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

Consolidated Financial Statements
Years ended December 31, 2021 and 2020

Expressed in Canadian Dollars

To the Shareholders of GameOn Entertainment Technologies Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors.

DMCL Chartered Professional Accountants, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board of Directors, Audit Committee and management to discuss their audit findings.

April 27, 2022

"Matthew Bailey"	"Sheri Rempel"
CEO, Director	CFO

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GameOn Entertainment Technologies Inc.

Opinion

We have audited the consolidated financial statements of GameOn Entertainment Technologies Inc. (formerly V2 Games Inc.) (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders’ equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management’s Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.

DMCL.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 27, 2022

MOORE

An independent firm
associated with Moore
Global Network Limited

GameOn Entertainment Technologies Inc.
Consolidated statements of financial position
(Expressed in Canadian dollars)

	Note		2021		As at December 31, 2020
ASSETS					
Current assets					
Cash	3	$	1,610,215	$	135,476
Prepaids	4		137,934		60,620
Accounts receivable			2,583		-
Government sales tax receivable			43,637		9,231
Loan receivable	5		-		1,697,912
			1,794,369		1,903,239
Non-current assets					
Investments	6		-		984,874
Advances			500		500
Intangible assets	7		941,000		941,000
Goodwill	7		3,432,783		3,432,783
Due from related parties	13		-		103,816
TOTAL ASSETS		**$**	**6,168,652**	**$**	**7,366,212**
LIABILITIES					
Current liabilities					
Accounts payable	13	$	110,775	$	104,161
Accrued liabilities	13		157,492		56,771
Income tax payable			21,404		21,405
Loan payable	8		-		295,077
Contingent share consideration	7		-		104,542
Other payables	7		-		237,655
Obligation to issue convertible debentures	11		95,000		95,000
Convertible debentures	11		-		1,447,872
Due to related parties	13		-		866,057
			384,671		3,228,540
Non-current liabilities					
Derivative liability	10		-		97,896
Convertible note	7,10		-		8,758
CEBA loan	9		40,693		33,626
TOTAL LIABILITIES			**425,364**		**3,368,820**
SHAREHOLDERS' EQUITY					
Share capital	12		11,076,287		4,587,636
Reserve	12		4,775,691		675,872
Equity portion of convertible debentures	11,12,13		427,778		199,703
Deficit			(10,536,468)		(1,465,819)
TOTAL SHAREHOLDERS' EQUITY			5,743,288		3,997,392
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**6,168,652**	**$**	**7,366,212**

Nature of operations and going concern – Note 1
Subsequent events – Note 17

See accompanying notes to the consolidated financial statements

(Expressed in Canadian dollars)

	Note		Years ended December 31, 2021		2020
Revenue		$	12,664	$	2,626
Expenses					
Amortization	6		603,346		632,507
Foreign exchange gain	5		(13,280)		(113,436)
General and administration			447,711		13,873
Interest and accretion	8, 9,10,11,13		326,517		300,204
Investor relations			810,688		-
Management fees			-		88,990
Professional and consulting fees	12,13		1,849,718		221,926
Sales and marketing			800,243		11,970
Share-based compensation	12,13		2,668,707		-
Transfer agent and regulatory fees			78,568		9,791
Wages			1,284,708		74,138
Total expenses			(8,856,926)		(1,239,963)
Other Items					
Fair value loss on investment	6		-		(102,013)
Gain on CEBA loan	9		-		27,733
Gain on sale of investment	6		-		171,665
Gain on derivative liability	10		27,008		14,820
Gain on settlement of debt	8		79,036		92,013
Loss on modification of loan receivable	5		-		(20,212)
Impairment of related party receivable	13		(1,710)		(42,867)
Impairment on investments	6		(381,528)		(158,737)
Interest and other income	5		23		274,063
			(277,171)		256,465
Net loss before income taxes			(9,121,433)		(980,872)
Income tax recovery	16		50,784		-
Net loss and comprehensive loss for the year		**$**	**(9,070,649)**	**$**	**(980,872)**
Loss per share - basic and diluted		**$**	**(0.16)**	**$**	**(0.04)**
Weighted average number of common shares outstanding for the period - basic and diluted			**55,463,069**		**28,000,000**

See accompanying notes to the consolidated financial statements

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

		Share Capital		**Reserve**					
	Note	**Number of shares**	**Amount**	**Contributed Surplus**	**Warrants**	**Total Reserve**	**Equity portion of convertible debentures**	**Deficit**	**Total**
Balance at January 1, 2020		28,000,000	$ 100	$ 670,680	$ 5,179	$ 675,859	$ 199,703	$ (484,947)	390,715
Shares issued for acquisition, net of share issuance costs	7,12	15,199,985	3,589,996	-	-	-	-	-	3,589,996
Shares issued for cash	12	3,990,212	997,553	-	-	-	-	-	997,553
Shares cancelled	12	(3,706,899)	(13)	13	-	13	-	-	-
Net and comprehensive loss for the year		-	-	-	-	-	-	(980,872)	(980,872)
Balance at December 31, 2020		**43,483,298**	**$ 4,587,636**	**$ 670,693**	**$ 5,179**	**$ 675,872**	**$ 199,703**	**$(1,465,819)**	**$ 3,997,392**
Shares issued for consulting services and settlement of debt	8,12	3,203,551	1,001,926	-	-	-	-	-	1,001,926
Shares and broker warrants issued for private placement, net of share issuance costs	12	16,505,536	3,748,540	-	1,708,904	1,708,904	-	-	5,457,444
Shares issued for settlement of convertible debentures	11,12	6,125,933	1,738,185	-	-	-	(199,703)	-	1,538,482
Shares cancelled	12	(6,125,933)	-	-	-	-	-	-	-
Share-based payments	12	-	-	1,800,360	-	1,800,360	-	-	1,800,360
Warrants issued for consulting fees	12	-	-	-	200,138	200,138	-	-	200,138
Equity portion of convertible debt	13	-	-	-	-	-	427,778	-	427,778
Related party debt forgiveness, net	13	-	-	390,417	-	390,417	-	-	390,417
Net and comprehensive loss for the year		-	-	-	-	-	-	(9,070,649)	(9,070,649)
Balance at December 31, 2021		**63,192,385**	**11,076,287**	**- 2,861,470**	**1,914,221**	**4,775,691**	**427,778**	**(10,536,468)**	**$ 5,743,288**

See accompanying notes to the consolidated financial statements

GameOn Entertainment Technologies Inc.
Consolidated statements of cash flows
(Expressed in Canadian dollars)

		Year ended December 31, 2021		2020
Operating activities				
Net loss for the year	$	(9,070,649)	$	(980,872)
Adjustments for non-cash items:				
Amortization		603,346		632,507
Foreign exchange gain		(13,280)		(97,982)
Interest and accretion		326,517		298,560
Share-based compensation		2,668,707		-
Fair value loss on investments		-		102,013
Gain on CEBA loan		-		(27,733)
Gain on sale of investment		-		(171,665)
Gain on derivative liability		(27,008)		(14,820)
Gain on settlement of debt		(79,036)		(92,013)
Loss on modification of loan receivable		-		20,212
Impairment of related party receivable				42,867
Impairment of investments		381,528		158,737
Accrued interest income		-		(251,693)
Changes in non-cash working capital items:				
Accounts receivable		(2,583)		-
Prepaids		(77,314)		(55,453)
Government sales tax recoverable		(34,406)		(3,122)
Accounts payable		58,545		21,531
Accrued liabilities		100,721		55,761
Income tax payable		-		(23,925)
Other payables		(237,655)		(112,431)
Net cash flows used in operating activities		(5,402,567)		(499,521)
Investing activities				
Cash issued for investments		-		(100,000)
Proceeds from loan receivable		1,697,912		104,042
Net cash flows provided by investing activities		1,697,912		4,042
Financing activities				
Payments to settle convertible note		(103,132)		-
Proceeds from related parties		-		401,357
Repayments to related parties		(174,918)		(540,051)
Proceeds received from government loan		-		60,000
Net proceeds refunded in advance of issuance of convertible debentures		-		(135,000)
Proceeds from share issuances, net		5,457,444		787,553
Net cash flows from financing activities		5,179,394		573,859
Increase in cash		1,474,739		78,380
Cash, beginning		135,476		57,096
Cash, ending	**$**	**1,610,215**	**$**	**135,476**

Supplemental non-cash activities:				
Issuance of shares to settle share consideration	$	1,738,185	$	-
Shares issued for consulting services and settlement of debt		1,001,926		-
	$	**2,740,111**	**$**	**-**

See accompanying notes to the consolidated financial statements

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." on January 13, 2021. The Company is a NFT game technology company. The consolidated 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 401, 750 West Pender Street, Vancouver, British Columbia, V6C 2T7.

Prior to December 1, 2020, Victory Square Technologies Inc. ("VST") held 100% of the issued and outstanding shares of the Company. As at December 31, 2021, VST holds 22.39% of the issued and outstanding shares of the Company (December 31, 2020 - 55.87%). On June 1, 2021, the Company's common shares commenced trading on the Canadian Securities Exchange ("CSE") under the symbol GET.

These consolidated 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 December 31, 2021, the Company had working capital of $1,409,698 (December 31, 2020 – working capital deficit $1,325,301), an accumulated deficit of $10,536,468 (December 31, 2020 – accumulated deficit $1,465,819), and had not generated significant revenues from operations. The continued operations of the Company are dependent upon its ability to generate future cash flows from revenues in the next fiscal year and/or obtain additional financing. Management is of the opinion that sufficient from and 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 consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern, and such adjustments could be material.

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 ability to obtain profitable operations.

2. Significant Accounting Policies

These consolidated financial statements were authorized for issue on April 27, 2022, by the directors of the Company.

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as applicable to the preparation of annual consolidated financial statements.

2. Significant Accounting Policies (Continued)

b) Principles of Consolidation

The consolidated 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 consolidated 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 year's presentation.

d) Use of Estimates and Judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future years affected.

Significant areas requiring the use of estimates include the following:

Fair Value of Investments

The Company reviews its investments and records their fair value at each financial statement reporting date. For investments in public companies, 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.

Long lived assets and goodwill

The Company reviews its intangible assets and goodwill for impairment on an annual basis considering changes in the business. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized.

2. Significant Accounting Policies (Continued)

d) Use of Estimates and Judgements (continued)

Recognition and Valuation of Deferred Tax Assets

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reversal of the deferred tax liabilities of the particular legal entity in which the deferred tax assets have been recognized.

Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements include the following:

Going Concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2021 and 2020. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting year. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded the going concern basis of accounting is appropriate based on its profit and cash flow forecasts and access to replacement financing for the future twelve months.

Intangible Assets Acquired Through Acquisition

Determining whether or not the December 1, 2020 asset acquisition from GameOn App Inc. (Note 7) constituted a business combination or acquisition of assets. At acquisition, GameOn App had licenses to develop and market their app as well as several key employees and contractors. As such the acquisition was considered a business combination and the fair value of the consideration paid was allocated to the identifiable assets acquired with the remaining value allocated to goodwill.

e) Financial instruments

<u>(i) Classification</u>

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

3. Significant Accounting Policies (Continued)

e) Financial instruments (continued)

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and are subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the year in which they arise.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case

2. Significant Accounting Policies (Continued)

e) Financial instruments (continued)

a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are generally recognized in profit or loss.

f) Investments

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 as noted above in Note 2(e).

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.

Investments in games are classified as intangible assets and recorded at the lower of amortized cost or recoverable amount. The valuation of investments in games are reviewed when an event or change in circumstance indicates that the fair value of the Company's proportional investment in a game is less than its amortized cost. The Company records an impairment charge if the amount is less than the amortized cost. The recoverable amount is higher of value in use or fair value less cost of disposal. Investments in games are amortized on a straight-line basis over a three-year period, starting in the year the game is released.

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. The recoverable amount is higher of value in use or fair value less cost of disposal. Investments in films are amortized over a three-year period, 80% in year of release, 15% in the year thereafter and 5% in the second year after release. Investments in games are amortized on a straight-line basis over a three-year period, starting in the year the game is released. Intangibles acquired through acquisition are amortized from the date the assets are complete and ready for use, on a straight-line basis over a three-year period.

g) Foreign Currency Translation

These consolidated financial statements are presented in Canadian dollars. At the time of financial reporting the following conversion methods are used:

Translation of Foreign Currency Transactions

At each statement of financial position date, foreign currency monetary items are translated to reflect the exchange rate at the statement of financial position date. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences are recorded in profit and loss.

Translation of Foreign Operations

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

2. Significant Accounting Policies (Continued)

g) Foreign Currency Translation (continued)

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the year.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the year in which the operation is disposed.

h) Income Tax

Current Income Tax

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting year and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

i) Impairment of Non-financial Assets

The carrying amount of the Company's non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive loss. The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

2. Significant Accounting Policies (Continued)

i) Impairment of Non-financial Assets (continued)

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

j) Income (Loss) per Share

Basic income (loss) per share is computed using the weighted average number of common shares outstanding during the year. The treasury stock method is used for the calculation of diluted income (loss) per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the year and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the year. When a loss is incurred during the year, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

k) Revenue Recognition

Revenue from Contracts with Customers
IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

Game and Film Revenue
The Company recognizes revenue from investments in films when the significant risks and rewards of ownership have transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the Company does not retain either continuing managerial involvement or effective control.

Royalties received from investments in games is recognized as revenue when amounts become due to the Company, based on the sale of the games to users. Revenues are recognized at the later of when the subsequent sale or the performance obligation to which some or all the sales royalty has been allocated, has been satisfied.

l) Comprehensive Income (Loss)

Comprehensive income is the change in the Company’s net assets that results from transactions, events, circumstances from sources other than the Company’s shareholders and includes items that are not included in the consolidated statement of loss and comprehensive loss. For the year ended December 31, 2021, and 2020, the Company did not have any items recognized as other comprehensive income (loss).

2. Significant Accounting Policies (Continued)

m) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting year such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Vesting conditions are determined by the Board of Directors.

n) Government Grants

Loans received in the form of government grants are recognized initially at fair value, with the difference between the fair value of the loan based on prevailing market interest rates and the amount received recorded as a government grant gain in the consolidated statements of loss and comprehensive loss.

Investment tax credits are recorded when the Company has complied with eligible requirements to receive the credit, using the cost reduction approach. Investment tax credits related to eligible scientific research and experimental development (“SRED”) expenditures are included in profit or loss as a reduction of the expenses that they relate to. Investment tax credits related to the acquisition of property and equipment are deducted from the cost of the related assets, with any amortization calculated on the net amount, when received or when the Company has reasonable assurance that investment tax credits will be realized.

The investment tax credits are subject to review and audit by the Canada Revenue Agency (“CRA”). Although the Company has used its best judgment and understanding of the related income tax legislation in determining the amounts and timing of investment tax credits, it is possible that the amounts could change by a material amount in the near term depending on a review and audit by the CRA.

o) Recent Accounting Pronouncements

As the date of authorization of these consolidated financial statements, certain new standards and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted in the Company’s accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not adopted are not expected to have a material impact on the Company’s consolidated financial statements.

3. Cash

As at December 31, 2021, the cash balance of $1,610,215 (December 31, 2020 - $135,476) was comprised of $1,610,215 (December 31, 2020 - $138,476) in cash and $Nil (December 31, 2020 - $3,000) drawdown on a line of credit.

(Expressed in Canadian dollars)

4. Prepaids

Prepaids consist of the following:

		December 31, 2021		December 31, 2020
Marketing fees	$	74,126	$	53,000
Consulting		24,400		5,305
Insurance		28,688		-
Transfer agent		10,721		2,315
Total prepaids	$	137,934	$	60,620

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% per annum. 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”), a company with common management, purchased 50% of the loan receivable as well as a 100% interest in two minor investments from the Company in exchange for 3,142,857 common shares of FansUnite. 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 VST, the company that controlled GameOn, 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 501,484 shares 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, respectively. 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 year ended December 31, 2021, the Company received payments of $1,697,912 (December 31, 2020 - $104,042) on the loan and recorded interest income of $Nil (December 31, 2020 – $251,693) and a foreign exchange gain of $Nil (December 31, 2020 – $97,858).

(Expressed in Canadian dollars)

6. Investments

Investments consist of the following:

	December 31, 2021	December 31, 2020
1108641 BC Ltd. (1)	$ -	$ 884,874
Bonavita (1)	-	100,000
	$ -	$ 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.

During the year ended December 31, 2021, the Company recorded amortization of $535,620 (December 31, 2020 - $632,507) and recognized an impairment of $349,254 (December 31, 2020 - $158,737) for a balance as at December 31, 2021 of $Nil (December 31, 2020 - $884,874).

b) Bonavita Investment Group Ltd.

On August 11, 2020, the Company entered into an agreement to provide a loan of $100,000 to Bonavita Investment Group Ltd. (“Bonavita”) to create a diverse portfolio 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 year ended December 31, 2021, the Company recorded amortization of $67,726 (December 31, 2020 - $Nil), and spent cash on new investment of $Nil (December 31, 2020 - $100,000) and recognized an impairment of $32,274 (December 31, 2020 - $Nil) for a balance as at December 31, 2021 of $Nil (December 31, 2020 - $100,000).

c) Other

During the year ended December 31, 2020, the Company recognized a fair value loss on a previous investment of $102,013 prior to disposal and a gain on sale of a previous investment of $171,665.

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. Share issuance costs of $210,000 were recognized. 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 ($119,159) (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. These contingent shares were to be issued on the event of the Company going public but was settled prior the event (Note 10). The transaction closed on December 31, 2020. During the year ended December 31, 2021, the

(Expressed in Canadian dollars)

7. Acquisition (Continued)

Company issued 600,000 shares related to the contingent consideration with a fair value of $104,542 being assigned to the shares issued.

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:

		Acquisition of GameOn
Fair value of consideration		
Common shares	$	3,799,996
Convertible note		119,159
Bonus share consideration		104,542
		4,023,697
Assets and liabilities acquired		
Intellectual property		941,000
Assumed liabilities		(350,086)
Goodwill	$	3,432,783
Net assets acquired	$	590,914
Goodwill		3,432,783
	$	4,023,697

Goodwill calculated in this acquisition 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.

For 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 year ended December 31, 2021, the Company repaid the remaining assumed debt amounts and the balance in other payables was $Nil as at December 31, 2021.

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. To December 31, 2021, 191,000 shares were issued in relation to the milestone shares with a fair value of $47,750. Total share-based compensation recorded for the year ended December 31, 2021, in relation to the performance-based shares issued or issuable was $266,469 (December 31, 2020 - $Nil). Further, a contractual right for the issuance of warrants equal to $150,000 divided by the share price at the date of listing on the CSE, with each such warrant exercisable to acquire one common share for a period of 1 year from the grant date, at a price per share of $0.04 and vesting as follows: 10% on the grant date; 25% on the date that is 4 months following the grant date; 25% on the date that is 8 months following the grant date; and 40% on the date that is 12 months following the grant date. As the price per shares on the date of listing on the CSE was $0.25, the CEO received 600,000 bonus warrants at fair value of $113,307 (Note 12).

7. Acquisition (Continued)

On June 1, 2021, the Company completed its listing on the CSE and, following the terms of the employment agreement, the CEO received a USD $100,000 cash bonus and $150,000 in CEO bonus warrants (Note 12). Total

share-based compensation recorded for the year ended December 31, 2021, in relation to the vested bonus warrants was $113,307 (December 31, 2020 - $Nil).

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 916,702 shares with a value of $229,175 (Note 12). For the year ended December 31, 2021, a gain on settlement of debt of $65,902 was recognized. Together with $13,134 in forgiven amounts owing to several unrelated parties, the total gain on settlement of debt was $79,036 (December 31, 2020 - $92,013).

During the year ended December 31, 2021, the interest on the loan was $Nil (December 31, 2020 - $24,846). The balance of the loan as at December 31, 2021 was $Nil (December 31, 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.

(Expressed in Canadian dollars)

9. CEBA Loan (Continued)

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 accordingly the gain has been recognized in other income.

For the year ended December 31, 2021, the Company recognized accretion on the CEBA loan of $7,067 (December 31, 2020 - $Nil) for an ending balance of $40,693 (December 31, 2020 - $33,626).

10. Convertible Note and Derivative Liability

On December 1, 2020, the Company issued a convertible promissory note for USD $92,000 ($119,159) 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 debenture 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 consolidated 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 payment of USD $92,000 or CAD $103,132. For the year ended December 31, 2021, the Company recognized a gain on derivative liability of $27,008 (December 31, 2020 - $14,820) and accretion on the convertible note of $23,540 (December 31, 2020 - $Nil). The balance in both the convertible note and derivative liability as at December 31, 2021 was $Nil (December 31, 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 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, 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. The equity component of $199,703 was reclassified to share capital for the year ended December 31, 2021, on the conversion of the loan to shares.

For the period up to May 14, 2021, the Company recorded interest and accretion of $90,610 (December 31, 2020 - $255,669) on the debentures. On May 14, 2021, the balance of convertible debentures of $1,538,482 (December 31, 2020 - $1,447,872) was converted into 6,125,933 common shares (Note 12).

11. Convertible Debentures (Continued)

During the year ended December 31, 2020, the Company also received a further $50,000 and refunded $185,000 in advance of the issuance of additional convertible debentures. The net deposit on convertible debentures as at December 31, 2021 is $95,000 (December 31, 2020 - $95,000).

12. Share Capital

Authorized Share Capital
Unlimited common shares without par value.

Issued Share Capital
As at December 31, 2021 there were 63,192,385 common shares outstanding (December 31, 2020 – 43,483,298).

Shares Issued during the year ended December 31, 2021
On January 15, 2021, the Company issued 916,702 shares at a fair value of $229,175 to settle a loan payable (Note 8).

On May 14, 2021, the Company issued 6,125,933 common shares, at a deemed price of $0.25 per share or $1,538,482, on conversion of the convertible debentures (Note 11). 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 the conversion of the debentures, $199,703 was reclassified from equity portion of convertible debenture to share capital.

On March 11, 2021, the Company issued 16,505,536 subscription receipts at a price of $0.35 per unit for gross proceeds of $5,776,938. On May 26, 2021, the subscription receipts were automatically converted into 16,505,536 common shares at a price of $0.25 and 8,252,776 warrants and 375,103 broker warrants. These warrants are exercisable for one common share of the Company at an exercise price of $0.52 for 2 years. Under the residual value method, these subscription warrants were valued at $1,650,554. The fair value of the broker warrants was calculated to be $81,690, which was accounted for as share issuance costs and allocated between share capital and reserves as $58,350 and $23,340 respectively. Share issuance costs $319,494 were deducted from subscription proceeds.

On June 7, 2021, the Company issued 791,000 common shares to the CEO at a fair value of $152,292. Of the total, $47,750 was recorded as share-based compensation in relation to the achievement of performance-based milestones (Note 7) and $104,542 as the settlement of contingent share consideration (Note 7). Additional stock-based compensation of $218,719 was recognized related to the fair value of the remaining shares expected to be issued to the CEO in relation to the same achievement of performance-based milestones.

On June 8, 2021, the Company issued 840,386 common shares at a fair value of $382,376 for consulting services incurred during the year ended December 31, 2021, which was recorded as share-based compensation.

On June 28, 2021, the Company issued 400,000 common shares at a fair value of $164,000 for consulting services incurred during the year ended December 31, 2021, which was recorded as share-based compensation.

On September 21, 2021, the Company issued 255,463 common shares at a fair value of $74,083 for consulting services incurred during the year ended December 31, 2021, which was recorded as share-based compensation.

The total fair value of shares issued for consulting fees for the year ended December 31, 2021, was $620,460 (December 31, 2020 - $Nil).

As of December 31, 2021, 16,729,554 shares were held in escrow.

Shares Issued during the year ended December 31, 2020

12. Share Capital (Continued)

On December 1, 2020, the Company issued 15,199,985 common shares at a fair value of $3,799,996 for the acquisition of GameOn App Inc. (Note 7). Share issuance costs of $210,000 were deducted from the private placement.

On December 31, 2020, the Company issued 3,990,212 common shares at price of $0.25 per common share for proceeds of $997,553.

On December 31, 2020, the Company cancelled 3,706,899 common shares returned by VST for $Nil consideration. This resulted in a $13 movement from share capital to contributed surplus.

Reserve

Contributed surplus

The contributed surplus reserve records items recognized as share-based payments expense.

Warrants

The warrant reserve records the fair value of warrants issued as part of financing transactions and for services.

Stock Options

Stock options granted during the year ended December 31, 2021

On February 10, 2021, the Company granted 2,164,000 stock options to employees, consultants, and directors exercisable at $0.25 and expiring on February 10, 2023. The grant date fair value was $744,414.

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. The grant date fair value was $448,204.

On June 28, 2021, the Company granted 592,356 stock options to employees and consultants exercisable at $0.41 and expiring on June 28, 2023. The grant date fair value was $199,659.

On July 19, 2021, the Company granted 100,425 stock options to consultants and exercisable at $0.31 and expiring on July 19, 2023. The grant date fair value was $24,047.

On August 5, 2021, the Company granted 120,637 stock options a consultant exercisable at $0.29 and expiring on August 5, 2023. The grant date fair value was $29,607.

On September 7, 2021, the Company granted 304,575 stock options to employees and consultants exercisable at $0.34 and expiring on September 7, 2023. The grant date fair value was $92,200.

On October 14, 2021, the Company granted 124,379 stock options to consultants exercisable at $0.32 and expiring on October 13, 2023. The grant date fair value was $32,855.

On November 5, 2021, the Company granted 591,581 stock options to employees and consultants exercisable at $0.27 and expiring on November 5, 2023. The grant date fair value was $123,165.

On December 9, 2021, the Company granted 115,107 stock options to employees and consultants exercisable at $0.28 and expiring on December 9, 2023. The grant date fair value was $34,845.

Stock options Issued during the year ended December 31, 2020

In December 2020, the Company granted 1,392,000 stock options to several consultants and advisors exercisable at $0.25 and expiring on February 10, 2023. The Company did not recognize any share-based compensation during the year ended December 31, 2020, as the fair value of the vested options was nominal. The grant date fair value of these options was included together with the options granted February 10, 2021.

(Expressed in Canadian dollars)

12. Share Capital (Continued)

Each stock option issuance has vesting terms that vary with each individual optionee, with a portion of the options granted vesting immediately at grant date, in some issuances, and the balance vesting in equal tranches quarterly or another periodic interval.

As of December 31, 2021, 4,951,812 of the 7,652,385 granted stock options have vested (December 31, 2020 – Nil). Total share-based compensation recorded for the year ended December 31, 2021, in relation to the vested stock options was $1,468,333 (December 31, 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
Issued July 19, 2021	221%	0.43%	0%	2
Issued August 5, 2021	220%	0.44%	0%	2
Issued September 7, 2021	103%	0.40%	0%	2
Issued October 14, 2021	191%	0.68%	0%	2
Issued November 5, 2021	190%	0.92%	0%	2
Issued December 9, 2021	186%	0.96%	0%	2

As at December 31, 2020, all options were granted, but remained unissued. The assumptions used in calculating the fair value of the stock options granted on February 10, 2021, were used to value the options committed in December 2020.

The options outstanding and exercisable at December 31, 2021 are as follows:

Exercise Price	Number of Shares Issuable	Exercisable	Expiry Date
$0.25	3,556,000	1,767,500	February 10, 2023
$0.25	1,777,680	1,777,200	March 15, 2023
$0.35	369,645	284,915	March 15, 2023
$0.41	592,356	326,662	June 28, 2023
$0.31	100,425	40,425	July 19, 2023
$0.29	120,637	120,637	August 5, 2023
$0.34	304,575	123,155	September 7, 2023
$0.32	124,379	124,379	October 14, 2023
$0.27	591,581	327,693	November 5, 2023
$0.28	115,107	59,246	December 9, 2023
$0.28	7,652,385	4,951,812	

The options outstanding at December 31, 2020 are as follows:

Exercise Price	Number of Shares Issuable	Exercisable	Expiry Date
$0.25	1,392,000	60,000	February 10, 2023

(Expressed in Canadian dollars)

12. Share Capital (Continued)

Stock options continuity for the year was as follows:

	Number of units	Weighted average exercise price
Balance, January 1, 2020	-	$
Granted	1,392,000	0.25
Balance, December 31, 2020	1,392,000	0.25
Granted	6,260,385	0.28
Balance, December 31, 2021	7,652,385	0.28

Warrants

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 share-based compensation expense.

The following weighted average assumptions were used in calculating the fair value of broker, CEO bonus 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
CEO Bonus Warrants June 1, 2021	197%	0.32%	0%	2
Consultant Warrants May 30, 2021	196%	0.32%	0%	2

The warrants outstanding at December 31, 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	375,103	May 26, 2023
CEO Bonus Warrants	$0.04	600,000	June 1, 2023
Subscription Receipts Warrants	$0.52	8,252,776	May 26, 2023
	$0.47	10,187,879	

No warrants were outstanding at December 31, 2020.

Warrant continuity for the year was as follows:

	Consultant Warrants	Broker Warrants	Subscription Receipts Warrants	CEO Bonus Warrants	Total
Balance, January 1, 2020	-	-	-	-	-
Granted	-	-	-	-	-
Balance, December 31, 2020	-	-	-	-	-
Granted	960,000	375,103	8,252,776	600,000	10,187,879
Balance, December 31, 2021	960,000	375,103	8,252,776	600,000	10,187,879

(Expressed in Canadian dollars)

12. Share Capital (Continued)

The total share-based compensation for the year ended December 31, 2021 was as follows:

	December 31, 2021	December 31, 2020
Stock-based compensation for options vested, shares to be issued and bonus warrants	$ 1,800,360	$ -
Shares issued for consulting fees	620,459	-
Consultant warrants	200,138	-
Performance shares issued to to CEO	47,750	-
Stock-based compensation	$ 2,668,707	$ -

13. Related Party Transactions

During the year ended December 31, 2021, and 2020, the Company entered into the following transactions with related parties (key management):

	December 31, 2021	December 31, 2020
Professional and consulting fees	$ 203,265	$ -
Executive and director compensation	$ 545,495	$ -
Share-based compensation to related parties	$ 1,099,298	$ -

Related Party Balances

As at December 31, 2021, the Company has $84,685 (December 31, 2020 - $3,668) due to related parties included in accounts payables and accrued liabilities. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Related Party Receivables

	December 31, 2021	December 31, 2020
Due from Draft Label Technologies Inc.	$ -	$ 103,816
	$ -	$ 103,816

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

During the year ended December 31, 2021, the Company impaired $1,710 (December 31, 2020 - $42,867) of related party receivables due to management's assessment that the amounts would not be collected.

During the year ended December 31, 2021, the Company and its former parent company, VST, 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. The face value of the note was discounted using the Company's cost of borrowing of 20% over 2 years, which resulted in $427,778 being allocated to equity, for the conversion feature. The Company recorded accretion on the convertible promissory note of $205,099 during the year ended December 31, 2021 (December 31, 2020 - $Nil).

At December 31, 2021, management of VST and the Company agreed to settle all intercompany balances with no consideration exchanged, including the balance of the convertible promissory note with carrying value of $1,177,321 due to VST, receivable balances from VST for $1,864,513 and $413,222 balances due to VST. The net amount of $273,970 was included in Contributed Surplus.

(Expressed in Canadian dollars)

13. Related Party Transactions (Continued)

At December 31, 2021, management of Draft Label Technologies ("DLT"), a subsidiary of VST, and the Company agreed to settle all intercompany balances with no consideration exchanged. In total, $103,816 owing from DLT and $7,977 owing to DLT were forgiven and recorded in Contributed Surplus.

At December 31, 2021, management of Fantasy 360 Technologies Inc. ("F360"), a subsidiary of VST, and the Company agreed to settle all intercompany balances with no consideration exchanged. In total, $542,383 owing to F360 was forgiven and recorded in Contributed Surplus.

Related Party Loans

	December 31, 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
Due to CEO of Victory Square Technologies Inc.	-	15,000
	$ -	$ 866,057

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

During the year ended December 31, 2021, Limitless Technologies Inc., a Company with common ownership, forgave a debt for the amount of $202,844 to the Company and the CEO of VST also forgave a debt to the Company for the amount of $15,000. The forgiveness of these debts was also recorded in Contributed Surplus

During the year ended December 31, 2021, the Company recorded a net increase to contributed surplus of $390,417 (December 31, 2020 - $Nil) resulting from the net reversal of all related party balances described above.

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 December 31, 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.

14. Financial Risk Management (Continued)

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).

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

The Company's financial instruments consist of cash, accounts receivable, amounts due from related parties, advances, loan receivable, certain investments, related party loans, convertible debentures, accounts payable, CEBA loan, derivative liability and loan payable. The carrying value of financial instruments approximates the fair value as at December 31, 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 year. 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.

(Expressed in Canadian dollars)

16. Income Taxes

The following tables reconciles the expected income tax at the Canadian statutory income tax rates to the amounts recognized in the statements of loss and comprehensive loss for the years ended December 31, 2021, and 2020.

		December 31, 2021		December 31, 2020
Earnings (loss) before income tax	$	(9,121,433)	$	(980,872)
Tax rate		27%		27%
Expected income tax (recovery)		(2,462,787)		(264,835)
Increase (decrease) in income tax recovery resulting from:				
Income tax recovery on loss carry-backs		50,784		-
Non-deductible items and other		(83,950)		89,170
Change in deferred tax asset not recognized		2,546,737		175,665
Total income tax recovery	$	50,784	$	-

		December 31, 2021		December 31, 2020
Non-capital loss carry-forwards	$	1,742,214	$	2,644
Investments		921,494		171,998
Share issuance costs		103,031		45,360
Deferred tax asset not recognized		(2,766,739)		(220,002)
Deferred tax asset	$	-	$	-

17. Subsequent Events

a) On January 4, 2022, the Company closed on the issuance of a USD $2,000,000 non-interest bearing, unsecured convertible note to BCCL Worldwide Inc., a California company ("BWI") engaged in the business of purchasing bulk media and selling it onwards on a retail basis to other companies. The note matures on the twelve-month anniversary of the closing date, convertible into common shares of the Company based on dividing the Canadian dollar converted principal amount by the lower of several amounts as contemplated in the agreement and permissible pursuant to the policies of the CSE. In connection with the offering, the Company proposes to enter a subscription agreement with BWI wherein the Company will grant additional purchase rights for additional common shares at specified intervals starting in the third quarter of 2023. Further in connection with the offering, the Company agreed to use the entire proceeds for marketing related expenditures with BWI as per the terms of an Advertising Agreement closed in concurrence with the convertible note agreement.

b) On January 13, 2022, the Company granted 54,627 stock options to an employee which are exercisable at $0.22 for 2 years. Also on January 13, 2022, the Company granted a total of 937,364 restricted share units to three employees.

17. Subsequent Events (Continued)

c) On February 4, 2022, pursuant to an asset purchase agreement (the "APA"), the Company completed its acquisition of certain assets of real-time fantasy technology, FanClash, from London-based Inplay Labs. In consideration for the acquisition, the Company paid an aggregate upfront purchase price of $500,000, with $200,000 payable in cash on closing date and 1,538,461 common shares of the Company with an aggregate value of $300,000 at a deemed price per share of $0.195. The shares will be subject to contractual escrow for a period of up to 24 months from closing, with 25% released from escrow on each of the 6-, 12-, 18-, and 24-month anniversaries of the date of closing. In addition, the Company will grant InPlay an earn-out pursuant to which the Company shall issue up to an additional $500,000 in shares subject to the achievement of certain milestones and escrow pursuant applicable laws.