

**GameOn Entertainment Technologies Inc.  
(Formerly V2 Games Inc.)**

**Condensed Consolidated Interim Financial Statements  
Six months ended June 30, 2021 and 2020**

Expressed in Canadian Dollars

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

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

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

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

	Note	June 30, 2021	December 31, 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	3	\$ 4,558,166	\$ 135,476
Prepays	4	136,184	60,620
Government sales tax receivable		36,510	9,231
Current portion of loan receivable	5	-	1,697,912
		4,730,860	1,903,239
<b>Non-current assets</b>			
Investments	6	691,868	984,874
Advances		500	500
Intangible assets	7	941,000	941,000
Goodwill	7	3,432,783	3,432,783
Due from related party	13	466,285	103,816
<b>TOTAL ASSETS</b>		<b>\$ 10,263,296</b>	<b>\$ 7,366,212</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	13	\$ 164,574	\$ 104,161
Accrued liabilities	13	56,662	56,771
Income taxes payable		21,404	21,405
Loan payable	8	-	295,077
Share consideration	7	104,542	104,542
Other payables	7	-	237,655
Obligation to issue convertible debentures	11	95,000	95,000
Convertible debentures	11	-	1,447,872
Related party loans	13	542,383	866,057
		984,565	3,228,540
<b>Non-current liabilities</b>			
Derivative liability	10	-	97,896
Convertible note	7,10	-	8,758
CEBA loan	9	36,962	33,626
<b>TOTAL LIABILITIES</b>		<b>1,021,527</b>	<b>3,368,820</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	10,973,741	4,587,636
Reserves	12	1,701,777	675,872
Warrants	12	1,909,042	-
Equity portion of convertible debentures	11	199,703	199,703
Deficit		(5,542,494)	(1,465,819)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>9,241,769</b>	<b>3,997,392</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 10,263,296</b>	<b>\$ 7,366,212</b>

Nature of operations and going concern – Note 1

Subsequent events – Note 16

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2021	2020	2021	2020
<b>Revenue</b>		\$ 7,290	\$ -	\$ 10,081	\$ -
<b>Cost of goods sold</b>		31,178	-	63,168	-
		(23,888)	-	(53,087)	-
<b>Expenses</b>					
Amortization and depreciation	6	153,483	157,262	293,006	314,525
Foreign exchange loss (gain)		2,227	34,349	(3,374)	(92,666)
General and administration		179,234	245	221,013	588
Interest and accretion	9,10,11,13	102,179	76,916	214,762	150,713
Investor relations		6,176	-	6,176	-
Management fees		(152)	(1,010)	-	(1,010)
Professional and consulting fees	12	1,690,744	-	1,975,402	891
Sales and marketing		362,261	-	408,087	18,760
Share-based payments	12	93,401	-	1,025,905	-
Transfer agent and regulatory fees		38,120	1,810	47,357	4,146
Wages		385,747	26,827	573,863	37,558
<b>Total expenses</b>		<b>(3,013,420)</b>	<b>(296,399)</b>	<b>(4,762,197)</b>	<b>(433,505)</b>
<b>Other Items</b>					
Gain on conversion of related party debt	13	-	-	427,778	-
Gain on derivative liability	10	24,722	-	27,008	-
Gain on settlement of debt	8,13	15,000	19,570	296,880	19,570
Impairment of related party receivable	13	(2,238)	-	(13,057)	-
Interest and other income	5	-	62,449	-	186,623
		37,484	82,019	738,609	206,193
<b>Net loss before income taxes</b>		<b>(2,999,824)</b>	<b>(214,380)</b>	<b>(4,076,675)</b>	<b>(227,312)</b>
<b>Income taxes</b>		<b>-</b>	<b>(6,194)</b>	<b>-</b>	<b>(6,194)</b>
<b>Net loss and comprehensive loss for the period</b>		<b>\$(2,999,824)</b>	<b>\$ (220,574)</b>	<b>\$(4,076,675)</b>	<b>\$ (233,506)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.06)</b>	<b>\$ (0.01)</b>	<b>\$ (0.08)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding for the period - basic and diluted</b>		<b>47,722,789</b>	<b>28,000,000</b>	<b>51,160,168</b>	<b>28,000,000</b>

GameOn Entertainment Technologies Inc.  
Condensed consolidated interim statements of changes in shareholders' equity  
(Expressed in Canadian dollars)

	Note	Share Capital		Reserves			Warrants	Equity portion of convertible debentures	Deficit	Total
		Number of shares	Amount	Finder's Warrants	Contributed Surplus	Total Reserves				
Balance at January 1, 2020		28,000,000	\$ 100	\$ 5,179	\$ 670,680	\$ 675,859	\$ -	\$ 199,703	\$ (484,947)	390,715
Net and comprehensive loss for the period		-	-	-	-	-	-	-	(233,506)	(233,506)
<b>Balance at June 30, 2020</b>		<b>28,000,000</b>	<b>\$ 100</b>	<b>\$ 5,179</b>	<b>\$ 670,680</b>	<b>\$ 675,859</b>	<b>\$ -</b>	<b>\$ 199,703</b>	<b>\$ (718,453)</b>	<b>\$ 157,209</b>
Balance at January 1, 2021		43,483,298	\$ 4,587,636	\$ 5,179	\$ 670,693	\$ 675,872	\$ -	\$ 199,703	\$(1,465,819)	\$ 3,997,392
Shares issued for settlement of debt	8,12	2,948,088	1,107,771	-	-	-	-	-	-	1,107,771
Shares issued for private placement, net of share issuance costs	12	16,505,536	3,739,852	-	-	-	1,627,214	-	-	5,367,066
Broker warrants issued for private placement	12	-	-	-	-	-	81,690	-	-	81,690
Shares issued for settlement of convertible debentures	12	6,125,933	1,538,482	-	-	-	-	-	-	1,538,482
Shares surrendered by Parent Company	12	(6,125,933)	-	-	-	-	-	-	-	-
Share-based payments	12	-	-	-	1,025,905	1,025,905	-	-	-	1,025,905
Warrants issued to settle consulting fees	12	-	-	-	-	-	200,138	-	-	200,138
Net and comprehensive loss for the period		-	-	-	-	-	-	-	(4,076,675)	(4,076,675)
<b>Balance at June 30, 2021</b>		<b>62,936,922</b>	<b>\$ 10,973,741</b>	<b>\$ 5,179</b>	<b>\$ 1,696,598</b>	<b>\$ 1,701,777</b>	<b>\$ 1,909,042</b>	<b>\$ 199,703</b>	<b>\$(5,542,494)</b>	<b>\$ 9,241,769</b>

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

	Six months ended June 30,	
	2021	2020
<b>Operating activities</b>		
Net loss for the period	\$ (4,076,675)	\$ (233,506)
Adjustments for non-cash items:		
Amortization and depreciation	293,006	314,525
Foreign exchange gain	(3,374)	(92,666)
Interest and accretion	148,377	150,713
Consulting costs settled via share or warrant issuance	1,078,734	-
Share-based payments	1,025,905	-
Gain on conversion of related party debt	(427,778)	-
Gain on derivative liability	(27,008)	-
Gain on settlement of debt	(296,880)	(19,570)
Impairment of related party receivable	13,057	-
Interest income	-	(185,248)
Changes in non-cash working capital items:		
Prepaid expenses	(75,564)	(38,144)
Government sales tax recoverable	(27,279)	3,136
Trade payables	60,413	1,310
Accrued liabilities	(109)	4,762
Income tax payable	-	(17,732)
Other payables	(237,655)	-
<b>Net cash flows used in operating activities</b>	<b>(2,552,830)</b>	<b>(112,420)</b>
<b>Investing activities</b>		
Proceeds from investments	1,697,912	104,042
Loans to related parties	(68,016)	(110,378)
<b>Net cash flows provided by (used in) investing activities</b>	<b>1,629,896</b>	<b>(6,336)</b>
<b>Financing activities</b>		
Payment to settle convertible note and derivative liability	(103,132)	-
Proceeds received in advance of convertible debentures	-	50,000
Proceeds received in advance of subscription receipts issuance	5,448,756	-
<b>Net cash flows from financing activities</b>	<b>5,345,624</b>	<b>50,000</b>
Change in cash	4,422,690	(68,756)
Cash, beginning	135,476	57,096
<b>Cash, ending</b>	<b>\$ 4,558,166</b>	<b>\$ (11,660)</b>

## 1. Nature of Operations and Going Concern

GameOn Entertainment Technologies Inc. (“GameOn Entertainment” or “GameOn” or the “Company”) was incorporated under the Business Corporation Act (British Columbia) on January 13, 2010. The Company was formerly incorporated as “V2 Games Inc.” and changed names to “GameOn Entertainment Technologies Inc.” in January 2021. The Company is a video game ventures firm focusing on project investments in high-value e-gaming projects featuring globally recognized intellectual properties. The condensed consolidated interim unaudited financial statements comprise the financial statements of the Company and its wholly owned subsidiary V2 Games USA Inc. (“V2 Games USA”).

The Company’s registered office and principal address is at Suite 1080, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

These condensed consolidated interim unaudited 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 June 30, 2021, the Company had working capital of \$3,746,295 (2020 – working capital deficit \$1,325,301) and an accumulated deficit of \$5,542,494 (2020 - \$1,465,819). 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 condensed consolidated interim unaudited financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The pandemic has not had a material impact on the operations of the Company, but Management continues to monitor the situation; however, it could have a potential impact of increasing the difficulty to raise funding, finding target investments to acquire or on its investees’ ability to obtain profitable operations.

## 2. Statement of Compliance and Basis of Preparation

These condensed consolidated interim unaudited financial statements were authorized for issue on August 30, 2021, 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, 2020.

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, 2020.

**2. Statement of Compliance and Basis of Preparation (Continued)**

b) Principles of Consolidation

The condensed consolidated interim unaudited financial statements comprise the financial statements of the Company and its wholly-owned subsidiary V2 Games USA.

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

c) Basis of Preparation

The condensed consolidated interim unaudited 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 and V2 Games USA.

Certain comparative figures have been restated to conform to the current period's presentation.

**3. Cash**

As at June 30, 2021 the cash balance of \$4,558,166 (2020 - \$135,476) was comprised of \$4,558,166 (2020 - \$138,476) in cash and \$Nil (2020 - \$3,000) drawdown on a line of credit. On May 26, 2021, the Company received \$5,760,266 from Odyssey in relation to the closing of private placement which were previously disclosed as funds held in trust for the period ended March 31, 2021 (Note 12).

**4. Prepaids**

Prepaids consist of the following:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Marketing fees	\$ 53,000	\$ 53,000
Consulting	64,058	5,305
Listing fees and transfer agent	19,126	2,315
<b>Total prepaids</b>	<b>\$ 136,184</b>	<b>\$ 60,620</b>



GameOn Entertainment Technologies Inc.  
Notes to the condensed consolidated interim financial statements  
For the six months ended June 30, 2021 and 2020  
(Expressed in Canadian dollars)

**5. Loan Receivable**

During the year ended December 31, 2018, the Company entered into a project financing agreement with Just Games Interactive Entertainment LLC (“Just Games”) for \$1,256,350 (USD \$1,000,000) for the development and publishing of a mobile game. In exchange, the Company was to receive a royalty of 20% of the gross revenues generated by the game.

On February 1, 2019, the investment was converted to a loan receivable. The loan was unsecured and bears interest at 30%. The loan and interest were to be repaid in monthly installments which varied from USD \$50,000 to USD \$75,000 from July 2019 to November 2021. On modification, the Company recognized a gain of \$410,554 on the conversion of the investment to a loan receivable.

On April 16, 2020, FansUnite Entertainment Inc. (“FansUnite”) purchased 50% of the loan receivable as well as a 100% interest in two minor investments from the Company for 3,142,857 common shares of FansUnite (Note 6). The shares issued are subject to vesting provisions over the period during which monthly payments are to be made on the loan receivable and FansUnite had the option to buy back any of the unvested shares at a price of \$0.00001 per share if any payments were not received.

On October 9, 2020, the Company and its parent company, Victory Square Technologies inc. (“VST”), closed an assignment and subrogation agreement with FansUnite to transfer 50% of the Just Games loan receivable held by FansUnite back to the Company in exchange for the settlement of outstanding debts of \$658,212 with VST and a 501,484 share being repurchased by FansUnite from the previously issued shares to the Company.

On December 10, 2020, the Company entered into a further amending agreement with Just Games, modifying the terms of the loan receivable to be paid in three installments of \$25,000, \$250,000, and \$1,422,912 on December 31, 2020, January 31, 2021, and March 31, 2021. The fair value of the loan was deemed to be the present value of the 3 repayments. This resulted in a balance of \$1,697,912 and a loss on modification of the loan receivable of \$20,212 for the year ended December 31, 2020.

During the period ended June 30, 2021, the Company received payments of \$1,697,912 (2020 - \$104,042) on the loan and recorded interest income of \$Nil (2020 - \$185,248) and a foreign exchange gain of \$Nil (2020 - \$91,843).

The loan was repaid in full in the first half of 2021, leaving a \$Nil balance as at June 30, 2021.

**6. Investments**

Investments consist of the following:

	June 30, 2021	December 31, 2020
1108641 BC Ltd. (1)	\$ 619,265	\$ 884,874
Bonavita (1)	72,603	100,000
	\$ 691,868	\$ 984,874

The investments are accounted for as follows: (1) IAS 38, Intangible Assets.

**a) 1108641 BC Ltd.**

During the year ended December 31, 2018, the Company entered into a project financing agreement with 1108641 BC Ltd. to provide \$3,410,500 (USD \$2,500,000) to further development, marketing, and commercialization of a game in exchange for a revenue share.

During the year ended December 31, 2019, the agreement was revised, reducing the required amount to be funded by the Company to USD \$1,500,000. As at December 31, 2019, \$1,894,065 (USD \$1,500,000) has been advanced with \$217,947 in amortization recognized for a December 31, 2019 balance of \$1,676,118. The investment is being amortized over a period of 3 years from the date of soft launch of the game on August 27, 2019.

GameOn Entertainment Technologies Inc.  
Notes to the condensed consolidated interim financial statements  
For the six months ended June 30, 2021 and 2020  
(Expressed in Canadian dollars)

**6. Investments (Continued)**

**a) 1108641 BC Ltd. (continued)**

During the year ended December 31, 2020, recognized an impairment of \$158,737 on this investment.

During the period ended June 30, 2021, the Company recorded amortization of \$265,609 (2020 - \$314,525) for a balance as at June 30, 2021 of \$619,265 (2020 - \$884,874).

**b) Bonavita Investment Group Ltd.**

On August 11, 2020, the Company entered into an agreement to provide \$100,000 to Bonavita Investment Group Ltd. ("Bonavita") to create a diverse portfolio of which will concentrate on film and technology ventures. The funds were applied to a film called "Crisis" which was released on February 26, 2021.

During the period ended June 30, 2021, the Company recorded amortization of \$27,397 (2020 - \$Nil) for a balance as at June 30, 2021 of \$72,603 (2020 - \$100,000).

**7. Acquisition**

On December 1, 2020, the Company entered into an agreement to acquire the assets of GameOn App Inc. for 15,199,985 common shares with a fair value of \$3,799,996, representing 35.2% of the outstanding common shares of the Company. In addition, the Company agreed to assume USD \$274,400 in liabilities of GameOn App Inc. and agreed to issue to Matthew Bailey, the CEO of GameOn App Inc., a convertible note in the amount of USD \$92,000 (Note 10) maturing on December 1, 2022. The convertible note is convertible into common shares at the option of the holder at a conversion price of \$0.25 per common share. Certain contingent share consideration was also included in the purchase price under IFRS 3. These contingent shares are to be issued on the event of the Company going public. The transaction closed on December 31, 2020.

The acquisition was treated as a business combination. In accordance with IFRS 3 Business Combinations, the fair value of the common shares in excess of the fair value of the identifiable assets and liabilities acquired was recognized as goodwill. The Company will begin amortizing the intangible asset when it is fully ready for use and ready to be released to market.

The acquisition was recorded as follows:

	<b>Acquisition of GameOn</b>
Fair value of consideration	
Common shares	\$ 3,799,996
Convertible note	119,159
Bonus share consideration	104,542
	<b>\$ 4,023,697</b>
Assets and liabilities acquired	
Intellectual property	\$ 941,000
Assumed liabilities	(350,086)
Goodwill	3,432,783
	<b>\$ 4,023,697</b>

## 7. Acquisition (Continued)

Goodwill calculated in this acquisition essentially represents the expected synergies from combining the operations of GameOn App Inc. with those of the Company, revenue growth, future market development and customer relations. These benefits are not recognized separately from goodwill since the resulting economic impact cannot be measured reliably. Goodwill is non-deductible for tax purposes.

On December 1, 2020, in concurrence with the closing of the asset purchase agreement, the Company signed an employment agreement with the CEO of GameOn App Inc. to become the CEO of the Company. In addition to the regular annual salary, the CEO has also been granted 2,000,000 common shares to be issued in tranches upon the achievement of certain performance milestones. As at June 30, 2021, no shares have yet been issued in relation to the milestone shares.

In addition to the milestone shares, the CEO will also receive a USD\$100,000 cash bonus and \$150,000 worth of stock options in the event of the Company going public. The stock options are exercisable at \$0.04 per share for a period of two years. As at June 30, 2021, none of these stock options have vested.

From the period December 1, 2020 to December 31, 2020, the Company made \$112,431 in payments against the assumed debt noted above, leaving a balance in other payables of \$237,655 as at December 31, 2020.

For the period ended June 30, 2021, the Company repaid the remaining assumed debt amounts and the balance in other payables was \$Nil as at June 30, 2021.

## 8. Loan Payable

On August 17, 2017, the Company entered into a loan agreement with Runway Finance Group Inc. ("Runway") for \$400,000. The loan bears interest at 16% and matures on August 16, 2020. The Company is required to make repayments as follows:

- 100% of the proceeds from the Company's refund from Canada Revenue Agency for its Scientific Research and Experimental Development ("SRED") tax credit for the year-end tax returns for 2017, 2018 and 2019;
- 50% of the proceeds from the Company's refund from Canada Revenue Agency for its December 31, 2016 British Columbia Interactive Digital Media Tax Credit ("BC IDMTC");
- 50% of the proceeds from payments to be received by the Company under a June 14, 2016 mobile game publishing agreement; and
- 50% of the proceeds from Canada Media Fund payments to be received by the Company under a February 11, 2015 agreement.

The loan is secured by a general security agreement over all present and after-acquired assets, property and undertaking of the Company as well as an assignment of the payments to be received for SRED, BC IDMTC and the mobile game publishing agreement.

During the year ended December 31, 2020, the Company recognized a gain on settlement of debt of \$72,444 to adjust the carrying value of the loan down to the amount stated in a demand letter received from the lender dated July 27, 2020.

On January 15, 2021, the Company settled the loan payable through the issuance of shares (Note 12). For the period ended June 30, 2021, a gain on settlement of debt of \$65,902 (2020 - \$Nil) was recognized.

During the period ended June 30, 2021 the interest on the loan was \$Nil (2020 - \$24,846). The balance of the loan as at June 30, 2021 was \$Nil (2020 - \$295,077).

## 9. CEBA Loan

The Canadian Emergency Business Account (CEBA) loan originally launched on April 9, 2020 and is intended to support businesses during the COVID-19 pandemic. The value of the government loan received at below market rate of interest is treated as a government grant. The loan was recognized at fair value using the Company's incremental borrowing rate of 20%. The difference between this discounted value of \$21,074 and the proceeds received of \$40,000 was recognized as a gain on CEBA loans of \$18,926.

On December 4, 2020, the CEBA program was expanded and the Company received an additional \$20,000 in funds on December 31, 2020. This amount was discounted to a present value of \$11,193 and an additional \$8,807 gain was recognized.

As at December 31, 2020, the combined carrying value of the loans is \$33,626 and the combined gain on CEBA loans was \$27,733. The full value of the grant has been spent in the course of business operations and the gain has been recognized in other income.

For the period ended June 30, 2021, the Company recognized accretion on the CEBA loan of \$3,336 (2020 - \$Nil) for an ending balance of \$36,962 (2020 - \$33,626).

## 10. Convertible Note and Derivative Liability

On December 1, 2020, the Company issued a convertible promissory note for USD \$92,000 to Matthew Bailey in relation to the asset purchase agreement with GameOn App Inc. (Note 7). The note is non-interest bearing, convertible at any time by the holder at a price of \$0.25 per share and matures on December 1, 2022.

The conversion feature of the debentures was classified as a derivative liability due to the exercise price being denominated in a different currency than the face value of the note. The derivative is recorded at fair value on recognition and at each subsequent reporting date the changes in fair value are recognized in the statement of loss and comprehensive loss. On recognition, the fair value of the derivative was calculated using the Black Scholes Option Pricing Model with the residual value attributed to the convertible note.

On May 19, 2021, the convertible note was settled via a delivery of USD \$92,000 or CAD \$103,132. For the period then ended, the Company recognized a gain on derivative liability of \$27,008 (2020 - \$Nil) and accretion on the convertible note of \$23,540 (2020 - \$Nil). The balance in both the convertible note and derivative liability as at June 30, 2021 was \$Nil (2020 - \$8,758 and \$97,896).

The Company uses the Black Scholes Option Pricing Model to calculate the fair values of the derivative liabilities. The following table shows the assumptions used in the calculations:

	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)
As at December 1, 2020	272%	0.25%	0%	2
As at December 31, 2020	201%	0.20%	0%	1.9
As at March 31, 2021	211%	0.20%	0%	1.67
As at May 19, 2021	216%	0.23%	0%	1.53

## 11. Convertible Debentures

On May 10, 2019, the Company issued convertible debentures for gross proceeds of \$1,319,000. The debentures bear interest at 8% and are convertible into common shares of the Company at a price of \$0.25 per share. If not converted into shares, the debentures are repayable by May 10, 2021. Issue costs of \$88,618, including finders' warrants with a fair value of \$5,179 (Note 12), were incurred in connection with the debentures.

The debentures were initially recorded at a fair value of \$1,104,914 less issue costs of \$74,235 for a net value of \$1,030,679. The equity component of the debentures was recorded at a value of \$214,086 less issue costs of \$14,383 for a net value of \$199,703.

For the period up to May 14, 2021, the Company recorded accretion and interest of \$90,610 (2020 - \$125,479) on the debentures. On May 14, 2021, the balance of convertible debentures of \$1,538,482 (2020 - \$1,447,872) was settled via the issuance of 6,125,933 common shares at a value of \$0.25 per common share (Note 12).

During the year ended December 31, 2020, the Company also received a further \$50,000 and refunded \$185,000 (2019 – received \$230,000) in advance of the issuance of additional convertible debentures. The net deposit on convertible debentures as at December 31, 2020 is \$95,000. No change to these deposits occurred for the period ended June 30, 2021.

## 12. Share Capital

### Authorized Share Capital

Unlimited common shares without par value.

### Issued Share Capital

As at June 30, 2021 there were 62,936,922 common shares outstanding (2020 - 43,483,298).

#### *Shares Issued during the period ended June 30, 2020*

No shares issuance occurred in the period ended June 30, 2020.

#### *Shares Issued during the period ended June 30, 2021*

On January 15, 2021, the Company issued 916,702 shares to settle the remaining balance in the loan payable liability (Note 8) for a value of \$229,175. The shares were issued at a price of \$0.25 per share to RDL Realisation PLC.

On May 14, 2021 the Company issued 6,125,933 common shares at a price of \$0.25 to settle the convertible debentures (Note 11) for a value of \$1,538,482. VST surrendered 6,125,933 common shares for \$Nil consideration on this date and therefore the net impact to share capital on this date was no change in the number of common shares outstanding but an increase in the value of share capital of \$1,538,482.

On May 26, 2021, the Company issued 16,505,536 shares at a price of \$0.25 per common share in relation to the subscription receipts private placement for a value of \$4,126,384. On this date the 16,505,536 subscription receipts were automatically converted into 16,505,536 common shares and 8,288,304 warrants. Share issuance costs of \$386,532 (\$58,350 in broker warrants and \$328,182 in cash) were recorded for a net increase in share capital of \$3,739,852 on this date.

On June 7, 2021, the Company issued 791,000 common shares to settle debt that was incurred for consulting services in the period ended June 30, 2021. The common shares were issued at \$0.42 for a total value of \$332,220 which was recorded as non-cash consulting expense the Statement of Loss and Comprehensive Loss in the period.

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**12. Share Capital (Continued)**

On June 8, 2021, the Company issued 840,386 common shares to settle debt that was incurred for consulting services in the period ended June 30, 2021. The common shares were issued at \$0.46 for a total value of \$382,376 which was recorded as non-cash consulting expense in the Statement of Loss and Comprehensive Loss in the period.

On June 28, 2021, the Company issued 400,000 common shares to settle debt that was incurred for consulting services in the period ended June 30, 2021. The common shares were issued at \$0.41 for a total value of \$164,000 which was recorded as non-cash consulting expense in the Statement of Loss and Comprehensive Loss in the period.

**Stock Options**

On February 10, 2021, the Company granted 3,556,000 stock options to employees, consultants, and directors exercisable at \$0.25 and expiring on February 10, 2023.

On March 15, 2021, the Company granted 1,777,680 stock options to employees, consultants, directors exercisable at \$0.25 and expiring on March 15, 2023. On March 15, 2021, the Company also granted 369,645 stock options to employees and consultants exercisable at \$0.35 and expiring on March 15, 2023.

On June 28, 2021, the Company granted 592,356 stock options to employees, consultants, and directors exercisable at \$0.41 and expiring on June 28, 2023.

As of June 30, 2021, 2,447,913 of these 6,295,681 granted stock options have vested. Total share-based compensation recorded for the period ended June 30, 2021 in relation to the vested stock options was \$1,025,905 (2020 - \$Nil).

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

	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)
Issued February 10, 2021	198%	0.18%	0%	2
Issued March 15, 2021	198%	0.32%	0%	2
Issued June 28, 2021	195%	0.45%	0%	2

The options outstanding at June 30, 2021 are as follows:

Exercise Price	Number of Shares Issuable upon Exercise	Expiry Date
\$0.25	3,556,000	February 10, 2023
\$0.25	1,777,680	March 15, 2023
\$0.35	369,645	March 15, 2023
\$0.41	592,356	June 28, 2023

Stock options continuity for the period was as follows:

	Number of units
Balance, January 1, 2020 and 2021	-
Granted	6,295,681
Balance, June 30, 2021	6,295,681

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## 12. Share Capital (Continued)

### Warrants

There were no warrants outstanding of the Company as at December 31, 2020.

On May 26, 2021, the Company issued 8,288,304 warrants in relation to the automatic conversion of subscription receipts on this date. These warrants are exercisable for 1 common share of the Company at an exercise price of \$0.52 for 2 years. Under the residual value method, these warrants were valued at \$1,650,554 less \$23,340 in share issuance costs for a total of \$1,627,214.

On May 26, 2021, the Company issued 391,903 broker warrants in connection with the subscription receipts private placement which are exercisable for 1 common share of the Company at an exercise price of \$0.52 for 2 years. The value of these broker warrants was recorded as share issuance costs, \$23,340 of which was attributed to broker warrants and \$58,350 to common shares. The value of these broker warrants was \$81,690.

On May 30, 2021, the Company issued 960,000 warrants to various consultants of the Company which are exercisable for 1 common share of the Company at an exercise price of \$0.25 for 2 years. The value of these consultant warrants was \$200,138 recorded as consulting expense on the statement of loss and comprehensive loss.

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

	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)
Broker Warrants May 26, 2021	196%	0.31%	0%	2
Consultant Warrants May 30, 2021	196%	0.32%	0%	2

The warrants outstanding at June 30, 2021 are as follows:

Warrant	Exercise Price	Number of Shares Issuable upon Exercise	Expiry Date
Consultant Warrants	\$0.25	960,000	May 30, 2023
Broker Warrants	\$0.52	391,903	May 26, 2023
Subscription Receipts Warrants	\$0.52	8,288,304	May 26, 2023

Warrant continuity for the period was as follows:

	Consultant Warrants	Broker Warrants	Subscription Receipts Warrants	Total
Balance, January 1, 2020 and 2021	-	-	-	-
Granted	960,000	391,903	8,288,304	9,640,207
Balance, June 30, 2021	960,000	391,903	8,288,304	9,640,207

### Reserves

In connection with the purchase of the Company by VST, in the year ended December 31, 2018, the Company received a contribution in cash and investments in the amount of \$670,680 which was recorded to contributed surplus. In the year ended December 31, 2020, VST surrendered common shares of the Company with a book value of \$13 which was recorded to contributed surplus.

In the year ended December 31, 2019, finders' warrants with a fair value of \$5,179 were issued in connection with the issue of convertible debentures and were recorded to reserves.

In the period ended June 30, 2021, total share-based compensation recorded to contributed surplus within reserves was \$1,025,905 (2020 - \$Nil).

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**13. Related Party Transactions**

During the period ended June 30, 2021 and 2020, the Company entered into the following transactions with related parties:

	June 30, 2021	June 30, 2020
Professional and consulting fees	\$ 64,096	\$ -
Share based compensation to related parties	\$ 495,463	\$ -

**Related Party Balances**

As at June 30, 2021, the Company has \$10,801 (2020 - \$3,668) due to related parties included in accounts payables. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

**Related Party Receivables**

	June 30, 2021	December 31, 2020
Due from Victory Square Technologies Inc.	\$ 370,446	\$ -
Due from Draft Label Technologies Inc.	95,839	103,816
	\$ 466,285	\$ 103,816

The related party balances are unsecured, due on demand, and non-interest bearing.

During the period ended June 30, 2021, the Company impaired \$13,057 (2020 - \$Nil) of related party receivables due to management's assessment that the amounts would not be collected.

During the period ended June 30, 2021, the Company and its parent company entered into an agreement to convert previously received funds into a \$1,400,000 convertible promissory note. The note is non-interest bearing and convertible to shares of the Company at a price of \$0.25 for 2 years. Given the fair value of the Company's shares was \$0.25 at the date this agreement was entered into, no value was assigned to the conversion feature of the note. The face value of the note was discounted using the Company's cost of borrowing of 20.00% at 0% interest over 2 years. This resulted in a gain on conversion on the date of signing, \$427,778 (2020 - \$Nil), and accretion on the convertible promissory note of \$97,276 (2020 - \$Nil).

This convertible promissory note was offset by other amounts receivable from the parent company, such that as at June 30, 2021, the Company has a net receivable of \$370,446 (2020 – net payable of \$105,830).

**Related Party Loans**

	June 30, 2021	December 31, 2020
Due to Victory Square Technologies Inc.	\$ -	\$ 105,830
Due to Limitless Technologies Inc.	-	202,844
Due to Fantasy 360 Technologies Inc.	542,383	542,383
Due to CEO of Victory Square Technologies Inc.	-	15,000
	\$ 542,383	\$ 866,057

Unless otherwise noted, loans due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

During the period ended June 30, 2021, the Company recognized a \$230,978 (2020 – \$19,570) gain on forgiveness of related party debt related to the above amounts.



#### 14. 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 a bank account in Canada. 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, due from related parties, government sales tax receivable, advance, and loan receivable. Based on the evaluation of receivables at June 30, 2021, the Company believes that its receivables are collectable.

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 risk.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's main source of funding has been the issuance of loans, convertible debentures, and loans from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

d) Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The Company is exposed to moderate foreign exchange risk.

#### Fair value

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. However, considerable judgment is required to develop certain of these estimates. Accordingly, these estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of each class of financial instruments are discussed below.

The 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).

#### **14. Financial Risk Management (Continued)**

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

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

Cash is measured using Level 1 inputs. Investments in private companies are measured using level 3 inputs.

The Company's financial instruments consist of cash, receivables, amounts due from related party, advance, loan receivable, certain investments, related party loans, convertible debentures, accounts payable, and loan payable. The carrying value of financial instruments approximates the fair value as at June 30, 2021 and December 31, 2020.

#### **15. Capital Management**

The Company manages its cash and common shares as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to 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 year.

#### **16. Subsequent Events**

- a) On July 19, 2021, the Company granted 100,425 stock options to various consultants and advisors which are exercisable at \$0.31 for 2 years.
- b) On August 5, 2021, the Company granted 120,637 stock options to a consultant which are exercisable at \$0.29 for 2 years.