

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

**Year ended  
December 31, 2022 and 2021**

Expressed in Canadian Dollars

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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 consolidated financial statements and the related notes thereto for the twelve months ended December 31, 2022 and 2021 (the "**2022 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 July 18, 2023.

The financial information of the Company contained in this MD&A is derived from the 2022 and 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](http://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.

## Letter from CEO

Dear Shareholders,

We had a great 2022 with revenues climbing sharply including a number of strategic key milestones reached which I am excited to share.

### Financial Highlights

XRI delivered the following results for the year of 2022 ending in Dec 31, 2022:

#### **Revenue:**

Revenue for 2022 was \$1.195M compared to \$108K for the year of 2021, reflecting the first year of Synthesis VR Inc. results of operations.

### Business Highlights:

The Company has achieved several key corporate, M&A and operational milestones over the twelve months of 2022 building a strong foundation for future growth and innovation. Some of these key milestones are reflected in the corporate update below:

#### **The SVR Division Has Seen Incredible Month-Over-Month Growth In 2022**

The Company closed on its acquisition of Synthesis VR Inc. ("SVR") earlier in 2022 and has successfully transitioned the SVR management, development and support teams into the overall Immersive Tech team. The acquisition adds revenue and experienced team members to the Company, but most importantly a software SaaS platform which powers over 450 VR arcades globally and a marketplace of nearly 400 VR games and content that are licensed to this operator network. SVR is rapidly becoming the largest VR out-of-home entertainment marketplace for games, educational and enterprise training experiences worldwide. Here are some highlights for 2022:

- Over 33 million minutes of gameplay, which is an increase of 153% compared to the year of 2021
- Over 50,000 customer accounts were created on the platform which is a 109% increase compared to last year
- Platform subscription has gone up by 108% compared to last year
- Launching Support for Android based headsets such as Quest 2, Pico and Vive Focus 3 with games for Android headsets unlike any other platform.  
(<https://svr.li/mail/w/AZrxopQkwdNdQ3g2ETbZqA>)
- Extended support for Enterprise solutions such as PICO enterprise and HTC LBE. An automated way of managing space, and various other functionalities using SynthesisVR
- Partnered with multiple developers in bringing popular games to VR locations worldwide:
  - Bugs From Space
  - Kaireyhs
  - Rotten Apple
  - Zephyrus Prelude

- SynthesisVR brings enterprise training to VR locations. Foraying into enterprise: <https://svr.li/mail/w/GBtHDQD763ThZ2q763zi8z16oA>
- iRacing: one of the most popular games is now available on SynthesisVR: <https://svr.li/mail/w/5yf763zvGPJWApmLv3DgyvDg>
- Ultimechs joins SynthesisVR: <https://svr.li/mail/w/9mEzWrn7WgeOsluUmgMBKA>

## **XR Immersive Tech Files Two Full Patent Applications for Its Patent-Pending Technology**

The Company announced on January 19, 2022, it filed two full patent applications for its patent-pending technology with the Canadian Intellectual Property Office. These applications add to the Company's growing patent portfolio as the Company has previously filed U.S. provisional patent applications for its technology. The Company elected to file these Canadian patent applications in priority to U.S. Patent office filings, to further protect its valuable intellectual property ("IP") as it continues to innovate and pursue development of cutting-edge VR/AR technology to support sales growth and opportunities for both clients looking to provide hyper-immersive experiences and for creators of the Metaverse.

## **XR Immersive Tech Receives Fast Company's 2022 World Changing Ideas Honorable Mention in Media & Entertainment Awards Category**

XR Immersive Tech Inc. announced that the Company's UNCONTAINED™ Hyper-immersive VR experience product has received an honorable mention in the Media & Entertainment Category of *Fast Company's* 2022 World Changing Ideas Awards.

Now in its sixth year, the World Changing Ideas Awards showcase 39 winners, 350 finalists, and more than 600 honorable mentions—with climate, social justice, and AI and data among the most popular categories. A panel of eminent *Fast Company* editors and reporters selected winners and finalists from a pool of more than 2,997 entries across transportation, education, food, politics, technology, health, social justice, and more. In addition, several new categories have been added this year including climate, nature, water, and workplace. The 2022 awards feature entries from across the globe, from Switzerland to Hong Kong to Australia. Read the full press release [here](#).

## **XR Immersive Tech Announces SynthesisVR Android Platform**

SVR announced an industry-first Android Platform was officially launched and available to the Company's operator network worldwide. This first to market Android-based VR headset wireless streaming solution enables operators to access commercially licensed games in the SVR [marketplace](#), as well as educational and enterprise content for the Meta Quest 2 VR headset. The platform immediately provides six Android-based free roam arena and room scale games for the popular Quest 2 device. In addition, operators are now able to launch content, control and track bookings and sessions on all Android-based VR Headsets such as Vive Focus 3, Pico Neo 3 Pro and Quest 2 from one centralized location to make operations simple, effective, and reliable. Read the full press release [here](#).

## **XR Immersive Tech Announces Partnership with QuarkXR for Industry First VR Streaming Solution**

The SVR Android Platform is a great addition to the VR operation arsenal the Company now offers including the recently announced partnership with QuarkXR, another industry-first Android VR streaming solution for all PC-based VR content. QuarkXR, a pioneering company focused on VR streaming and a

trusted solution provider for companies like Deutsche Telekom, Orange, Vodafone, and Ericsson, among others. Read the full press release [here](#).

### **XR Immersive Tech Partners with Educational VR Platform VictoryXR to Provide New Content Experiences**

Wholly owned subsidiary, Synthesis VR, a leading location-based virtual reality (LBVR) content distribution and facility management platform, has joined forces with VictoryXR in bringing their educational content to LBVR operators worldwide, accessible through the Synthesis VR content marketplace.

VictoryXR is one of the largest providers of virtual reality (“VR”) educational content for levels starting in kindergarten and up to Grade 12. The company’s foresight and understanding of the potential that VR brings has resulted in a wider category of experiences to inspire, train, and amaze with content that opens up the opportunity to, for example, take a field trip and learn about the history of Rome, its forums, the Colosseum, the Pantheon, the Basilica of Maxentius, visit and walk the Great Wall of China or enjoy gamified immersive VR learning experiences in science, literature, math, computer engineering, art, drama and much more. Read the full press release [here](#).

### **XR Immersive Tech Announces Addition of Health & Safety VR Training Content to SynthesisVR Marketplace**

Wholly owned subsidiary, Synthesis VR (“SVR”), a leading location-based virtual reality (“LBVR”) content distribution and facility management platform, has partnered up with Gold Finch Works (“GFW”) to bring their health and safety Virtual Reality (“VR”) training modules for industrial application to their global operator network.

In total 6 VR training modules are being added to the SynthesisVR marketplace including:

- [Fire Safety VR Training - Office](#)
- [Fire Safety VR Training - Hangar](#)
- [Hot Work VR Training](#)
- [Lockout Tagout \(LOTO\) VR Training](#)
- [Work At Height VR Training](#)
- [Confined Space Entry VR Training](#)

VR Training modules were developed for professionals by professionals (including NEBOSH certified HSE). Read the full press release [here](#).

### **XR Immersive Tech Announces PortalX, A VR Kiosk That Can Be Used for Gaming, Healthcare, Retail, Entertainment, Defense & Education**

- VR Hardware Kiosk is based on the open approach of the SynthesisVR software, incorporates the latest next-generation hardware, is attendant less, and only requires a small footprint
- Access to a vast library of gaming, education, and enterprise content
- Multi-player, multiple gameplay modes, custom video playback, fleet management, online statistics, leaderboard visualizations, and power-saving automation



- Working with OEM manufacturers to sub-license the technology for existing kiosk systems in the fields of Gaming, Healthcare, Retail, Entertainment, Defense & Education.

PORTALX is a collaboration between SynthesisVR and Virtuawerks. PORTALX incorporates over 20 years of experience creating commercial systems and aims at reinventing the classic arcade experience for VR. The system incorporates the latest next-generation hardware, a modern VR headset, various cash and cashless payment methods, and a vast library of content.

Read the full press release [here](#).

### **XR Immersive Tech Announces it has Appointed LBVR Pioneer A Shabeer Sinnalebbe as the Company's New CEO**

Immersive Tech has appointed VR Industry leader A Shabeer Sinnalebbe as the Company's new CEO effective September 1, 2022.

Mr. Sinnalebbe currently serves as the Company's Head of XR Networks. Prior to this role Mr. Sinnalebbe served as the CEO of SynthesisVR which XR Immersive Tech acquired at the beginning of 2022. Mr. Sinnalebbe has extensive global leadership experience in scaling a highly successful Virtual Reality entertainment platform business from start-up to exit. Mr. Sinnalebbe has made a profound impact in the VR Industry achieving many important industry firsts along the way, including establishing one of the world's first VR arcade centers in Los Angeles in 2016 with his co-founder Kamen Petrov. The pair continued to pioneer the next generation of room-scale, free roam, racing simulators, coin-op, online widgets and payments, education, online business VR environments, and enterprise experiences. Mr. Sinnalebbe and Mr. Petrov have since built SynthesisVR into one of the largest VR out of home entertainment marketplace for games, educational and training experiences worldwide. Synthesis has over 450 VR arcades globally and a market of over 400 VR games and content with over 20M player minutes. Mr. Sinnalebbe has shown he has vision, drive and understanding of the intricacies of the VR industry are driving factors in the growth of not only SynthesisVR and its own technological development, but also to XR Immersive and its products and services as well. Read the full press release [here](#).

Looking forward; with the stellar revenue growth we are seeing from the SynthesisVR operator network, including subscriptions and its marketplace game licensing, the Company will continue to focus on growing SVR SaaS & licensing revenues, global reach of operators and partnership opportunities through the remainder of 2022. This overall strategy of revenue and network growth incorporates a focus on further securing strong partnerships and releasing additional cutting-edge technology products that will see SVR's growth explode in the coming years.

Sincerely,

A Shabeer Sinnalebbe  
XRi CEO

## **Introduction to the business**

XR Immersive Tech Inc. (the “Company”) (formerly Fantasy 360 Technologies Inc.) effected a name change on February 3, 2022. The Company is 54.55% 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 year ended December 31 2022, the company continued to build on its opportunities as a leader in the LBVR entertainment sector with many new first to market products launched under its operator network division SynthesisVR and the Company’s UNCONTAINED™ launch at the Pacific National Exhibition (“PNE”) in Vancouver for the summer 2022 season of Playland amusement park. The Company spent much of Q1 and Q2 retrofitting the entire UNCONTAINED™ system and game experience with a version 2.0 upgrade of the hardware systems in preparation for its summer 2022 launch.

Please see Letter from CEO section of the MD&A for detailed description of material business updates.

## **Overall Performance**

The following key transactions were recorded in the financial statements of the Company for the year ended December 31, 2022:

- Signed a binding Letter of Intent dated January 4, 2022, to acquire California-based 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). Synthesis VR serves more than a location-based entertainment industry, but also operates a broader sandbox platform serving the education and enterprise sectors as well. The Synthesis VR software engine provides everything the modern VR arcade and Family Entertainment Center needs to power their VR experiences, a vital component of many locations internationally. The transaction provides the Company with leading software and distribution capabilities that the Company expects will accelerate growth in the fast growing \$148 Billion VR/AR market.
- Announced a long-term development agreement with HTC Corporation (“HTC”), the leading technology pioneer in innovative virtual reality (“VR”) technologies, and its VIVE VR headset division, to assist with further development to elevate the Company’s hyper-immersive VR technologies to new levels. The development relationship with HTC will ensure the Company is at the cutting edge of VR technology. HTC’s platforms are uniquely positioned to allow the Company to leverage its deep knowledge in VR technology into the development of next generation hyper-immersive metaverse experiences.
- Completed a name change from Fantasy 360 Technologies Inc. d/b/a Immersive Tech to XR Immersive Tech Inc., effective as of February 3, 2022.

- Filed two full patent applications for its patent-pending technology with the Canadian Intellectual Property Office.
  - The first patent application is titled “System and Method for Plug and Play VR” and covers the overall UNCONTAINED™ VR gaming package including, but not limited to, customer viewing, on-site installation, overall coordination, competitive gameplay, blockchain-based rewards tokens and integration of all these features with immersive effects.
  - The second patent application is titled “System and Method for Immersive Effects” and covers Immersive Tech's unique intellectual property around providing immersive effects for different experiences which include, but are not limited to, virtual reality gaming.

These applications add to the Company's growing patent portfolio as the Company has previously filed U.S. provisional patent applications for its technology.

- Announced that Synthesis VR launched full support for all Android standalone/mobile head-mount display ("HMD") VR headsets and XR devices including a first to market digital rights management ("DRM") solution for its network of over 300 global VR arcade operators and beyond. The Synthesis VR DRM solution provides support for free-roam arena and room-scale game play using mobile HMD's. The Company believes its first mover advantage and continued innovation will cement it and Synthesis VR as key drivers for growth in the location-based VR industry.
- Completed and unveiled a custom mixed media escape experience for recognized magician and YouTuber sensation Chris Ramsay. The experience featured the Company's proprietary Uncontained/OS automation platform controlled by a wide range of immersive props, turning an originally vacant room in Ramsay's studio into a futuristic hotel aboard a space station.
- Retained Lytham Partners, LLC ("Lytham") to provide investor and public relations services on a month-to-month basis, pursuant to an agreement dated effective February 1, 2022. The services will include support for investment community outreach and corporate communications. As consideration for the services, Lytham will receive US\$7,000 per month. The Agreement may be renewed or terminated by either party on thirty days written notice.
- On January 4, 2022, the Company completed its acquisition of the all the issued and outstanding shares of Synthesis for aggregate consideration of \$4,800,000 payable as follows: (i) \$150,000 in cash with on the date of closing, (ii) \$50,000 payable by January 31, 2022, and a further \$300,000 payable upon the completion of certain milestones related to rounds of financings; and (iii) common shares of XRI with an aggregate value of \$4,300,000 at a deemed price per share equal to the market price of XRI'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 subject to CSE mandated hold periods. In addition, subject to applicable laws and the policies of the CSE, XRI may issue additional shares with an aggregate value of up to \$5,000,000 upon the achievement of certain mutually agreed upon performance milestones. In connection with the transaction, XRI also paid a finder's fee by the issuance of 2,057,142 common shares at a fair market value of \$370,286, reported in Finder's fee expense.
- Announced further to a loan facility from Westdale Construction Co. Limited ("Westdale"), the Company fulfilled a finder's fee agreement (the "Finder's Agreement") between the Company and Generation PMCA Corp. ("Generation") dated October 14, 2021. The Company has paid, as consideration for Generation having introduced Westdale to the Company, a finder's fee consisting of a cash payment in the amount of \$150,000 to Generation and issued an aggregate of 966,332 common share purchase warrants of the Company (the "Finder's Warrants") as directed by Generation, with each such warrant exercisable for the purchase of one common share in the capital of the Company for a period of 48 months from the date of issuance at a price of \$0.52 per Finder's Warrant. The Finder's Warrants and any common shares issuable upon exercise thereof are subject to a four-month hold period in accordance with applicable securities law.
- Announced that its recently acquired subsidiary, Synthesis VR, has joined forces with VictoryXR in bringing their educational content to LBVR operators worldwide, accessible through the Synthesis VR content marketplace. VictoryXR is one of the largest providers of VR educational content for levels starting in kindergarten and up to Grade 12. The Company believes by bringing K to Grade 12 STEM (Science, Technology Engineering, and Mathematics) content, LBVR operators can take advantage of these immersive learning experiences to attract students, parents, tutors and school field trips, thus expanding their business, particularly in off-peak day-time hours.

- Received 700,000 Class A common shares of Alpha Metaverse Technologies (Alpha) (CSE:ALPA) in exchange for the Company's equity interest in Shape Immersive (Shape). Shape was acquired by Alpha on May 4, 2022. On closing, the Company recognized an \$89,235 gain on recognizing the fair value of Alpha shares received as consideration.
- Announced its first client for the launch the Uncontained™ VR attraction at the PNE in Vancouver for the upcoming summer 2022 season of Playland amusement park and the PNE Fair which sees over 300,000 guests.
- Announced an industry first partnership with QuarkXR to provide a VR streaming solution to its SynthesisVR operator network. QuarkXR is a trusted solutions provider for companies like Deutsche Telekom, Orange, Vodafone and Ericsson. The solution dramatically cuts cost for its SynthesisVR operator network and simplifies the streaming of VR content in their centers.
- On May 12, 2022, the Company announced the completion of its production version of UNCONTAINED™ with many improvements.
- The Company received honorable mentions in Fast Company's 2022 World Changing Ideas in the category of Media & Entertainment.
- On August 17, 2022, the Company announced the appointment of Shabeer Sinnalebbe and Kamen Petrov to the Board of Directors replacing Alvin Wang Graylin and Cathy Hackl.
- On August 31, 2022, the Company executed an amendment to the Westdale loan agreement whereby the loan maturity date was extended to August 31, 2024 with interest accruing at 15% per annum payable on August 31, 2023. The amendment also includes an amendment to the exercise of the lender warrants from \$0.52 per common share to \$0.08 per common share.
- The Company has appointed VR Industry leader A Shabeer Sinnalebbe as the Company's new CEO effective September 1, 2022.

## Selected Financial Information

	As at December 31, 2022	As at December 31, 2021
Current assets	400,233	3,341,442
Non-current assets	2,304,736	77,833
<b>Total assets</b>	<b>2,704,969</b>	<b>3,419,275</b>
Current liabilities	1,057,605	4,051,959
Non-current liabilities	4,426,059	74,549
<b>Total liabilities</b>	<b>5,483,664</b>	<b>4,126,508</b>
	<b>Years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Total revenue	1,195,195	107,960
Net income (loss)	(6,026,284)	(4,345,470)
Comprehensive income (loss)	(6,012,767)	(4,345,470)
Net income (loss) per share, basic	(0.07)	(0.06)
Net income (loss) per share, diluted	(0.07)	(0.06)

## Discussion of Operations

### REVENUE

Revenue for the year ended December 31, 2022, was \$1,195,195 compared to \$107,960 for the year ended December 31, 2021. For the three months ended December 31, 2022, revenue was \$226,578 compared

to \$39,043 for the three months ended December 31, 2021. The increase in revenue is primarily due to the revenue from subsidiary SVR, acquired in early 2022. In the comparative period, the Company shifted away from immersive experience contracts and moved toward a project called UNCONTAINED™ which was under development for most of 2021.

### **COST OF REVENUE**

Cost of revenue for the year ended December 31, 2022, was \$413,572 compared to \$95,765 for the year ended December 31, 2021. For the three months ended December 31, 2022, cost of revenue was \$86,552 compared to \$49,852 for the comparative period. The increase in cost of goods sold is related to the relative increase in immersive experience contracts in the current period over the comparative period. Cost of revenue consists solely of directly attributable costs of delivering the immersive experience projects.

### **GROSS MARGIN**

Gross margin for the year ended December 31, 2022 was \$781,623 or 65% compared to \$12,195 or 11% for the year ended December 31, 2021. For the three months ended December 31, 2022, gross margin was \$140,026, or 62% compared to (\$10,809) or (28%) for the three months ended December 31, 2021. The increase in gross margin in 2022 is due to inclusion of Synthesis revenue in 2022 post acquisition. Synthesis's revenue is reported net of game license fees and does not report cost of sales.

### **EXPENSES**

Expenses for the year ended December 31, 2022, were \$5,146,778 compared to \$4,909,314 for the year ended December 31, 2021. For the three months ended December 31, 2022, expenses were \$1,170,380 compared to \$2,542,206 for the comparative period.

Material variances over the comparable period are discussed below.

#### **Consulting fees**

Consulting fees for the year ended December 31, 2022, were \$712,161 compared to \$471,308 for the year ended December 31, 2021. For the three months ended December 31, 2022, consulting fees were \$122,920 compared to (\$275,482) for the comparative period. The increase in consulting fees for the year was the result of monthly technical consulting as per consulting agreements with the former principals of Synthesis, now related parties of the Company.

#### **General and Administration**

General and administration expense for the year ended December 31, 2022, was \$357,518 compared to \$221,206 for the year ended December 31, 2021. For the three months ended December 31, 2022, general and administration expense were 19,248 compared to \$112,938 for the comparative period. The increase in general and administration expenses for the year is the result of the inclusion of Synthesis administrative expenses that were not present in the comparative year.

#### **Management fees**

Management fees for the year ended December 31, 2022, were \$200,000 and the for comparative period were \$Nil. Management fees for the three months ended December 31, 2022 and 2021 were \$Nil. The reason for the increase was consulting and advisory services provided by Victory Square to the Company in relation to acquisitions and capital markets.

### **Professional fees**

Professional fees for the year ended December 31, 2022, were \$383,145 compared to \$461,726 for the year ended December 31, 2021. For the three months ended December 31, 2022, professional fees were \$6,998 compared to \$380,128 for the comparative period. The decrease in 2022 is attributable to the professional fees incurred in the course of the going public transaction of 2021, partially offset by the accounting and legal fees paid for the Company in relation to the acquisition of Synthesis.

### **Rent**

Rent for the year ended December 31, 2022, was \$63,443 compared to \$96,638 for the year ended December 31, 2021. For the three months ended December 31, 2022, rent was \$3,213 compared to \$11,534 for the comparative period. The overall decrease is attributable to the Company vacating the leased premises by the third quarter of 2022, resulting in a lower base fee charged until the lease settlement was agreed upon.

### **Research and development**

Research and development for the year ended December 31, 2022, was \$363,364 compared to \$1,609,400 for the year ended December 31, 2021. For the three months ended December 31, 2022, research and development was \$83,072 compared to \$1,457,684 for the comparative period. 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. Most of the costs were incurred in the 2021 fiscal year, with the remaining costs of the project incurred in the first half of 2022.

### **Salaries and Wages**

Salaries and wages for the year ended December 31, 2022, was \$1,086,348 compared to \$687,993 for the year ended December 31, 2021. For the three months ended December 31, 2022, salaries and wages was \$20,708 compared to \$192,832 for the comparative period. The increase in salaries and wages in 2022 was due to staffing additions on the Company's payroll to complete the UNCONTAINED™ project, whereas in 2021 payroll was reduced coming out of the pandemic. The decrease in the three months ended December 31, 2022, is due to the Company terminating most employees of the legacy business as the historical business operations was being wound down. The cost of labor incurred in the fourth quarter were incurred under independent contractor arrangements and included in consulting expense.

### **Sales and Marketing**

Sales and marketing for the year ended December 31, 2022, was \$556,944 compared to \$176,278 for the year ended December 31, 2021. For the three months ended December 31, 2022, sales and marketing was \$266,029 compared to \$82,520 for the comparative period. The overall increase in 2022 is attributable to the costs associated with investor relations and to market the UNCONTAINED™ project.

### **Share-Based Payments**

Share-based payments for the year ended December 31, 2022, was \$262,351 compared to \$1,087,039 for the year ended December 31, 2021. For the three months ended December 31, 2022, share-based payments were 262,351 compared to \$495,872 for the comparative period. The overall decrease in 2022

is due to most of the stock option expense occurring in 2021. The equity based award related to the SVR acquisition is recorded separately as finder's fee in the statement of loss and comprehensive loss.

### Amortization

Amortization expense for the year ended December 31, 2022, was \$240,695 compared to \$13,240 for the year ended December 31, 2021. For the three months ended December 31, 2022, amortization expense was \$222,767 compared to \$6,930 for the comparative period. The increase is due to the amortization on the intangible assets acquired in the SVR transaction. The final valuation of the intangible assets acquired in the business combination was performed concurrently with the year end audit, and thus reflected in the fourth quarter of 2022.

### Summary of Quarterly Results

The following information is derived from quarterly financial information:

Fiscal Quarter Ended	Revenue	Net Income / (Loss)	Basic Income / (Loss)	Diluted Income /
		for the Period	Per Share	(Loss) Per Share
December 31, 2022	226,578	(2,594,549)	(0.03)	(0.03)
September 30, 2022	443,613	(402,722)	0.00	0.00
June 30, 2022	348,328	(1,621,372)	(0.02)	(0.02)
March 31, 2022	176,676	(1,407,641)	(0.02)	(0.02)
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)

Discussion of movements between quarters are as follows:

- Q4 2022 – decrease in revenue primarily due to completion of most of the legacy immersive experience revenue earned prior to the fourth quarter, while Synthesis revenue remained consistent. Net loss due to large transactions at year end related to goodwill impairment, amortization and other items.
- Q3 2022 – increased revenue due to the second full quarter of Synthesis operations included in the consolidated statement of operations as well as revenue earned on several legacy immersive experience projects ongoing during the quarter
- Q2 2022 – increased revenue due to the first full quarter of Synthesis operations included in the consolidated statement of operations
- Q1 2022 – increased revenue due to the Synthesis acquisition; increased costs as company started to scale.
- 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

At December 31, 2022, the Company had total current assets of \$400,233 (December 31, 2021 - \$3,341,442) comprised of \$270,681 (December 31, 2021 - \$2,932,795) in cash, \$18,031 (December 31, 2021 - \$46,211) in prepaids, \$56,259 (December 31, 2021 - \$17,272) in other receivables, \$Nil (December 31, 2021 - \$182,782) in government subsidy receivable \$11,234 (December 31, 2021 - \$18,364) in government sales tax receivable, and \$44,028 (December 31, 2021 - \$144,018) in inventory. Conversely, the Company had total current liabilities of \$1,057,605 (December 31, 2021 - \$4,051,959) comprised of \$475,755 (December 31, 2021 - \$105,242) in trade payables, \$19,350 (December 31, 2021 - \$188,973) in accrued liabilities, \$262,500 (December 31, 2021 - \$14,795) in accrued interest on loan payable, \$Nil (December 31, 2021 - \$2,545,377) in loan payable. \$Nil (December 31, 2021 - \$64,486) in deferred revenue, \$Nil (December 31, 2021 - \$13,977), in current portion of lease liability, \$Nil (December 31, 2021 - \$1,119,109) in amounts due to parent, and \$300,000 (December 31, 2021 - \$Nil) in amount due to related parties. Both the loan payable and due to parent were amended and are reported as non-current liabilities for the year ended December 31, 2022.

As at December 31, 2022 the Company had a working capital deficiency of \$657,372 compared to a deficiency of \$710,517 as at December 31, 2021.

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 cash flow from operations but is dependent upon raising financing to sustain its operations.

## **Liquidity**

### **Capital Resources**

As at July 18, 2023, the Company has 91,143,641 outstanding common shares. The Company has 4,265,000 stock options exercisable at \$0.25 for 5 years. The Company has 1,600,000 consultant warrants exercisable at \$0.25 for 2 years, 3,519,294 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. The lender and finder warrants were issued December 17, 2021. The consultant and performance warrants were issued August 11, 2021. The Broker and subscription receipt warrants were issued August 12, 2021.

### **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, 2022, and 2021, the Company entered into the following transactions with related parties:



	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
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
Professional fees for accounting, CFO, and corporate secretarial services recorded to company controlled by CFO	\$	112,987	\$	85,283
Consulting bonus warrants issued to related party	\$	-	\$	93,520
Management fee expense to Parent Company	\$	200,000	\$	-
CEO compensation included in wages expense	\$	90,000	\$	-
Share based compensation to related parties	\$	69,437	\$	420,532

### **Related Party Balances**

At December 31, 2022, the Company has \$87,644 (December 31, 2021 - \$41,533) due to related parties included in other payables and accrued liabilities and \$Nil (December 31, 2021 - \$17,272) due from Victory Square included in other receivables. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

### **Related Party Loans**

	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
Due to Victory Square	\$	1,145,650	\$	1,119,109
Due to related parties		300,000		-
	\$	1,445,650	\$	1,119,109

Cumulative loans and advances from VST, presented as due to parent on the consolidated statement of financial position, are unsecured, non-interest bearing and have no fixed terms of repayment. Management of VST has formally notified the Company that VST will not demand repayment during the fiscal year ended December 31, 2023. Consequently, the balance is presented as a non-current liability.

The amount due to former owners of SVR, presented as due to related parties on the consolidated statement of financial position, arose as a component of the acquisition of SVR and the Initial Purchase Price's Cash Consideration on First and Second Financing Payments. The amount is undiscounted and remains unpaid as of the consolidated financial statement date.

### **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 July 18, 2023, 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, contingent consideration and related party balances. The carrying value of financial instruments approximates the fair value at December 31, 2022 and December 31, 2021. 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. With the exception of contingent consideration measured at fair value through profit and loss, all financial instruments are measured at amortized cost.

## **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, 2022, the Company believes that its receivables are collectable.

#### 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.

## **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](http://www.sedar.com).