

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR XR IMMERSIVE TECH INC. (FORMERLY
FANTASY 360 TECHNOLOGIES INC.)**

Year ended December 31, 2021

Expressed in Canadian Dollars

Contents

Forward Looking Information.....	4
Introduction to the business	6
Business Update.....	6
Overall Performance	6
Selected Financial Information.....	9
Discussion of Operations	9
Summary of Quarterly Results	11
Liquidity	12
Capital Resources.....	12
Off-Balance Sheet Arrangements	12
Transactions Between Related Parties	12
Proposed Transactions	13
Critical Accounting Estimates.....	14
Changes in Accounting Policies including Initial Adoption	15
Financial Instruments and Other Instruments.....	15
Other Risks and Uncertainties.....	15

This management's discussion and analysis (this "**MD&A**") of the performance, financial condition, and results of operations of XR Immersive Tech Inc. ("XRI", or the "Company", "we" and "our"), should be read in conjunction with the Company's audited annual financial statements and the related notes thereto for the twelve months ended December 31, 2021, and December 31, 2020 (the "**2021 Financial Statements**"). The Company's reporting currency is the Canadian dollar and all dollar amounts in this MD&A are expressed in Canadian dollars, unless otherwise specified. Unless otherwise indicated, the information contained in this MD&A is as of April 29, 2022.

The financial information of the Company contained in this MD&A is derived from the 2021 Financial Statements, which were prepared in accordance with International Accounting Standards using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

Additional information relating to the Company, including the Financial Statements, is available at www.sedar.com.

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

XR Immersive Tech Inc. (the “Company”) (formerly Fantasy 360 Technologies Inc.) affected a name change on February 3, 2022. The Company is 69.8% owned by Victory Square Technologies Inc. (“Victory Square”). The Company provides immersive experiences primarily through the construction of interactive real-world simulations using Virtual Reality (“VR”) and Augmented Reality (“AR”).

On September 3, 2021, the Company’s common shares commenced trading on the Canadian Securities Exchange (“CSE”) under the symbol VRAR. The Company’s registered office is at Suite 401, 750 West Pender Street, Vancouver, British Columbia, V6C 2T7. The head office and principal address of the Company is located at Suite 240, 577 Great Northern Way, Vancouver, British Columbia, Canada, V5T 1E1.

Business Update

In the quarter ended December 31, 2021, the Company executed on several goals, including a \$3M debt financing which closed mid-December. In addition, the company attended the annual IAAPA Expo (“International Association of Amusement Parks and Attractions”) which was attended by more than 28,000 people and where we demonstrated our pilot Hyper-Immersive™ VR Attraction UNCONTAINED™ and its first companion game Deep Signal™ to more than 3,500 attendees in the attractions industry. Feedback was very positive and we summarily signed Letters of Intent (“LOIs”) for the purchase of 12 units to 2 different buyers. The first of these units is due to deliver to the customer early this summer.

We further filed 2 patents and 3 trademarks to protect the Company’s intellectual property in the VR space and signed a development partnership with DTS Inc. a leader in next generation audio technologies used in the UNCONTAINED attraction. We announced our development program for UNCONTAINED™/OS, which is a core technology enabling our Hyper-Immersive VR systems for environmental haptics including smell, sound, temperature, and physical interactions. We also shipped a one-of-a-kind Immersive Experience based on our core technologies to Youtube influencer Chris Ramsay who has over 6.4M subscribers.

Overall Performance

The following key transactions were recorded in the financial statements of the Company for the period ended December 31, 2021:

- Development of hyper immersive game content for UNCONTAINED™. Costs related to game development, directly attributable labor, container unit and fixtures, and intellectual property filings, were reported as research and development expense.
- Development and Design of an exclusive immersive experience for the renowned magician & celebrity YouTube creator Chris Ramsay.
- Signature of contract with Autobahn Indoor Speedway USA of the first production unit of UNCONTAINED™. The container units and fixtures related to production units were capitalized as inventory.
- The Company successfully completed an Initial Public Offering (“IPO”) with the Company’s common shares commencing trading under the symbol ‘VRAR’ on the Canadian Securities Exchange (“CSE”) on September 8, 2021.

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™".

- The Company had a successful launch of its UNCONTAINED™™ attraction, dubbed the Physical Portal to the Metaverse, at the in-person IAAPA global attractions expo in Orlando Florida. We transported the standalone attraction to Orlando for the four-day event and showcasing it to over 28,000 industry participants to rave reviews.
- Ahead of the release of UNCONTAINED™™ at the global attractions industry expo in Orlando Florida the Company announced details of their in-house developed hyper-immersive game for their UNCONTAINED™ platform titled "Deep Signal"
- Two additional LOI's for units of the UNCONTAINED™ attraction were signed to instal in Las Vegas at a top secret new mixed use entertainment facility
- The Company revealed plans for its UNCONTAINED™/OS software-as-a-service platform which currently powers the UNCONTAINED™ hardware platform, which will allow brands, operators, and partners to leverage its software to build physical and real-world social experiences in the Metaverse.
- The Company signed a binding Letter of Intent to acquire Synthesis VR, one of the largest location-based VR companies in the world with the gold standard VR arcade facility management software (SaaS) and one of the largest VR game library marketplaces (325+ games, K-12 educational experiences).
- Announcement of Synthesis VR releasing an industry first product supporting Android-based standalone headsets (such as Oculus Quest 2, HTC Focus 3) including a first to market digital rights management ("DRM") solution for its network of over 300 global VR arcade operators. The product allows VR operators to manage the VR game play sessions and offer legally licensed content specifically for use on the Oculus Quest 2 headsets
- Immersive Tech signed a partnership deal with Xperi DTS Audio XR team to pioneer the first headphone free ambient spatial 3D audio experience for VR games
- The Company also forged an instrumental development deal to work closely with the market leader VR headset manufacturer, HTC Corporation (the maker of the VIVE headsets). The development relationship with HTC will ensure the Company is at the cutting edge of VR technology. Alvin Wang Graylin, a director of the Company and the President of HTC China, has been helpful in providing key industry insight and access to necessary resources.
- The Company has filed for two patents with the Canadian Intellectual Property Office. The first Canadian patent application is titled "System and Method for Plug and Play VR" and covers the overall UNCONTAINED™ VR gaming package
- The Company has also secured five trademarks: Hyper-Immersive™, UNCONTAINED™, Immersive Tech™, Deep Signal™ (the first VR hyper-immersive game) and Making the Metaverse real™.
- The Company continues to do custom Immersive projects for new and existing clients including a follow-on contract with Leaps by Bayer (Bayer Pharmaceuticals) to create and manage new escape game branded challenges for its 2022 event world tour.
- Over the course of 2021 the Company was able to secure several leading industry and influential executives for its board of directors, senior management and advisory team including:
 - **Alvin Wang Graylin** (Director). Alvin is the President of HTC China and also serves as Vice Chairman of the Industry of Virtual Reality Alliance and the President of the Virtual Reality Venture Capital Alliance.
 - **Cathy Hackl** (Director). Cathy is the CEO of Futures Intelligence Group, is a Metaverse Strategist and Tech Futurist, as well as a thought leader in the fields of Virtual Reality, Augmented Reality and Spatial Computing
 - **Lance Priebe** (Advisory Board member) Lance is the founder of Hyper Hippo Entertainment (well known for the AdVenture Capitalist game franchise), and previously created one of the largest online game platforms, "Club Penguin" which he sold to Disney.
 - **Kevin Williams** (Advisory Board member) Kevin has an extensive background in the development and sales of a wide range of amusement attractions and VR applications. He

is the Co-Founder & Technology Director at Spider Entertainment as well as being a Walt Disney alumnus following his years as an esteemed Walt Disney Imagineer.

- **Dan Bugar** (Advisory Board member) Dan is the Co-founder of Shape Immersive, a company specializing in the building of VR/AR + 3D development that collaborates with brands like Redbull, Disney, Star Atlas and RTFKT. Dan is also the President of the Vancouver VR/AR Association and the CEO of Frontier Collective.
- **Steven Dooner** (Business Development Director) Steve is a strategic hire for the Company heading up business development and sales. He has over 40-years of location-based entertainment (“LBE”) experience, including helping with the launch of Chuck E Cheese, ESPNZone, and managing the major \$1.5B park expansion of Tokyo Disneyland
- The Company was successful in listing its common shares on the Canadian Securities Exchange (the “CSE”) and its shares commenced trading on September 8, 2021. This listing followed an over-subscribed equity financing which closed in April 2021 raising \$2,360,000.
- The Company pursued international listings to further its reach to European investment markets and announced its common shares began trading on the Frankfurt Stock Exchange (the “FSE”) on September 29, 2021.
- The Company pursued USA listings to further its reach to US investment markets and announced its common shares began trading the OTCQB on November 29, 2021.
- On December 13, 2021, the Company announced its common shares were made DTC eligible to provide greater liquidity for shareholders.
- The Company was also successful in securing a loan facility for \$3,000,000 with Westdale Construction Co. Limited as announced December 20, 2021, to facilitate sales and growth opportunities.

Selected Financial Information

Selected information for the Company are as follows:

	As at December 31, 2021	As at December 31, 2020
Current assets	3,341,442	294,905
Non-current assets	77,833	549,678
Total assets	3,419,275	844,583
Current liabilities	4,051,959	1,499,940
Non-current liabilities	74,549	33,667
Total liabilities	4,126,508	1,533,607
	Year ended December 31,	2020
	2021	
Total revenue	107,960	1,441,468
Net income (loss)	(4,345,470)	80,793
Comprehensive income (loss)	(4,345,470)	80,793
Net income (loss) per share, basic	(0.06)	0.00
Net income (loss) per share, diluted	(0.06)	0.00

Discussion of Operations

REVENUE

Revenue for the year ended December 31, 2021, was \$107,960 compared to \$1,441,468 for the year ended December 31, 2020. Revenue for the three months ended December 31, 2021, was \$39,043 compared to \$416,751 for the three months ended December 31, 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 December 31, 2021 as compared to December 31, 2020. In 2021, the Company also shifted away from immersive experience contracts and moved toward a project called UNCONTAINED™ which was under development for most of 2021.

COST OF GOODS SOLD

Cost of goods sold for the year ended December 31, 2021 were \$95,765 compared to \$888,747 for the year ended December 31, 2020. For the three months ended December 31, 2021, cost of goods sold were \$49,852 compared to \$446,287 for the three months ended December 31, 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 year ended December 31, 2021 was \$12,195 or 11% compared to \$552,721 or 38% for the year ended December 31, 2020. Gross Margin for the three months ended December 31, 2021, was (\$10,809) or (28%) compared to (\$29,536) or (7%) for the three months ended December 31, 2020. The

decrease in gross margin in 2021 was due to the fact that the Company had only one contract with a relatively lower gross margin as opposed to 2020 which had several contracts with varying margins.

EXPENSES

For the year ended December 31, 2021, total expenses were \$4,909,314 compared to \$686,229 recorded in the year ended December 31, 2020. Total expenses for the three months ended December 31, 2021, were \$2,420,408 compared to \$260,513 for the period ended December 31, 2020.

Material variances over the comparable period are discussed below.

Consulting fees

Consulting fees for the year ended December 31, 2021, were \$471,308 compared to \$104,515 for the year ended December 31, 2020. For the three months ended December 31, 2021, consulting fees were (\$275,482) compared to \$6,852 for the three months ended December 31, 2020. The increase in consulting fees for the year was a result of the Company incurring more costs to related parties and external parties in relation to the Company successfully completing an IPO transaction. The Company reclassified consulting fees to share-based compensation in the three months ended December 31, 2021, resulting in a negative figure for the fourth quarter.

Professional fees

Professional fees for the year ended December 31, 2021, were \$461,726 compared to \$76,528 for the year ended December 31, 2020. For the three months ended December 31, 2021, professional fees were \$258,330 compared to \$58,464 for the three months ended December 31, 2020. The increase in 2021 is attributable to accounting and legal fees paid for the Company in relation to IPO transaction.

Rent

Rent for the year ended December 31, 2021, was \$96,638 compared to \$127,567 for the year ended December 31, 2020. For the three months ended December 31, 2021, rent was \$11,534 compared to \$12,815 for the three months ended December 31, 2020. The decrease in 2021 is attributable to a concerted effort to reduce fixed costs during 2021 due to lower revenue described above.

Research and development

Research and development for the year ended December 31, 2021, was \$1,609,400 compared to \$Nil for the year ended December 31, 2020. For the three months ended December 31, 2021, research and development were \$1,457,684 compared to \$Nil for the three months ended December 31, 2020. During the period ended December 31, 2021, the Company began incurring costs related to the UNCONTAINED™ project, both relating to the internal development of software as well as a physical, customized shipping container with equipment fixtures. A total of \$521,952, \$1,082,562, and \$4,886 was spent on the container unit and equipment fixtures, software and design labor (internal and external), and intellectual property filings, respectively.

Salaries and Wages

Salaries and wages for the year ended December 31, 2021, were \$687,993 compared to \$241,566 for the year ended December 31, 2020. Salaries and wages for the three months ended December 31, 2021, were \$192,832 compared to \$42,604 for the three months ended December 31, 2020. The increase in salaries and wages in 2021 is due to the additional staff retained due to the redirection of the Company as well as several senior executives compensated as contractors and expensed in consulting fees.

Sales and Marketing

Sales and marketing for the year ended December 31, 2021, were \$176,278 compared to \$22,475 for the year ended December 31, 2020. For the three months ended December 31, 2021, sales and marketing were \$82,520 compared to \$17,258 for the three months ended December 31, 2020. The current period increase is again attributable to the costs associated with marketing for the IPO transaction as well as to market the new UNCONTAINED™ project.

Share-Based Payments

Share-based payments for the year ended December 31, 2021, were \$1,087,039 compared to \$Nil for the year ended December 31, 2020. For the three months ended December 31, 2021, share-based payments were \$495,872 compared to \$Nil for the three months ended December 31, 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
December 31, 2021	39,043	(2,329,826)	(0.03)	(0.03)
September 30, 2021	28,037	(597,611)	(0.01)	(0.01)
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	437,982	(237,029)	(0.01)	(0.01)
March 31, 2020	352,996	(74,275)	(0.00)	(0.00)

Discussion of movements between quarters are as follows:

- Q4 2021 – small amount of revenue from one customer, majority of costs going to development of UNCONTAINED™ business unit, business development, and share-based compensation.
- Q3 2021 – small amount of revenue from one major customer, majority of costs going to development and consulting for UNCONTAINED™ and initial public offering (IPO).
- 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

At December 31, 2021, the Company had total current assets of \$3,341,442 (December 31, 2020 - \$294,905) comprised of \$2,932,795 (December 31 - 2020 - \$192,475) in cash, \$46,211 (2020 - \$32,778) in prepaid expenses, \$17,272 (December 31, 2020 - \$63,565) in other receivables, \$182,782 in government subsidy receivable, \$18,364 (December 31, 2020 - \$6,087) in government sales tax receivable, and \$144,018 in inventory. Conversely, the Company had total current liabilities of \$4,051,959 (December 31, 2020 - \$1,499,940) comprised of \$105,242 (December 31, 2020 - \$86,192) in trade payables, \$188,973 (2020 - \$141,423) in accrued liabilities, \$Nil (December 31, 2020 - \$1,172,796) in deposit on shares, \$13,977 in current portion of lease liability (December 31, 2020 - \$Nil), \$1,119,109 (2020 - \$99,529) in amounts due to parent, and \$2,560,172 in short-term bridge term loan (December 31, 2020 - \$Nil).

As at December 31, 2021, the Company had a working capital deficiency of \$710,517 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.

Liquidity

Capital Resources

As at April 29, 2022, the Company has 76,050,803 outstanding common shares. The Company has 7,400,000 stock options and 600,000 executive performance-based warrants exercisable at \$0.25 for 5 years. The Company has 1,600,000 consultant warrants exercisable at \$0.25 for 2 years, 3,537,115 subscription receipt warrants and broker warrants exercisable at \$0.52 for 2 years, and 2,966,332 lender and finder warrants exercisable at \$0.52 for 4 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 year ended December 31, 2021, and 2020, the Company entered into the following transactions with related parties:

	December 31, 2021		December 31, 2020	
Management fees paid to parent company	\$	-	\$	54,000
Consulting fees paid to Chief Marketing and Design Officers	\$	99,000	\$	55,026
Consulting fees paid to CEO in capital stock and performance based warrants	\$	164,668	\$	-
Consulting fees paid to company controlled by CEO & director	\$	74,025	\$	-
Consulting fees paid to director	\$	18,588	\$	-
Consulting fees paid to company controlled by CFO	\$	85,283	\$	26,306
Consulting bonus warrants issued to related party	\$	93,520	\$	-
Share based compensation to related parties	\$	420,532	\$	-

Related Party Balances

At December 31, 2021, the Company has \$41,533 (2020 - \$1,626) due to related parties included in trade 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 GameOn Entertainment	\$	-	\$	542,383
	\$	-	\$	542,383

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

Related Party Loans

	December 31, 2021		December 31, 2020	
Due to Victory Square	\$	1,119,109	\$	99,529
	\$	1,119,109	\$	99,529

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

Proposed Transactions

On January 4, 2022, the Company signed a Share Purchase Agreement ("SPA") to acquire all of the shares of Synthesis VR Inc., a leading location-based Virtual Reality content store and technology engine, for an aggregate purchase price of \$4,800,000 as follows (i) \$500,000 in cash with \$150,000 payable upon closing, \$50,000 payable on the 5th business day after closing, and a further \$300,000 payable upon the completion of certain milestones; and (ii) common shares of the Company with an aggregate value of \$4,300,000 at a deemed price per share equal to the market price of the Company's shares minus permitted discounts per policies of the CSE with a minimum price per share of \$0.35, which such shares shall be subject to contractual escrow with tranching release over a period of 20 months. In addition, subject to applicable laws and the policies of the CSE, the Company may issue additional shares with an aggregate value of up to \$5,000,000 upon the achievement of certain mutually agreed upon performance milestones.

All events which have completed subsequent to the date of the financial statements and prior to the date of issuance of this report are summarized in the subsequent event note to the financial statements.

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 April 29, 2022, the Company reviewed the carrying value of its assets for 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

At the date of the MD&A, 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 year beginning after the effective date of the pronouncement. New standards, interpretations and amendments not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

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. Instruments carried at fair value are measured using level 3 inputs.

The Company's financial instruments consist of cash and cash equivalent, other receivables, government subsidy receivable, government sales tax receivable, trade payables, loan payable, lease liability, CEBA loan, and related party balances. The carrying value of financial instruments approximates the fair value at December 31, 2021 and December 31, 2020. 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 December 31, 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.