss on its equity accounted investee at each quarterly reporting period. Impairment of non-financial assets consists entirely of the impairment recorded for goodwill and intangible assets of a subsidiary charged at year end. The movement in provision is primarily due to an allowance on a subsidiary loan receivable.

Amortization and Depreciation

Amortization and depreciation for the three-months and year ended December 31, 2023, were $791,076 and $2,832,075 compared to $957,355 and $2,921,288 for the three-months and year ended December 31, 2022. There was no meaningful variance from prior periods due to the composition of the assets subject to amortization being substantially unchanged from the prior periods.

General and Administration

For the three-months and year ended December 31, 2023, general and administration expenses were $1,115,135 and $2,453,245 compared to $234,563 and $1,203,450 for the corresponding three-months and year ended December 31, 2022. The increase was due to a general increase in overhead costs in Hydreight to support organic growth in the business, partially offset by a sharp decrease in general and administration expenses in XRI due to the winding down of the legacy business in early 2023.

Insurance

For the three-months and year ended December 31, 2023, insurance expense was $29,592 and $172,198 compared to $14,639 and $97,824 for the corresponding three-months and year ended December 31, 2022. The increase was due to higher in insurance premiums in Hydreight as a result of increased insurance coverage requirements for operations and being a public company.

Investor Relations

For the three-months and year ended December 31, 2023, investor relations expense was $158,766 and $286,935 compared to $69,227 and $322,988 for the corresponding three-months and year ended December 31, 2022. The increase in the fourth quarter of 2023 compared to the comparative period is due to higher investor relations costs in HTI from several external consultants retained. The decrease in the year ended December 31, 2023 over the comparative year is due to lower investor relations fees incurred at the VST level and XRI entity, partially offset by the aforementioned increase in HTI cost increase in 2023.

Management Fees

Management fees for the three-months and year ended December 31, 2023, were $73,615 and $105,115 compared to $9,384 and $75,142 for the corresponding three-month and year ended December 31, 2022. The variance is due to an adjustment to intercompany management fees posted in the current period, partially offset by management fee expense recorded in Futura post acquisition.

Professional and Consulting Fees

For the three-month and year ended December 31, 2023, professional and consulting fees were $584,822 and $3,277,064 compared to $1,372,230 and $3,139,946 for the corresponding three-months and year ended December 31, 2022. The increased expense during the year ended December 31, 2023 is mainly attributed to Hydreight's legal and technical consulting fees. The Company incurred more expenditures to support growth of the business and compliance with public company reporting and corporate practice of medicine legislation. During the quarter ended December 31, 2023, the Company reclassified some of Hydreight's professional and consulting fees which resulted in a decrease of these expenses.

Rent

For the three-months and year ended December 31, 2023, rent expense was $54,845 and $248,916 compared to $5,507 and $112,689 for the corresponding three-months and year ended December 31, 2022. The increased rent expense is primarily related to Hydreight setting up a Canadian office presence in the second quarter of 2023, which was partially offset by lower rent expense in VST and XRI.

Research and Development

For the three-months and year ended December 31, 2023, research and development expense was $298,434 and $710,052 compared to a recovery of $212,934 and $274,242 expense for the corresponding three-months and year ended December 31, 2022. During the year ended December 31, 2021, XR Immersive Tech began incurring costs related to the UNCONTAINED project, both relating to the internal development of intangible software as well as a physical, customized shipping container. These costs were primarily incurred in 2021 with XRI completing most of its development in the first quarter of 2022. The UNCONTAINED project was discontinued at the end of 2022. The decrease in XRI was partially offset by sustained software development in Hydreight to support ongoing development of the product.

Sales and Marketing

For the three-months and year ended December 31, 2023, sales and marketing expense were $94,728 and $514,142 compared to $144,172 and $867,060 for the corresponding three-month and year ended December 31, 2022. The vast majority of the decrease in sales and marketing expense is due to a decrease in Company expenditures in promotion, partially offset by an increase in Hydreight sales and marketing expense to support continued growth.

Share Based Payments

Share based payments for the three-months and year ended December 31, 2023, were $1,236,316 and $1,620,395 compared to $606,288 and $1,043,948 for the corresponding three-months and year ended December 31, 2022. The increase in the fourth quarter and year ended December 31, 2023 is mainly attributed to the issuance of a tranche of RSUs to employees and officers of HTI as well as several stock option issuances to consultants of HTI.

Transfer Agent and Regulatory Fees

For the three-months and year ended December 31, 2023, transfer agent and regulatory fees were $64,425 and $252,754 compared to $38,290 and $133,713 for the corresponding three-months and year ended December 31, 2022. The increase in transfer agent and regulatory fees expense in 2023 is due to Hydreight going public in late 2022 and the first full year of public company regulatory expenses for this subsidiary.

Wages

For the three-months and year ended December 31, 2023, wage expense was $1,099,421 and $2,393,613 compared to $481,472 and $2,458,069 for the corresponding three-months and year ended December 31, 2022. The increase in wage expense for the fourth quarter of 2023 over the comparative period is due to hiring more staff and compensation increases at Hydreight as well as the conversion of several consultants to full time employee status in Hydreight's US operations. The decrease in wage expense in the year ended December 31, 2023 is due to the reduction in XRI head-count from 2022 to 2023, offset by the increase in executive compensation to the CEOs of SVR and Hydreight as well as additions to the head-count in Hydreight's Canadian operations.

Segmented Operations

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

Legal Entities	Segment
Draft Label	Health Tech
PDL USA	Health Tech
Futura Health and Wellness Inc	Health Tech
XRI	Immersive Services
SVR	Immersive Services
Insu Therapeutics Inc (2)	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
Prosoft	Health

(1) Parent corporation
(2) Deconsolidated December 13, 2023

Segmented operations were as follows as at and for the year ended December 31, 2023:

	Investments	Health Tech	Immersive Services	Health	Total
Current assets	$ 209,835	$ 88,554	$ 225,416	$ 2,064,487	$ 2,588,292
Non-current assets	8,607,818	-	49,000	539,521	9,196,339
	$ 15,686,649	$ 88,554	$ 274,416	$ 2,604,008	$ 11,784,631
Current liabilities	$ 2,661,618	$ 144,000	$ 773,573	$ 4,407,450	$ 7,986,641
Non-current liabilities	(1,598,301)	214,485	5,440,295	27,475	4,083,954
	$ 1,063,317	$ 358,485	$ 6,213,868	$ 4,434,925	$ 12,070,595

	Investments	Health Tech	Immersive Services	Health	Total
Revenue	$ 24,000	$ -	$ 521,574	$ 11,509,496	$ 12,055,070
Cost of goods sold	-	-	(16,627)	(6,548,054)	(6,564,681)
Gross margin	24,000	-	504,947	4,961,442	5,490,389
Expenses	(11,774,165)	(2,109,193)	(2,740,390)	(6,896,054)	(23,519,802)
Income tax	5,390	-	(36,349)	-	(30,959)
Deferred tax recovery	56,154	-	300,409	-	356,563
Gain on loss of control of subsidiary	33,624	-	-	-	33,624
Other gains (losses)	2,176,241	-	(1,892,356)	(2,747)	281,138
Net loss	(9,478,756)	(2,109,193)	(3,863,739)	(1,937,359)	(17,389,047)
Non-controlling interest	-	876,159	1,773,456	584,501	3,234,116
Net loss attributable to parent	$ (9,478,756)	$ (1,233,034)	$ (2,090,283)	$ (1,352,858)	$ (14,154,931)

Segmented operations were as follows as at and for the year ended December 31, 2022:

	Investments	Health Tech	Immersive Services	Health	Total
Current assets	$ 1,263,217	$ 88,230	$ 541,288	$ 2,633,232	$ 4,525,967
Non-current assets	19,280,082	-	1,057,312	(687,338)	19,650,056
	$ 20,543,299	$ 88,230	$ 1,598,600	$ 1,945,894	$ 24,176,023
Current liabilities	$ 2,321,133	$ 324,805	$ 781,954	$ 2,451,495	$ 5,879,387
Non-current liabilities	2,225,418	36,683	2,770,035	18,663	5,050,799
	$ 4,546,551	$ 361,488	$ 3,551,989	$ 2,470,158	$ 10,930,186

	Investments	Health Tech	Immersive Services	Health	Total
Revenue	$ 463,218	$ 2,252	$ 1,195,195	$ 4,268,431	$ 5,929,096
Cost of goods sold	-	-	(409,012)	(2,263,660)	(2,672,672)
Gross margin	463,218	2,252	786,183	2,004,771	3,256,424
Expenses	(5,015,801)	(536,527)	(7,043,624)	(3,886,165)	(16,482,117)
Deferred tax recovery	111,562	14,495	-	-	126,057
Other gains (losses)	(11,687,624)	(6,240)	46,227	(3,944,557)	(15,592,194)
Net loss	(16,128,645)	(526,020)	(6,211,214)	(5,825,951)	(28,691,830)
Non-controlling interest	-	-	2,822,997	1,575,544	4,398,541
Net loss attributable to parent	$ (16,128,645)	$ (526,020)	$ (3,388,217)	$ (4,250,407)	$ (24,293,289)

Liquidity

As at December 31, 2023, the Company had a working capital deficiency of $5,398,349 (December 31, 2022 - $1,353,420) comprised of total current assets of $2,588,292 (December 31, 2022 - $4,525,967) and total current liabilities of $7,986,641 (December 31, 2022 - $5,879,387).

As at December 31, 2023, the Company had total current assets of $2,588,292 (December 31, 2022 - $4,525,967) comprised of $2,202,377 (December 31, 2022 - $3,836,815) in cash and cash equivalents, $177,301 (December 31, 2022 - $471,762) in prepayments, $24,372 (December 31, 2022 - $27,034) in trade receivables, $80,489 (December 31, 2022 - $86,085) in government sales tax receivable, and $103,753 (December 31, 2022 - $104,271) of inventory.

As at December 31, 2023, the Company had total current liabilities of $7,986,641 (December 31, 2022 - $5,879,387), comprised of $1,771,902 (December 31, 2022 - $783,819) in trade payables, $1,558,686 (December 31, 2022 - $1,213,765) in accrued liabilities, $1,748,574 (December 31, 2022 - $1,703,821) in contract liabilities, $428,384 (December 31, 2022 - $1,187,700) in related party loans, $2,141,421 (December 31, 2022 - $417,604) in loans payable, $113,350 (December 31, 2022 - $80,581) in income taxes payable, $40,000 (December 31, 2022 - $Nil) for CEBA loan, $Nil (December 31, 2022 - $158,765) in other payables, $184,324 (December 31, 2022 - $121,136) in current portion of convertible debt, and $Nil (December 31, 2022 - $212,196) in current portion of lease liability.

The Company's ability to meet its ongoing obligations and activities depends on its ability to generate cash flow through the issuance of common shares of the Company pursuant to equity financings and short-term or long-term loans. Capital markets may not be receptive to future offerings of new equity from treasury or debt, whether by way of private placements or public offerings. The Company currently has ample funding from the latest private placement transaction. Future funding is available through sale of shares in publicly held companies that are becoming unrestricted in 2023 and onwards.

Contractual Obligations As at December 31, 2023	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Trade payables and accrued liabilities	$ 3,330,588	$ 3,330,588	$ -	$ -	$ -
Other payables	-	-	-	-	-
Related party loans	428,384	428,384	-	-	-
Convertible debt	450,000	200,000	250,000	-	-
Loans payable	5,879,816	2,141,421	3,738,395	-	-
CEBA Loans	160,000	40,000	120,000	-	-
Total Contractual Obligations	$ 10,248,788	$ 6,140,393	$ 4,108,395	$ -	$ -

Contractual Obligations As at December 31, 2022	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Trade payables and accrued liabilities	$ 1,997,584	$ 1,997,584	$ -	$ -	$ -
Other payables	158,765	158,765	-	-	-
Related party loans	1,187,700	1,187,700	-	-	-
Leases	448,189	212,196	235,993	-	-
Loans payable	4,550,941	417,604	4,133,337	-	-
CEBA Loans	135,222	-	135,222	-	-
Total Contractual Obligations	$ 8,478,401	$ 3,973,849	$ 4,504,552	$ -	$ -

Capital Resources

As at December 31, 2023 and as of the date of this MD&A, there are 99,564,971 common shares, and 7,432,500 stock options outstanding.

As at December 31, 2023, there are no share purchase warrants outstanding. As at the date of this MD&A, all of the share purchase warrants outstanding expired unexercised.

There are no other sources of financing arranged but not yet used by the Company. There are no commitments for capital expenditures.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial performance or financial condition, including with respect to revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Transactions Between Related Parties

Related Party Transactions

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

	December 31, 2023	December 31, 2022
Management fees revenue	$ -	$ 197,073
Professional fees paid to ARO Consulting Inc., a company owned by CFO	$ 325,126	$ 252,121
Executive compensation	$ 826,934	$ 893,284
Share-based compensation - HTI	$ 122,559	$ 300,000
Share-based compensation - XRI	$ 63,989	$ 69,437

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:

- $826,934 (December 31, 2022 - $893,284) in executive compensation to the CEO and Chief Growth Officer of VST and executive officers of XRI and Hydreight;
- $325,126 (December 31, 2022 - $252,121) in professional fees to company controlled by the CFO, for controller, bookkeeping, corporate secretarial and CFO services; and
- $63,989 (2022 - $69,437) in share-based compensation related to XRI stock options to a director and CFO.
- $122,559 (2022 - $300,000) in share-based compensation related to HTI RSUs and options granted to CEO, directors and officers of HTI.

Due from Related Parties

		December 31, 2023		December 31, 2022
Due from a Director	$	250	$	250
Due from Subsidiary Management		81,920		215
Due from GameOn Entertainment		151,878		67,159
Due from Shop & Shout		-		185,450
Due from IV Hydreight Inc related parties		7,936		-
Due from Victory Square Health		33,000		17,000
Due from Cassia, dba CoPilot		2,095		2,095
	$	277,079	$	272,169

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

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 year ended December 31, 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. 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 in the year ended December 31, 2022.

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 is non-interest bearing.

Due to Related Parties

		December 31, 2023		December 31, 2022
Due to Insu	$	113,311	$	-
Due to former owners of SVR		300,000		300,000
Due to Shop & Shout		-		801,654
Due to CEO		15,073		86,046
	$	428,384	$	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.

The amount due to Shop & Shout related 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 contingency was revalued to $801,654 as at December 31, 2022. On July 10, 2023, this contingent liability was derecognized in connection with a settlement agreement with Shop & Shout.

As at December 31, 2023, the Company has $15,073 (December 31, 2022 - $86,086) in related party loans due from the CEO. This related party loan is unsecured, due on demand, and bears interest at 3%.

As at December 31, 2023, the Company has $366,149 (December 31, 2022 - $132,680) due to related parties included in trade payables and accrued liabilities. As at December 31, 2023, the Company has $125,587 (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.

Proposed Transactions

There are no proposed transactions for the Company as at the date hereof. All events which have completed subsequent to the date of the Financial Statements and prior to the date of this MD&A are summarized in the subsequent event note to the financial statements.

Critical Accounting Estimates

The Company's material accounting estimates are presented in Note 2 in the notes to the December 31, 2023 Consolidated Financial Statements. The preparation of the Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period presented and reported amounts of expenses during the same period. Actual outcomes could differ from these estimates. The 2023 Financial Statements include estimates, which, by their nature, are uncertain. The impact of such estimates may require accounting adjustments based on future occurrences. Any revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods if the revision affects the future. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty at the end of the reporting period that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made include, but are not limited to, the following:

- The preparation of the 2023 Financial Statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, and expenses.
- The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.
- Critical judgements are made in particular with regard to assessment of impairment to the carrying value of the Company's assets.

- At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognized in the statement of income (loss) and comprehensive income (loss) for the period.
- Changes in any of the assumptions used in impairment testing could materially affect the result of the analysis.

As at December 31, 2023, the Company reviewed the carrying value of its remaining assets and determined that there were no indicators of impairment further to the impairments recognized in the 2023 Financial Statements.

Changes in Accounting Policies including Initial Adoption

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2023 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

Amendments to IAS 1 were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in April 2020 and December 2022. The amendments clarify the requirements for classifying liabilities as either current or non-current by clarifying that:

- Liabilities are classified as either current or non-current depending on the existence at the end of the reporting period of a right to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that only covenants that an entity must comply with on or before the reporting date would affect a liability's classification as current or non-current, even if compliance with the covenant is only assessed after the entity's reporting date.
- Classification is unaffected by the likelihood that an entity will settle the liability within 12 months after the reporting date; and
- How an entity classifies debt an entity may settle by converting it into equity.

Additionally, the amendments added new disclosure requirements for situations where a liability is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months after the reporting date. The disclosure should enable users of financial statements to understand the risk that the liability classified as non-current could become repayable within 12 months after the reporting period.

Both the January 2020 and October 2022 amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. An entity that applies these amendments early is required to apply both the January 2020 and October 2022 amendments at the same time.

The amendments are effective for annual periods beginning on or after January 1, 2024. The Company does not anticipate a material impact to the consolidated financial statements upon adoption.

Financial Instruments and Other Instruments

Fair Value

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies, as disclosed below. 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 different levels for valuation of financial instruments carried at fair value have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Quoted market prices for an identical asset or liability represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the use of significant unobservable inputs are considered Level 3.

Cash, marketable securities and certain investments are measured using Level 1 inputs. Investments in private companies are measured using Level 3 inputs.

The Company's financial instruments consist of cash and cash equivalents, trade receivables, marketable securities, certain investments, amounts due from related parties, trade payables, loans payable, other payables, convertible debt and related party loans. The carrying value of financial instruments approximates the fair value as at December 31, 2023.

U.S. Income Tax Status

U.S. federal tax legislation was enacted in 2004 to address perceived U.S. tax concerns in "corporate inversion" transactions. A "corporate inversion" generally occurs when a non-U.S. corporation acquires "substantially all" of the equity interests in, or the assets of, a U.S. corporation or partnership, if, after the acquisition, former equity holders of the U.S. corporation or partnership own a specified level of stock in the non-U.S. corporation. The tax consequences of these rules depend upon the percentage identity of stock ownership that results. Generally, in the "80-percent identity" transactions, i.e. former equity holders of the U.S. corporation owns 80% or more of the equity of the non-U.S. acquiring entity (excluding certain equity interests), the tax benefits of the inversion are limited by treating the non-U.S. acquiring entity as a domestic entity for U.S. tax purposes. Note, the ownership percentage is computed under section 7874 which varies from legal ownership.

Management is of the view that a corporate inversion has resulted from HTI's RTO transaction completed in November 2022. Management has determined that HTI is subject to the "80 percent" identity with respect to the transactions undertaken. The tax implication resulting from this transaction would be annual filing of US corporate income tax return and additional withholding tax payment to IRS on future distribution to minority shareholders.

Use of Non-GAAP Financial Measures

This release contains references to non-GAAP financial measures of Hydreight, Adjusted Revenue (also referred to Topline Revenue) and Adjusted Gross Margin. The Company defines Adjusted Revenue as gross cash income before adjustment for the deferred portion of business partner contract revenue and gross receipts from Hydreight App service sales. Hydreight defines Adjusted Gross Margin as GAAP gross margin plus inventory impairment plus the deferred portion of business partner contract revenue. Hydreight believes that the measures provide information useful to its shareholders and investors in understanding the Hydreight's operating cash flow growth, user growth, and cash generating potential and may assist in the evaluation of the Hydreight's business relative to that of its peers more accurately than GAAP financial measures alone. This data is furnished to provide additional information and does not have any standardized meaning prescribed by GAAP. Accordingly, it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP and is not necessarily indicative of other metrics presented in accordance with GAAP.

Neither TSXV nor its Regulation Services Provider (as that term is defined in policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release. This press release does not constitute an offer of securities for sale in the United States. The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and such securities may not be offered or sold within the United States absent U.S. registration or an applicable exemption from U.S. registration requirements.

Other Risks and Uncertainties

The Company is in the investment management business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. The Company has no material ongoing revenue or income from operations. The Company has limited capital resources and must rely upon the sale its assets or sale of its common shares for cash required to make new investments and to fund the administration of the Company.

These risks may not be the only risks faced by the Company. Additional risks and uncertainties not presently known by the Company, or which are presently considered immaterial may also adversely impact the Company's business, results of operations and financial performance. The most significant risks and uncertainties faced by the Company are set out below.

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:

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. The Company's exposure to 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, both current and past due as at December 31, 2023, the Company believes that its receivables are collectable and management has determined credit risk to be low.

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 risk.

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.

The Company's exposure to liquidity risk is assessed as high.

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.

Limited Operating History

The Company has limited operating history as an investment company and no operating history as a portfolio manager in making investments in the technology industry. The Company and its business prospects must be viewed against the background of the risks, expenses and problems frequently encountered by companies in the early stages of their development, particularly companies in new and rapidly evolving markets.

Limited History of Profitability

Fiscal 2020 was the first year that the Company had made profits since its incorporation. Its future profitability will depend upon its success in making strategic investments in and monetize those investments. Because of the limited operating history and the uncertainties regarding the development of certain technologies and industries in which the Company invests, there are significant risks associated with the Company's investment strategy.

Going-Concern Risk

The 2023 Financial Statements have been prepared on a going-concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving profitability. The 2023 Financial Statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Negative Cash Flow

The Company has a limited history of operations, and very little history of earnings, positive cash flows, or profitability. The Company has had negative operating cash flow since inception, and the Company will continue to have negative operating cash flow for the foreseeable future. No assurance can be given that the Company will ever attain positive cash flow or profitability or that additional funding will be available for operations.

Additional Requirements for Capital

Substantial additional financing may be required if the Company is to be successful in developing a diversified and material portfolio of investments. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated investments.

Risks Relating to Existing and Future Investments

The Company may, in the future, make investments that may, in part, be financed by the Company. Existing investments and future investments made by the Company should be considered speculative and there is no guarantee that any such investment will earn any positive return in the short term or long term. Businesses that the Company invests in may also request additional funding from the Company to support their operations and growth, and there is no assurance that such funding will be available to the Company from external sources on acceptable terms or at all.

The Company intends to pursue opportunities outside of the Company's existing business segments that would diversify the asset base, the success of which will depend, in part, on its ability to: identify suitable investments; negotiate the purchase of such investments on terms acceptable to it; complete the investments within expected time frames; and capitalize on such investments. Further, the profitability of such investments will be dependent upon a variety of potential factors depending on the underlying industry, for example, the market price of commodities, the level of interest rates, global economic conditions, political conditions, speculative activities, stability of exchange rates and other factors beyond the control of the Company. Investments in companies with publicly traded securities may experience substantial volatility and would be subject to market trends and macroeconomic conditions generally, notwithstanding any potential success of such companies in creating revenues, cash flows or earnings and may not accurately reflect the long-term value of such companies. There can be no assurance that continual fluctuations in price will not occur in such instances. The Company invests in and may make future investments in securities of private companies. In some cases, the Company may be restricted by contract or by applicable securities laws from selling such securities for a period of time. Such securities may not have a ready market and the inability to sell such securities or to sell such securities on a timely basis or at acceptable prices may impair the Company's ability to exit such investments when the Company considers it appropriate. Foreign investments that may be made by the Company in specific sectors such as natural resource, industrial or technology may be subject to political risks, risks associated with changes in foreign exchange rates, foreign exchange control risks and other similar risks. The Canadian dollar equivalent of the Company’s net denominated assets and dividends would be adversely affected by reductions in the value of the applicable foreign currencies relative to the Canadian dollar and would be positively affected by increases in the value of the applicable foreign currencies relative to the Canadian dollar.

The Company invests in and may make future investments in securities of companies that the Company does not control. These investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Company does not agree or that the majority stakeholders or management of the Company may take risks or otherwise act in a manner that does not serve the Company's interests. If any of the foregoing were to occur, the values of investments by the Company could decrease and the Company's financial condition and cash flow could suffer as a result.

The due diligence process undertaken by the Company in connection with investments it makes or that it wishes to make may not reveal all relevant facts in connection with an investment. Before making investments, the Company will conduct due diligence investigations that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence investigations, the Company may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. The due diligence investigations that are carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such investigation will not necessarily result in the investment being successful.

Equity Investment Risk

Equities such as common shares give the holder part ownership in a company. The value of an equity security changes with the fortunes of the company that issued it. General market conditions and the health of the economy can also affect equity prices. Certain securities may be particularly sensitive to general market movements, which may result in a greater degree of price volatility for such securities and for securities of companies that invest in such securities under specific market conditions and over time. Equity related securities that provide indirect exposure to the equity securities of an issuer, such as convertible debentures, can also be affected by equity risk.

Illiquid Securities

If the Company is unable to dispose of some or all of the securities held by it, the Company may experience a delay in the receipt of the proceeds of disposition until such time as it is able to dispose of such securities or may be able to do so only at prices which may not reflect the true value of such investments.

Asset Class Risk

The equity investments held by the Company may underperform the returns of other securities that have exposure to other countries, regions, industries, asset classes or sectors. Various asset classes tend to experience cycles of outperformance and under performance in comparison to the general securities markets.

Digital Assets Risk

The Company holds digital currencies or service tokens. Prices of digital currencies are volatile, and they are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The digital assets are accounted for under IAS 28 at the cost to the Company, being $Nil. The Company may not be able to liquidate its inventory of digital currency at its desired price if required.

The Company may hold some or all of the Company's digital assets in wallets directly controlled by the Company or through third party custodian services. Such wallets may be susceptible to cyber-attacks and/or mishandling which could cause the loss of funds.

Technology Sector Risk

The Company obtains exposure to the securities of technology companies. General risks of technology companies include the risks of rapidly changing technologies, short product life cycles, fierce competition, aggressive pricing and reduced profit margins, loss of patent, copyright and trademark protections, cyclical market patterns, evolving industry standards and frequent new product introductions. Certain technology companies may be smaller and less experienced companies, with markets or financial resources and fewer experienced management or marketing personnel.

Small and Mid-Capitalization Companies Risk

Certain of the equity securities to which the Company obtains exposure may be small and/or mid-capitalization company common shares. Such common shares have customarily involved material investment risk. Small and mid-capitalization companies may have limited product lines, markets or financial resources; may lack management depth or experience; and may be more vulnerable to adverse general market or economic developments than large companies. Some of these companies may distribute, sell or produce products which have recently been brought to market and may be dependent on key personnel.

The prices of small and mid-capitalization company securities are often more volatile than prices associated with large company issues, and can display abrupt or erratic movements at times, due to limited trading volumes and less publicly available information. Also, because small and mid-capitalization companies normally have fewer common shares outstanding and these common shares trade less frequently than those of large companies, it may be more difficult for the Company to buy and sell significant amounts of such common shares. The securities of small and mid-capitalization companies are often traded on "over the counter" markets and may not be traded in the volumes typical of a national securities exchange.

Regulatory Risks

Changes in, or more aggressive enforcement of, laws and regulations could adversely impact companies involved in the health, digital health, insurance, gaming, and cryptocurrency businesses. Failure or delays in obtaining necessary approvals, changes in government regulations and policies and practices could have an adverse impact on such businesses' future cash flows, earnings, results of operations and financial condition.

Dependence on Internet Infrastructure; Risk of System Failures, Security Risks and Rapid Technological Change

The success of any developer of technology platforms will depend by and large upon the continued development of a stable public infrastructure, with the necessary speed, data capacity and security, and the timely development of complementary products such as high-speed modems for providing reliable internet access and services. Technology platforms have experienced and are expected to continue to experience significant growth in the number of users, amount of content and bandwidth availability. It cannot be assured that the infrastructure will continue to be able to support the demands placed upon it by this continued growth or that the performance or reliability of the technology will not be adversely affected by this continued growth.

Intellectual Property Rights

Companies involved in the development and operation of technologies may be dependent on intellectual property rights; the loss of which could harm its business, results of operations and its financial condition. There can be no assurance that any company's products will not violate proprietary rights of third parties or that third parties will not assert or claim that such violation has occurred. Any such claims and disputes arising may result in liability for substantial damages which in turn could harm the underlying business, results of operations and financial condition of the Company.

Cyber Security Risks

The Company is dependent on information technologies to conduct its operations, including management information systems and computer control systems. Business and supply chain disruptions, plant and utility outages and information technology system and network disruptions due to cyber-attacks could seriously harm operations and materially adversely affect operation results, Cyber security risks include attacks on information technology and infrastructure by hackers, damage or loss of information due to viruses, the unintended disclosure of confidential information, the issue or loss of control over computer control systems, and breaches due to employee error.

The Company's exposure to cyber security risks includes exposure through third parties on whose systems it places significant reliance for the conduct of its business. There can be no assure that the Company has the resources or technical sophistication to anticipate, prevent, or recover from rapidly evolving types of cyber-attacks. Compromises to its information and control systems could have severe financial and other business implications.

Competition

The market for investment opportunities is highly competitive. The Company will compete with a large number of other investors focused on similar investments, such as private equity funds, mezzanine funds, investment banks, and other equity and non-equity based public and private investment funds. Competitors may have a lower cost of funds and may have access to funding sources that are not available to the Company. In addition, certain competitors of the Company may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships and build their respective market common shares. As a result of this competition, there can be no assurance that the Company will be able to locate suitable investment opportunities, acquire such investments on acceptable terms, or achieve an acceptable rate of return on the investments it does make. The competitive pressures faced by the Company may have a material adverse effect on its activities, financial condition, and results of operations.

Key Personnel

The Company is dependent upon the continued availability and commitment of its management, whose contributions to immediate and future operations of the Company are of significant importance. The loss of any such management could negatively affect the Company's business operations. From time to time, the Company will also need to identify and retain additional skilled management to efficiently operate its business. Recruiting and retaining qualified personnel is critical to the Company's success and there can be no assurance of its ability to attract and retain such personnel. If it is not successful in attracting and training qualified personnel, the Company's ability to execute its business model and growth strategy could be affected, which could have a material and adverse impact on its profitability, results of operations and financial condition.

Conflicts of Interest

Certain of the Company's directors and officers may, from time to time, serve as directors or officers of other companies involved in similar businesses to the Company and, to the extent that such other companies may participate in the same ventures in which the Company may seek to participate, such directors and officers may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such conflicts of the Company's directors and officers may result in a material and adverse effect on the Company's results of operations and financial condition.

Share Price Volatility Risk

External factors outside of the Company's control may have a significant impact on the market price of the common shares. Global stock markets have experienced extreme price and volume fluctuations from time to time. There can be no assurance that an active or liquid market will develop or be sustained for the common shares.

Russian invasion of Ukraine

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.

Disclosure of Internal Controls and Procedures

In connection with National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings* ("**NI 52-109**"), the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the Financial Statements and this MD&A. The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Information Available on SEDAR+

Additional information about the Company, including historical financial statements and management discussion and analyses, is available on SEDAR+ at www.sedarplus.ca.