# MANAGEMENT DISCUSSION AND ANALYSIS FOR FANTASY 360 TECHNOLOGIES INC.

**Six months ended**
**June 30, 2021 and 2020**

# Contents

This management's discussion and analysis ("MD&A") of the performance, financial condition, and results of operations of Fantasy 360 Technologies Inc. ("Fantasy 360", or the "Company"), should be read in conjunction with the Company's condensed interim unaudited financial statements and the related notes thereto for the six months ended June 30, 2021 and 2020 as well as the condensed annual audited financial statements and the related notes thereto for the years ended December 31, 2020 and 2019 (the "Financial Statements"), copies of which are available on SEDAR at www.sedar.com.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

Unless otherwise indicated, the information contained in this MD&A is as of the date of this prospectus.

Unless otherwise indicated, references to "$" or "dollars" are to Canadian dollars and references to "US$" are to United States dollars.

## Forward Looking Information

This MD&A includes certain "forward-looking information" within the meaning of applicable Canadian securities legislation. All information, other than information regarding historical facts, included in this MD&A that addresses activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's and its equity investees' businesses, operations, plans and other such matters is forward-looking information.

When used in this MD&A, the words "estimate", "plan", "anticipate", "expect", "intend", "believe", "will", "should", "could", "may" and similar expressions are intended to identify forward-looking information. This information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information.

The forward-looking information may include statements regarding:

- timelines;
- strategic plans;
- the business and operations of the Company;
- the Company's business objectives and discussion of trends affecting the business of the Company;
- the funds available to the Company and the principal purposes of those funds;
- anticipated revenues and cash flows from operations and funding requirements of the Company;
- capital, operating and general expenditures;
- expectations regarding the ability to raise capital;
- anticipated revenues to be realized by the Company from future contracts;
- treatment under governmental regulatory regimes and expectations with respect to regulatory approvals; and
- other forward-looking information including, but not limited to, information concerning the intentions, plans and future actions of the Company.

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

- the need to obtain additional financing and uncertainty as to the availability and terms of future financing;
- the ability to acquire funds necessary for general working capital and continuing operations;
- reliance on Parent Company or sale of equity or investments to access funds required;
- the possibility that opportunities will arise that require more cash than the Company has or can reasonably obtain;
- uncertainties associated with business opportunities that may be presented to, or pursued by the Company;
- the Company's operations and profitability may be adversely affected by competition from other similar entities;
- uncertainties related to early stage of technology and product development; uncertainties related to regulatory regimes and laws;
- dependence on key personnel;
- fluctuations in the currency markets and stock market volatility;
- going concern considerations;
- conflicts of interest;
- competition for, among other things, capital, acquisitions, equipment, and skilled personnel;
- operating or technical difficulties in connection with business activities;
- the possibility of cost overruns or unanticipated expenses; and
- the other factors discussed under "*Risks and Uncertainties*".

Should one or more of these risks or uncertainties materialize, or should the assumptions set out in the section titled "*Risks and Uncertainties*" underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein. These forward-looking statements are made as of the date of this MD&A, and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law.

## Introduction to the business

Fantasy 360 Technologies Inc. (“Fantasy 360” or the “Company”) is a 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 240, 577 Great Northern Way, Vancouver, British Columbia, Canada, V5T 1E1.

## Overall Performance

The following key transactions were recorded in the financial statements of the Company for the year ended December 31, 2020:

- Completion of Apex Entertainment Escape Rooms (3) with 35% of gross margin.
- Completion of bioMérieux corporate digital experience with 61% of gross margin.
- Completion of 4 themed escape rooms to the Family Entertainment Group with 41% of gross margin.
- Completion of an Intel corporate digital experience with 75% of gross margin.
- Completion of our 3rd anti-smoking experience for The Real Cost on X-Games events in partnership with Etzel Agency and US FDA.

The following key transactions were recorded in the financial statements of the Company for the period ended June 30, 2021:

- Development of hyper immersive game content for UNCONTAINED.
- Development and Design of an exclusive immersive experience for the renowned magician & celebrity YouTube creator Chris Ramsay.
- Development of Intellectual Property Trademarks and Patents
- Sponsor at the 2021 IAAPA Virtual Conference where it was released the first teasers around UNCONTAINED.

Recent operating highlights include:

- Immersive Tech shifted focus and capitalized upon the pandemic shutdown of live events and attractions. The executive team focused efforts and resources on creating the next generation of family-fun attractions, a state-of-the-art 5D all immersive attraction called "UNCONTAINED". In early April of 2021, the Company announced that Immersive Tech had signed a letter of intent with Autobahn Indoor Speedway USA for an option of up to 10-unit purchase of "UNCONTAINED".
- Immersive Tech has entered into an agreement with renowned magician & celebrity YouTube creator Chris Ramsay on an exclusive immersive experience like no other. The narrative tie-ins to the “UNCONTAINED” experience, offering fans an opportunity to be part of the story themselves.
- Substantial completion of UNCONTAINED hyper-immersive demo unit

## Selected Financial Information

Selected information for the Company are as follows:

| | As at June 30, 2021 | As at December 31, 2020 |
|---|---|---|
| Current assets | 2,361,216 | 294,905 |
| Non-current assets | 584,507 | 549,678 |
| Total assets | 2,945,723 | 844,583 |
| | | |
| Currrent liabilities | 1,174,877 | 1,499,940 |
| Non-current liabilities | 37,000 | 33,667 |
| Total liabilities | 1,211,877 | 1,533,607 |

| | Six months ended June 30, 2021 | 2020 |
|---|---|---|
| Total revenue | 40,880 | 441,415 |
| Net income (loss) | (1,418,033) | (237,029) |
| Comprehensive income (loss) | (1,418,033) | (237,029) |
| Net income (loss) per share, basic | (0.02) | (0.00) |
| Net income (loss) per share, diluted | (0.02) | (0.00) |

## Discussion of Operations

**REVENUE**

Revenue for the three months ended June 30, 2021 was $40,880 compared to $88,419 for the period ended June 30, 2020. Revenue for the six months ended June 30, 2021 was $40,880 compared to $441,415 for the period ended June 30, 2020. The decrease in revenue in 2021 is related to the decrease in immersive experiences revenue as a result of the COVID-19 pandemic and the fewer contracts entered into as at June 30, 2021 as compared to June 30, 2020. In 2021, the Company also shifted away from immersive experience contracts and moved toward a project called UNCONTAINED which is currently in development and not yet generating revenues.

**COST OF GOODS SOLD**

Cost of goods sold for the three months ended June 30, 2021 were $28,746 compared to $177,956 for the period ended June 30, 2020. For the six months ended June 30, 2021, cost of goods sold were $28,746 compared to $378,832 for the period ended June 30, 2020. The decrease in cost of goods sold is related to the above-described decrease in immersive experiences revenue related to the COVID-19 pandemic. For more information on COVID-19's impact on the Company, see "*COVID-19 Pandemic*".

**GROSS MARGIN**

Gross margin for the three months ended June 30, 2021 was $12,134 or 30% compared to negative $89,537 or negative 101% for the period ended June 30, 2020. Gross Margin for the six months ended June 30, 2021 was $12,134 or 30% compared to $62,583 or 14% for the period ended June 30, 2020. The increase in gross margin in 2021 was due to the fact that the Company had only one contract with a relatively high gross margin as opposed to 2020 which had several contracts with varying margins.

**EXPENSES**

For the three months ended June 30, 2021, total expenses were $1,148,332 compared to $89,430 recorded in the period ended June 30, 2020. Total expenses for the six months ended June 30, 2021 were $1,688,577 compared to $315,676 for the period ended June 30, 2020.

Material variances over the comparable period are discussed below.

**Consulting fees**

Consulting fees for the three months ended June 30, 2021 were $106,872 compared to $20,513 for the period ended June 30, 2020. For the six months ended June 30, 2021, consulting fees were $169,367 compared to $86,878 for the period ended June 30, 2020. The increase in consulting fees was a result of the Company incurring more costs related to the anticipated initial public offering (IPO).

**Professional fees**

Professional fees for the three months ended June 30, 2021 were $42,246 compared to $5,465 for the period ended June 30, 2020. For the six months ended June 30, 2021, professional fees were $62,638 compared to $14,609 for the period ended June 30, 2020. The increase in 2021 is attributable to accounting and legal fees paid for the Company in relation to the anticipated initial public offering (IPO).

**Research and development**

Research and development for the three months ended June 30, 2021 was $398,909 compared to $Nil for the period ended June 30, 2020. For the six months ended June 30, 2021, research and development were $736,979 compared to $Nil for the period ended June 30, 2020. During the period ended June 30, 2021, the Company began incurring costs related to the UNCONTAINED project, both relating to the internal development of intangible software as well as a physical, customized shipping container. The increase in this expense also correlates to decreases in other accounts as seen on the financial statements as well as discussed herein.

**Salaries and Wages**

Salaries and wages for the three months ended June 30, 2021 were $204,800 compared to $43,437 for the period ended June 30, 2020. Salaries and wages for the six months ended June 30, 2021 were $239,189 compared to $156,259 for the period ended June 30, 2020. The decrease in salaries and wages in 2021 is due to the above-mentioned movement of previously salaried employees to consultant or contractor roles as well as the re-allocation of expenses to research and development as noted above.

**Sales and Marketing**

Sales and marketing for the three months ended June 30, 2021 were $28,683 compared to $357 for the period ended June 30, 2020. For the six months ended June 30, 2021, sales and marketing were $59,337 compared to $4,556 for the period ended June 30, 2020. The current period increase is again attributable to the costs associated with marketing for the anticipated IPO as well as to market the new UNCONTAINED project.

**Share-Based Payments**

Share-based payments for the three months ended June 30, 2021 were $318,650 compared to $Nil for the period ended June 30, 2020. For the six months ended June 30, 2021, share based payments were $318,650 compared to $Nil for the period ended June 30, 2020. The current period was the first in which the Company granted and vested stock options to directors, employees, and consultants.

## Summary of Quarterly Results

The following information is derived from quarterly financial information:

| Fiscal Quarter Ended | Revenue | Net Income / (Loss) for the Period | Basic Income / (Loss) Per Share | Diluted Income / (Loss) Per Share |
|---:|---:|---:|---:|---:|
| June 30, 2021 | 40,880 | (1,011,027) | (0.01) | (0.01) |
| March 31, 2021 | - | (407,006) | (0.01) | (0.01) |
| December 31, 2020 | 67,188 | (104,616) | (0.00) | (0.00) |
| September 30, 2020 | 583,302 | 496,713 | 0.01 | 0.01 |
| June 30, 2020 | 88,419 | (162,754) | (0.00) | (0.00) |
| March 31, 2020 | 352,996 | (74,275) | (0.00) | (0.00) |
| December 31, 2019 | 334,283 | (486,745) | (0.01) | (0.01) |
| September 30, 2019 | 1,119,148 | 205,773 | 0.00 | 0.00 |

Discussion of movements between quarters are as follows:

- Q2 2021 – small amount of revenue from one customer, majority of costs going to research and development for Uncontained
- Q1 2021 – nil revenues and only costs being incurred for Uncontained IP development
- Q4 2020 – winding down of several final projects, decreased but still incurring operating expense costs
- Q3 2020 – increased gross margin due to some projects cancelling their orders due to COVID restrictions, but nonrefundable deposits so recognized revenues with no further costs
- Q2 2020 – COVID effect on operations, decreasing revenue contracts and also decreasing costs incurred as moved employees to contractors to scale back operations during uncertainty
- Q1 2020 – COVID effect on operations, decreasing revenue contracts and also decreasing costs incurred as moved employees to contractors to scale back operations during uncertainty
- Q4 2019 – normal revenue generating operations, net loss due to audit adjustments posted in the year-end period

- Q3 2019 – majority of the work done on revenue generating projects and since revenue recognized by percentage of completion, recognized a large portion of revenue in this period when work performed

## Liquidity

At June 30, 2021, the Company had total current assets of $2,361,216 (2020 - $294,905) comprised of $2,279,717 (2020 - $192,475) in cash, $Nil (2020 - $32,778) in prepaid expenses, $62,293 (2020 - $63,565) in trade receivables, and $19,206 (2020 - $6,087) in government sales tax receivable. Conversely, the Company had total current liabilities of $1,174,877 (2020 - $1,499,940) comprised of $75,623 (2020 - $86,192) in trade payables, $41,355 (2020 - $141,423) in accrued liabilities, $Nil (2020 - $1,172,796) in deposit on shares, and $1,057,899 (2020 - $99,529) in amounts due to related parties.

As at June 30, 2021, the Company had a working capital of $1,186,339 compared to a deficiency of $1,205,035 as at December 31, 2020.

The Company's ability to meet its obligations and activities over the long-term depends on its ability to generate cash flow through the issuance of common shares of the Company pursuant to equity financings and short-term or long-term loans. Capital markets may not be receptive to offerings of new equity from treasury or debt, whether by way of private placements or public offerings. The Company has minimal cash flow from operations and is dependent upon raising equity financing to sustain its operations.

## Capital Resources

As at August 30, 2021, the Company has 74,750,803 outstanding common shares. The Company has 4,300,000 stock options exercisable at $0.25 for 5 years. The Company has 1,600,000 warrants exercisable at $0.25 for 2 years, and 3,519,294 warrants and broker warrants exercisable at prices between $0.25 and $0.52 for 2 years.

## Off-Balance Sheet Arrangements

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

## Transactions Between Related Parties

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 |

**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 | $ | 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.

## Critical Accounting Estimates

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

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

- The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, and expenses.

- The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.
- Critical judgements are made regarding assessment of impairment to the carrying value of the Company's assets.
- At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognized in the statement of loss and comprehensive loss for the period.
- Changes in any of the assumptions used in impairment testing could materially affect the result of the analysis.

As at June 30, 2021, the Company reviewed the carrying value of its assets and indicators of impairment. After this review, it was determined that there were no indicators of impairment and no impairments were recognized in the audited financial statements.

## Changes in Accounting Policies including Initial Adoption

**Leases**

The Company adopted all of the requirements of IFRS 16 – Leases as of January 1, 2019. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated, and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. The Company has a lease for its headquarters in Vancouver, British Columbia, however, the lease period is less than 12 months, therefore it is exempted from the new standard under IFRS 16.

## Financial Instruments and Other Instruments

**Fair value**

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

The different levels for valuation of financial instruments carried at fair value have been defined as follows:

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

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

Cash is measured using Level 1 inputs.

The Company's financial instruments consist of cash, trade receivables, due from related parties, trade payables, loan payable, and related party loans. The carrying value of cash, trade receivables, trade payables, and related party loans approximates their fair value due to the short- term nature of these instruments. The carrying value of the loan payable approximates its fair value since it was calculated using the Company's borrowing rate although the terms of the loan are below market. The carrying values of the amounts due from related parties approximates their fair values since they were recorded at fair value at inception.

## Other Risks and Uncertainties

**FINANCIAL RISK MANAGEMENT**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The cash is deposited in 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, and government sales tax receivable. Based on the evaluation of 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.

Interest rate risk

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

Liquidity risk

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

Historically, the Company's main source of funding has been 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.

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.

The Company has limited capital resources and must rely upon private placements for cash required to make new investments and to fund the administration of the Company.

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

**Limited Operating History**

The Company has limited operating history as a revenue producing entity. The Company and its business prospects must be viewed against the background of the risks, expenses, and problems frequently encountered by companies in the early stages of their development, particularly companies in new and rapidly evolving markets. There is no certainty that the Company will be able to operate profitably.

**Going-Concern Risk**

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

**Negative Cash Flow**

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

**Additional Requirements for Capital**

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

**Technology Sector Risk**

General risks of technology companies include the risks of rapidly changing technologies, short product life cycles, fierce competition, aggressive pricing and reduced profit margins, loss of patent, copyright and trademark protections, cyclical market patterns, evolving industry standards and frequent new product introductions.

**Regulatory Risks**

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

**Intellectual Property Rights**

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

**Cyber Security Risks**

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

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

**Competition**

The market for similar technology is highly competitive on both a local and a national level. Competitors may also have longer operating histories or greater name recognition. There can be no assurance that any company will successfully differentiate its products from its competitors, or that the marketplace will consider one technology to be superior to others.

**Key Personnel**

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

**Conflicts of Interest**

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

**COVID-19**

In March of 2020, the World Health Organization declared 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. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's ability to raise funds in the future. The Company was not immune from the effects of the global pandemic. The Company encountered supply chain issues, travel restrictions, and impact on production.

The Company initially faced a decrease in its business due to the in-person nature of its product. However, the Company was able to deliver its product to key customers and close several new deals within the 2020 fiscal year. In the second half of fiscal 2020, Immersive Tech shifted focus and capitalized upon the pandemic shutdown of live events and attractions. The executive team focused efforts and resources on creating a state-of-the-art 5D all immersive attraction called "UNCONTAINED". While similar companies folded during 2020, Immersive Tech capitalized upon the time to create the next generation of family-fun attractions. In early April of 2021, the Company announced that Immersive Tech had signed of a letter of intent with Autobahn Indoor Speedway USA for an option of up to 10-unit purchase of "UNCONTAINED".

## DISCLOSURE OF INTERNAL CONTROLS AND PROCEDURES

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

## INFORMATION AVAILABLE ON SEDAR

Additional information about the Company, including in the form of previously published financial statements, management discussion and analyses and press releases, is available on SEDAR at www.sedar.com.