Fantasy 360 Technologies Inc.

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

Expressed in Canadian Dollars

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed interim unaudited financial statements of Fantasy 360 Technologies Inc. are the responsibility of the Company's management. The condensed 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.

Fantasy 360 Technologies Inc.
Condensed interim statements of financial position
(Expressed in Canadian dollars)

	Note		June 30, 2021		December 31, 2020
ASSETS					
Current assets					
Cash and cash equivalents	3	$	2,279,717	$	192,475
Prepaids			-		32,778
Trade receivables			62,293		63,565
Government sales tax receivable			19,206		6,087
			2,361,216		294,905
Non-current assets					
Investments	4		33,342		3,254
Due from related parties	6		542,383		542,383
Equipment	5		8,782		4,041
TOTAL ASSETS		**$**	**2,945,723**	**$**	**844,583**
LIABILITIES					
Current liabilities					
Trade payables	6	$	75,623	$	86,192
Accrued liabilities			41,355		141,423
Deposit on shares	8		-		1,172,796
Due to related parties	6		1,057,899		99,529
			1,174,877		1,499,940
Non-current liabilities					
CEBA loan	7		37,000		33,667
TOTAL LIABILITIES			1,211,877		1,533,607
SHAREHOLDER'S EQUITY					
Share capital	8		1,159,473		1
Contributed surplus			318,650		-
Subscription receipts	8		2,362,781		-
Deficit	8		(2,107,058)		(689,025)
TOTAL SHAREHOLDER'S EQUITY			1,733,846		(689,024)
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**$**	**2,945,723**	**$**	**844,583**

Nature of operations and going concern – Note 1
Subsequent events – Note 13

Fantasy 360 Technologies Inc.
Condensed interim statements of loss and comprehensive loss
(Expressed in Canadian dollars)

		Three months ended June 30,		Six months ended June 30,	
	Note	2021	2020	2021	2020
Revenue		$ 40,880	$ 88,419	$ 40,880	$ 441,415
Cost of goods sold		28,746	177,956	28,746	378,832
		12,134	(89,537)	12,134	62,583
Expenses					
Depreciation	5	1,600	1,600	3,200	3,200
Bad debt expense	11	-	-	391	-
Consulting fees		106,872	20,513	169,367	86,878
Foreign exchange gain		(1,335)	(26,277)	(1,012)	(48,111)
General and administration		18,735	8,251	29,853	19,028
Interest and accretion	7	1,716	-	3,334	-
Professional fees		42,246	5,465	62,638	14,609
Rent		27,456	36,084	66,651	79,257
Research and development	9	398,909	-	736,979	-
Salaries and wages		204,800	43,437	239,189	156,259
Sales and marketing		28,683	357	59,337	4,556
Share-based payments		318,650	-	318,650	-
Total expenses		(1,148,332)	(89,430)	(1,688,577)	(315,676)
Other Items					
Equity gain on investments	4	21,089	18,219	30,088	18,068
Interest and other income	10	104,082	(2,007)	228,322	(2,005)
		125,171	16,212	258,410	16,063
Net loss and comprehensive loss for the period		(1,011,027)	(162,755)	(1,418,033)	(237,029)
Basic and diluted loss per share		**$ (0.01)**	**$ (0.00)**	**$ (0.02)**	**$ (0.00)**
Weighted average number of common shares outstanding for the period - basic and diluted		**67,516,484**	**63,308,820**	**65,641,451**	**63,308,820**

Fantasy 360 Technologies Inc.
Condensed interim statements of changes in shareholder's equity
(Expressed in Canadian dollars)

		Share Capital					
	Note	Number of shares	Amount	Contributed surplus	Subscription Receipts	Deficit	Total
Balance at January 1, 2020		**63,308,820**	**$ 1**	**$ -**	**$ -**	**$ (769,818)**	**$ (769,817)**
Net loss for the period		-	-	-	-	(237,029)	(237,029)
Balance at June 30, 2020		**63,308,820**	**$ 1**	**$ -**	**$ -**	**$ (1,006,847)**	**$ (1,006,846)**
Balance at January 1, 2021		**63,308,820**	**$ 1**	**$ -**	**$ -**	**$ (689,025)**	**$ (689,024)**
Shares issued to settle deposit on shares	8	4,691,180	1,172,795	-	-	-	1,172,795
Proceeds received in advance of share issuance, net of share issuance costs	8	-	(13,323)	-	2,362,781	-	2,349,458
Share-based payments	8	-	-	318,650	-	-	318,650
Net loss for the period		-	-	-	-	(1,418,033)	(1,418,033)
Balance at June 30, 2021		**68,000,000**	**$ 1,159,473**	**$ 318,650**	**$ 2,362,781**	**$ (2,107,058)**	**$ 1,733,846**

(Expressed in Canadian dollars)

	Six months ended June 30, 2021	2020
Operating activities		
Net loss for the period	$ (1,418,033)	$ (237,029)
Adjustments for non-cash items:		
Accretion	3,334	-
Bad debt expense	391	-
Consulting fees adjustment	(38,126)	-
Depreciation	3,200	3,200
Foreign exchange gain	(1,012)	(48,111)
Equity gain on investment	(30,088)	(18,068)
Share based payments	318,650	-
Changes in non-cash working capital items:		
Prepaids	10,480	(3,685)
Trade receivables	880	107,046
Government sales tax receivable	(14,965)	(437)
Trade payables	51,699	21,144
Accrued liabilities	(99,057)	11,182
Deferred revenue	-	99,462
Net cash flows used in operating activities	(1,212,647)	(65,296)
Investing activities		
Capitalization of property and equipment costs	(7,940)	-
Net cash flows used in investing activities	(7,940)	-
Financing activities		
Proceeds from related parties	958,371	-
Repayments to related parties	-	(192,012)
Share issuance costs	(13,323)	-
Proceeds received in advance of share issuance	2,362,781	200,000
Proceeds from government loans	-	40,000
Net cash flows from financing activities	3,307,829	47,988
Change in cash	2,087,242	(17,310)
Cash, beginning	192,475	22,078
Cash, ending	**$ 2,279,717**	**$ 4,768**

1. Nature of Operations and Going Concern

Fantasy 360 Technologies Inc. ("Fantasy 360" or the "Company") is a wholly owned subsidiary of Victory Square Technologies Inc. ("Victory Square"). The Company provides immersive experiences primarily through the construction of interactive real-world simulations using VR and AR.

The Company's registered office is at Suite 1080, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The head office and principal address of the Company is located at Suite 604, 535 Thurlow Street, Vancouver, British Columbia, Canada, V6E 3L2.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2021, the Company had a working capital of $1,186,339 (2020 – deficit of $1,205,035) and an accumulated deficit of $2,107,058 (2020 – $689,024). The Company does not have sufficient cash to sustain operations for the next twelve months without additional financing. 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 favorable to the Company. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The pandemic has had an impact on the operations of the Company, including decreasing demand for the immersive experiences the Company offers and causing the Company to turn to change focus to a scalable pre-built box product for sale. Management has monitored the effects of the pandemic on operations to date and continues to monitor the situation continuously. Management notes 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 interim unaudited financial statements were authorized for issue on August 30, 2021, by the directors of the Company.

a) Statement of Compliance

These condensed 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 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 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) Basis of Preparation

The condensed 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.

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

3. Cash and Cash Equivalents

As at June 30, 2021 the cash balance of $2,279,717 (2020 - $192,475) was comprised of $2,126,502 funds held in trust with Odyssey relating to deposit on funds for the private placement which closed subsequent to period end (Note 13). The remaining $153,215 was held in operating accounts. The gross proceeds of the Company's private placement were $2,362,781. Per the terms of the subscription receipt agreements, the Company retained 10% of gross proceeds equal to $236,279. The remaining balance was received into operating accounts subsequent to period end (Note 13).

4. Investments

On February 8, 2018, the Company purchased 33.34% of Shape Immersive ("Shape") for $40 and advanced a working capital loan of $150,000 to Shape. The loan was unsecured, non-interest bearing and had no specified terms of repayment.

On September 27, 2018, the Company's interest in Shape was reduced to 21.42%.

During the period ended June 30, 2021, the Company recorded an equity gain of $30,088 (2020 – gain of $18,068) and the value of the investment was increased to $33,342 as at June 30, 2021 (2020 - $3,254).

5. Equipment

		Computer Equipment		Other Equipment		Total
Cost						
Balance, January 1, 2020	$	15,312	$	3,886	$	19,198
Additions		-		-		-
Balance, June 30, 2020	$	15,312	$	3,886	$	19,198
Accumulated depreciation						
Balance, January 1, 2020	$	8,110	$	647	$	8,757
Depreciation		2,552		648		3,200
Balance, June 30, 2020	$	10,662	$	1,295	$	11,957
Net book value, January 1, 2020	$	7,202	$	3,239	$	10,441
Net book value, June 30, 2020	$	4,650	$	2,591	$	7,241

(Expressed in Canadian dollars)

5. Equipment (Continued)

	Computer Equipment	Other Equipment	Total
Cost			
Balance, January 1, 2021	$ 15,312	$ 3,886	$ 19,198
Additions	3,823	4,117	7,940
Balance, June 30, 2021	$ 19,135	$ 8,003	$ 27,138
Accumulated depreciation			
Balance, January 1, 2021	$ 13,214	$ 1,943	$ 15,157
Depreciation	2,552	648	3,200
Balance, June 30, 2021	$ 15,766	$ 2,591	$ 18,357
Net book value, January 1, 2021	$ 2,098	$ 1,943	$ 4,041
Net book value, June 30, 2021	$ 3,369	$ 5,413	$ 8,782

6. 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
Consulting fees paid to CEO	$ 36,000	$ 37,520
Consulting fees paid to company controlled by CFO	$ 16,935	$ 12,929
Share based compensation to related parties	$ 66,660	$ -

Related Party Balances

At June 30, 2021, the Company has $5,136 (2020 - $1,626) due to related parties included in trade 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 GameOn Entertainment Inc.	$ 542,383	$ 542,383
	$ 542,383	$ 542,383

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

Related Party Loans

	June 30, 2021	December 31, 2020
Due to Victory Square	$ 1,057,899	$ 99,529
	$ 1,057,899	$ 99,529

Loans from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

7. CEBA

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 $19,749 and the proceeds received of $40,000 was recognized as a gain on CEBA loans of $20,251. The loan also had accretion of $2,725 for the period ended December 31, 2020.

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 $33,667 and the combined gain on CEBA loans is $29,058. 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 $3,334 (2020 - $Nil).

8. Share Capital

Authorized Share Capital

Unlimited common shares without par value.

Issued Share Capital

At June 30, 2021, there were 68,000,000 common shares outstanding (2020 – 63,308,820).

During the year ended December 31, 2020, the Company split its common shares on the basis of 240,000 new shares for every 1 old share. Prior to the split, the Company had 100 common shares issued and outstanding. No fractional shares were issued pursuant to the split, and subsequent to the split, the Company had 24,000,000 common shares issued and outstanding.

On April 1, 2021, the Company split its common shares on the basis of 2.6378675 new shares for every one old share. Prior to the split the Company had 24,000,000 common shares issued and outstanding. No fractional shares were issued pursuant to the split. The ending common shares outstanding after the split was 63,308,820.

All share references included in these financial statements, including the number of shares, weighted average number of common shares and earnings per income (loss) per share, have been adjusted for the split, including all such numbers presented for the prior years.

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 April 1, 2021, the Company issued 4,691,180 common shares to settle the remaining balance in the deposit on shares liability for a value of $1,172,795. The shares were issued at a price of $0.25 per share to two parties.

Warrants

The Company has no warrants outstanding.

(Expressed in Canadian dollars)

8. Share Capital (Continued)

Options

On May 1, 2021, the Company granted 4,300,000 stock options to employees, consultants, and directors exercisable at $0.25 and expiring on May 1, 2026. These stock options vest according to specific terms on each employee, consultant, or director's stock option agreements. The total number of stock options vested as of June 30, 2021 was 250,433.

Total share-based compensation recorded for the period ended June 30, 2021 was $318,650 (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 May 1, 2021	167%	0.92%	0%	5

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

Exercise Price	Number of Shares Issuable upon Exercise	Expiry Date
$0.25	4,300,000	May 1, 2026

Stock options continuity for the period was as follows:

	Number of units
Balance, January 1, 2020 and 2021	-
Granted	4,300,000
Balance, March 31, 2021	4,300,000

Deposit on Shares

During the year ended December 31, 2020, the Company received $1,172,795 in proceeds as deposits on shares to be issued from treasury which were settled on April 1, 2021 per the above.

Subscription Receipts

During the period ended June 30, 2021, the Company received an additional $2,362,781 in advance of a private placement. The transaction had not closed as at June 30, 2021. Share issuance costs of $13,323 were recorded in the period ended June 30, 2021 related to these subscription receipt amounts.

9. Research and Development

During the fiscal year 2021, the Company began incurring costs related to the UNCONTAINED project, both relating to the internal development of intangible software as well as a customized shipping container. Total research and development costs for the period ended June 30, 2021 were $736,979 (2020 - $Nil).

10. Interest and Other Income

Major sources of interest and other income include $46,838 (2020 - $Nil) in government grants and $181,399 (2020 - $Nil) in government subsidies. Government grants included Canada Emergency Wage Subsidy (CEWS), Canada Emergency Rent Subsidy (CERS), and a CanExport Canadian government grant that supports businesses as they explore/expand new and under-developed international markets. There are no unfulfilled conditions or other contingencies related to these grants or subsidies. The remaining $86 (2020 - $Nil) relates to interest income on cash and cash equivalents.

11. 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 receivables consist of trade receivables and amounts due from related parties. During the period ended June 30, 2021, the Company wrote off receivables in the amount of $391 (2020 - $Nil) that it believed were uncollectible. Based on the evaluation of remaining receivables at June 30, 2021, the Company believes that its receivables are collectable, however, due to the current COVID-19 pandemic, there is an increase in the uncertainty of collectability and management has determined credit risk to be high.

b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risks.

c) Liquidity risk

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

Historically, the Company's main source of funding has been loans from its parent company. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

d) Foreign exchange risk

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

11. Financial Risk Management (Continued)

Fair value

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

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

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.

The Company's financial instruments consist of cash, trade receivables, trade payables, loan payable, and related party balances. The carrying value of financial instruments approximates the fair value at June 30, 2021.

12. Capital Management

The Company manages its cash 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 pursue the development of its technology and products and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

13. Subsequent Events

a) On August 11, 2021, the Company announced it had received conditional approval from the Canadian Securities Exchange ("CSE") and will list and trade under the symbol CSE: VRAR. Listing is subject to Immersive fulfilling the final listing conditions of the CSE.

b) On August 12, 2021, the 6,750,803 subscription receipts were automatically converted into 6,750,803 common shares and 3,375,396 warrants which are exercisable at $0.52 for 2 years. On this date, 1,600,000 additional warrants which are exercisable at $0.25 for 2 years and 143,898 broker warrants which are exercisable at $0.52 for 2 years were issued (Note 8).

c) On August 16, 2021, the Company received the balance of funds in relation to the private placement of subscription receipts that were previously held in trust. The gross funds received on this date were $2,126,502 less $13,848 in transfer agent fees, for net proceeds received on this date of $2,112,654 (Note 3, 8).