

Fantasy 360 Technologies Inc.

**Condensed Interim Financial Statements
Three and Nine months ended September 30, 2021 and 2020**

Expressed in Canadian Dollars

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed interim financial statements of Fantasy 360 Technologies Inc. are the responsibility of the Company's management. The condensed interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized, and properly recorded, and financial information is reliable.

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

	Note	September 30, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents	3	\$ 1,136,953	\$ 192,475
Prepays		33,951	32,778
Trade receivables		106,233	63,565
Government sales tax receivable		27,691	6,087
Inventory	4	116,271	-
		1,421,099	294,905
Non-current assets			
Investments	5	28,673	3,254
Due from related parties	9	542,383	542,383
Equipment	6	14,215	4,041
Right-of-use asset	7	49,843	-
Intangible Assets	8	999,976	-
TOTAL ASSETS		\$ 3,056,189	\$ 844,583
LIABILITIES			
Current liabilities			
Trade payables	9	\$ 190,334	\$ 86,192
Accrued liabilities		-	141,423
Deposit on shares	11	-	1,172,796
Current portion of lease liability	7	18,124	-
Due to related parties	9	1,102,187	99,529
		1,310,645	1,499,940
Non-current liabilities			
CEBA loan	10	38,819	33,667
Lease liability	7	32,363	-
TOTAL LIABILITIES		1,381,827	1,533,607
SHAREHOLDER'S EQUITY			
Share capital	11	2,660,242	1
Reserves	11	1,217,627	-
Deficit	11	(2,203,507)	(689,025)
TOTAL SHAREHOLDER'S EQUITY		1,674,362	(689,024)
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		\$ 3,056,189	\$ 844,583
Nature of operations and going concern – Note 1			
Subsequent events – Note 14			

See accompanying notes to the condensed interim financial statements

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

		Three months ended September 30,		Nine months ended September 30,	
	Note	2021	2020	2021	2020
Revenue		\$ 66,949	\$ 583,302	\$ 107,829	\$ 1,024,717
Cost of goods sold		17,167	63,628	45,913	442,460
		49,782	519,674	61,916	582,257
Expenses					
Depreciation	6	3,110	3,284	6,310	6,484
Bad debt expense	12	-	-	391	-
Consulting fees	9	224,339	10,785	393,706	97,663
Foreign exchange gain		2,704	2,213	1,692	(45,898)
General and administration		78,415	11,444	108,268	30,472
Interest and accretion	10	1,819	-	5,153	-
Professional fees		18,960	3,455	81,598	18,064
Rent		18,453	35,495	85,104	114,752
Research and development		(585,263)	-	151,716	-
Salaries and wages		255,972	42,703	495,161	198,962
Sales and marketing		34,421	661	93,758	5,217
Share-based payments	11	163,351	-	482,001	-
Total expenses		(216,281)	(110,040)	(1,904,858)	(425,716)
Other Items					
Equity gain (loss) on investments	5	(4,670)	(12,451)	25,418	5,617
Gain on government grant	10	-	20,251	-	20,251
Interest and other income		74,720	79,278	303,042	77,273
		70,050	87,078	328,460	103,141
Net (loss) income and comprehensive (loss) income for the period		(96,449)	496,712	(1,514,482)	259,683
Basic and diluted loss per share		\$ (0.00)	\$ 0.01	\$ (0.02)	\$ 0.00
Weighted average number of common shares outstanding for the period					
- basic and diluted		71,739,015	63,308,820	67,696,308	63,308,820

See accompanying notes to the condensed interim financial statements

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

	Note	Share Capital		Reserves			Deficit	Total
		Number of Shares	Amount	Contributed Surplus	Warrants	Total Reserves		
Balance at January 1, 2020		63,308,820	\$ 1	\$ -	\$ -	\$ -	\$ (769,818)	\$ (769,817)
Net loss for the period		-	-	-	-	-	259,683	259,683
Balance at September 30, 2020		63,308,820	\$ 1	\$ -	\$ -	\$ -	\$ (510,135)	\$ (510,134)
Balance at January 1, 2021		63,308,820	\$ 1	\$ -	\$ -	\$ -	\$ (689,025)	\$ (689,024)
Shares issued to settle deposit on shares	11	4,691,180	1,172,795	-	-	-	-	1,172,795.00
Shares, warrants, and broker warrants issued for private placement, net of share issuance costs	11	6,750,803	1,337,446	-	735,626	735,626	-	2,073,072.00
Shares issued for settlement of debt		600,000	150,000	-	-	-	-	150,000.00
Share-based payments	11	-	-	482,001	-	482,001	-	482,001
Net loss for the period		-	-	-	-	-	(1,514,482)	(1,514,482)
Balance at September 30, 2021		75,350,803	\$ 2,660,242	\$ 482,001	\$ 735,626	\$ 1,217,627	\$ (2,203,507)	\$ 1,674,362

See accompanying notes to the condensed interim financial statements

Fantasy 360 Technologies Inc.
Condensed interim statements of cash flows
(Expressed in Canadian dollars)

	Note	Nine months ended September 30,	
		2021	2020
Operating activities			
Net loss for the period		\$ (1,514,482)	\$ 259,683
Adjustments for non-cash items:			
Accretion	10	5,153	-
Bad debt expense	12	391	-
Consulting fees adjustment		(38,126)	-
Depreciation	6	6,310	6,484
Foreign exchange gain		1,692	(45,898)
Equity gain on investment	5	(25,418)	(5,617)
Shares for debt to settle non cash consulting costs		150,000	-
Share based compensation	11	482,001	-
Changes in non-cash working capital items:			
Prepays		(11,658)	(6,764)
Trade receivables		(38,031)	(171,632)
Government sales tax receivable		(23,449)	3,567
Inventory		(40,121)	-
Trade payables		59,798	(58,478)
Accrued liabilities		(147,317)	(3,810)
Deferred revenue		-	61,510
Net cash flows used in operating activities		(1,133,257)	39,045
Investing activities			
Purchase of property and equipment costs	6	(14,974)	-
Development of intangible asset	8	(996,016)	-
Net cash flows used in investing activities		(1,010,990)	-
Financing activities			
Proceeds from parent company	9	1,002,658	-
Repayments to parent company	9	-	(627,013)
Proceeds received subscription received allocated to warrants	11	675,080	-
Settlement of deposit on shares via common share issuance	11	1,687,700	-
Share issuance costs	11	(275,019)	-
Proceeds received in advance of share issuance	11	-	1,172,796
Payments on lease liability	7	(1,694)	-
Proceeds from government loans	10	-	21,433
Net cash flows from financing activities		3,088,725	567,216
Change in cash		944,478	606,261
Cash, beginning		192,475	22,078
Cash, ending		\$ 1,136,953	\$ 628,339

See accompanying notes to the condensed interim financial statements

1. Nature of Operations and Going Concern

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

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

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2021, the Company had a working capital of \$110,454 (2020 – deficit of \$1,205,035) and an accumulated deficit of \$2,203,507 (2020 – \$689,025). The Company does not have sufficient cash to sustain operations for the next twelve months without additional financing. The continued operations of the Company are dependent upon its ability to generate future cash flows and/or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due; however, they may not be at terms that are favorable to the Company. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These condensed interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern, and such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The pandemic has had an impact on the operations of the Company, including decreasing demand for the immersive experiences the Company offers and causing the Company to turn to change focus to a scalable pre-built box product for sale. Management has monitored the effects of the pandemic on operations to date and continues to monitor the situation continuously. Management notes it could have a potential impact of increasing the difficulty to raise funding, finding target investments to acquire or on its investees' ability to obtain profitable operations.

2. Statement of Compliance and Basis of Preparation

These condensed interim financial statements were authorized for issue on November 26, 2021, by the directors of the Company.

a) Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these condensed interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended December 31, 2020.

The condensed interim financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended December 31, 2020.

2. Statement of Compliance and Basis of Preparation (Continued)

b) Basis of Preparation

The condensed interim financial statements have been prepared on a historical cost basis, except for certain assets measured at fair value, and are presented in Canadian dollars. Under IFRS, the Canadian dollar is the functional currency of the Company.

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

3. Cash and Cash Equivalents

As at September 30, 2021 the cash balance of \$1,136,953 (December 31, 2020 - \$192,475) was comprised entirely of cash and cash equivalents held in operating accounts.

4. Inventory

Inventory consists of the physical shipping units, hardware, fixtures and directly attributable labor and overhead purchased, assembled, and consumed related to the UNCONTAINED product line. For the period ended September 30, 2021, \$Nil inventories were recognized as an expense during the period as the first unit sales occurred subsequent to the period.

5. Investments

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

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

During the period ended September 30, 2021, the Company recorded an equity gain of \$25,418 (September 30, 2020 – gain of \$5,617) and the value of the investment was increased to \$28,673 as at September 30, 2021 (December 31, 2020 - \$3,254).

6. Equipment

	Computer Equipment		Other Equipment		Total
Cost					
Balance, January 1, 2020	\$	15,312	\$	3,886	\$ 19,198
Additions		-		-	-
Balance, September 30, 2020	\$	15,312	\$	3,886	\$ 19,198
Accumulated depreciation					
Balance, January 1, 2020	\$	8,110	\$	647	\$ 8,757
Depreciation		3,828		972	4,800
Balance, September 30, 2020	\$	11,938	\$	1,619	\$ 13,557
Net book value, January 1, 2020	\$	7,202	\$	3,239	\$ 10,441
Net book value, September 30, 2020	\$	3,374	\$	2,267	\$ 5,641

Fantasy 360 Technologies Inc.

Notes to the condensed interim financial statements

For the three and nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

6. Equipment (Continued)

	Computer Equipment		Other Equipment		Total
Cost					
Balance, January 1, 2021	\$	15,312	\$	3,886	\$ 19,198
Additions		8,575		6,399	14,974
Balance, September 30, 2021	\$	23,887	\$	10,285	\$ 34,172
Accumulated depreciation					
Balance, January 1, 2021	\$	13,214	\$	1,943	\$ 15,157
Depreciation		3,829		971	4,800
Balance, September 30, 2021	\$	17,043	\$	2,914	\$ 19,957
Net book value, January 1, 2021	\$	2,098	\$	1,943	\$ 4,041
Net book value, September 30, 2021	\$	6,844	\$	7,371	\$ 14,215

7. Right-of-use asset and lease liability

On June 21, 2021, the Company entered into a lease agreement with an underlying lease commitment term from September 1, 2021 to June 30, 2024. The lease agreement provides for a monthly base rent of \$1,694 for the period from September 1, 2021 - June 30, 2022, \$1,976 for the period from July 1, 2022 – June 30, 2023 and \$2,258 for the period from July 1, 2023 – June 30, 2024.

In accordance with IFRS 16, the Company recognized a right-of-use asset and lease obligation in relation to its lease commitment. The lease liability has been recorded at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate estimated at 20% per annum. The associated right-of-use asset is measured at the amount equal to the corresponding lease liability and subsequently depreciated and the Company will record a related interest expense from the commencement date to the earlier of the end of the lease term on a straight-line basis.

Right-of-use asset	
Balance, January 1, 2021	\$ -
Additions	51,353
Amortization	(1,510)
Balance, September 30, 2021	\$ 49,843
Lease liability	
Balance, January 1, 2021	\$ -
Additions	51,353
Interest expense	828
Lease payment	(1,694)
	50,487
Less: Current portion	18,124
Balance, September 30, 2021	\$ 32,363

Fantasy 360 Technologies Inc.
Notes to the condensed interim financial statements
For the three and nine months ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

7. Right-of-use asset and lease liability (Continued)

The Company will depreciate the right-of-use asset and record interest over the remaining lease commitment period as follows:

		Depreciation	Interest
2021	\$	4,531	\$ 2,395
2022		18,125	8,043
2023		18,125	4,586
2024		9,062	543
	\$	49,843	\$ 15,567

8. Intangible Assets

During the fiscal year 2021, the Company began incurring costs related to the UNCONTAINED project relating to the internal development of a prototype composed of both intangible software as well as a customized shipping container with hardware fixtures. Costs incurred before the development phase of the project were expensed as incurred (Note 13). As at September 30, 2021, the prototype is under development. The amortization period is currently being evaluated by management.

	Container and Hardware	Software	IP - Patents, Trademarks	Total
Cost				
Balance, January 1, 2021	\$ -	\$ -	\$ -	\$ -
Additions	521,952	473,138	4,886	999,976
Balance, September 30, 2021	\$ 521,952	\$ 473,138	\$ 4,886	\$ 999,976
Accumulated depreciation				
Balance, January 1, 2021	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-
Balance, September 30, 2021	\$ -	\$ -	\$ -	\$ -
Net book value, January 1, 2021	\$ -	\$ -	\$ -	\$ -
Net book value, September 30, 2021	\$ 521,952	\$ 473,138	\$ 4,886	\$ 999,976

9. Related Party Transactions

During the period ended September 30, 2021 and 2020, the Company entered into the following transactions with related parties:

	September 30, 2021	September 30, 2020
Consulting fees paid Chief Marketing and Design Officers	\$ 75,000	\$ 55,026
Consulting fees paid to CEO in capital stock	\$ 150,000	\$ -
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	\$ 32,438	\$ 16,384
Share based compensation to related parties	\$ 258,903	\$ -

Related Party Balances

At September 30, 2021, the Company has \$4,033 (2020 - \$1,626) due to related parties included in trade payables. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

9. Related Party Transactions (Continued)

Related Party Receivables

	September 30, 2021	December 31, 2020
Due from GameOn Entertainment Inc.	\$ 542,383	\$ 542,383
	\$ 542,383	\$ 542,383

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

Related Party Loans

	September 30, 2021	December 31, 2020
Due to Victory Square	\$ 1,102,187	\$ 99,529
	\$ 1,102,187	\$ 99,529

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

10. CEBA

The Canadian Emergency Business Account (CEBA) loan originally launched on April 9, 2020 and is intended to support businesses during the COVID-19 pandemic. The value of the government loan received at below market rate of interest is treated as a government grant. The loan was recognized at fair value using the Company's incremental borrowing rate of 20%. The difference between this discounted value of \$19,749 and the proceeds received of \$40,000 was recognized as a gain on CEBA loans of \$20,251. The loan also had accretion of \$2,725 for the period ended December 31, 2020.

On December 4, 2020, the CEBA program was expanded and the Company received an additional \$20,000 in funds on December 31, 2020. This amount was discounted to a present value of \$11,193 and an additional \$8,807 gain was recognized.

As at December 31, 2020, the combined carrying value of the loans is \$33,667 and the combined gain on CEBA loans is \$29,058. The full value of the grant has been spent in the course of business operations and the gain has been recognized in other income.

For the period ended September 30, 2021, the Company recognized accretion on the CEBA loan of \$5,153 (September 30, 2020 - \$Nil) for an ending balance of \$38,819 (December 31, 2020 - \$33,667).

11. Share Capital

Authorized Share Capital

Unlimited common shares without par value.

Issued Share Capital

At September 30, 2021, there were 75,350,785 common shares outstanding (December 31, 2020 – 63,308,820).

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

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

On April 1, 2021, the Company issued 4,691,180 common shares to settle the remaining balance in the deposit on shares liability for a value of \$1,172,796. The shares were issued at a price of \$0.25 per share to two parties.

11. Share Capital (Continued)

On August 12, 2021, 6,750,803 subscription receipts were automatically converted into 6,750,803 common shares and 3,375,396 warrants. Share issuance costs of \$134,095 were recorded in the period ended September 30, 2021 related to these subscription receipt amounts.

On September 8, 2021, 600,000 common shares were issued to the CEO of the Company at a price of \$0.25 per share upon completion of the Going Public Transaction in accordance with his employment agreement. The transaction was recorded as a non-cash consulting expense.

Reserves**Warrants**

On August 12, 2021, 6,750,803 subscription receipts were automatically converted into 6,750,803 common shares and 3,375,396 warrants which are exercisable at \$0.52 for 2 years. On this date, 1,600,000 additional warrants which are exercisable at \$0.25 for 2 years and 405,046 broker warrants which are exercisable at \$0.52 for 2 years were issued.

The following weighted average assumptions were used in calculating the fair value of broker warrants and consultant warrants granted during the year using the Black-Scholes Option Pricing Model:

	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)
Subscription Receipts Warrants, August 12, 2021	196%	0.31%	0%	2
Consultant Warrants, August 11, 2021	197%	0.30%	0%	2
Broker Warrants August 12, 2021	197%	0.30%	0%	2

The warrants outstanding at September 30, 2021 are as follows:

Warrant	Exercise Price	Number of Shares Issuable upon Exercise	Expiry Date
Broker Warrants	\$0.52	1,852,892	August 12, 2023
Consultant Warrants	\$0.25	1,600,000	August 11, 2023
Subscription Receipts Warrants	\$0.52	3,375,396	August 12, 2023

Warrant continuity for the period was as follows:

	Consultant Warrants	Broker Warrants	Subscription Receipts Warrants	Total
Balance, January 1, 2021	-	-	-	-
Granted	1,600,000	1,852,892	3,375,396	6,828,288
Balance, September 30, 2021	1,600,000	1,852,892	3,375,396	6,828,288

Stock Options

On May 1, 2021, the Company granted 4,300,000 stock options to employees, consultants, and directors exercisable at \$0.25 and expiring on May 1, 2026.

On August 12, 2021, the Company granted 3,100,000 stock options to employees and consultants exercisable at \$0.25 and expiring on August 12, 2026.

These stock options vest according to specific terms on each employee, consultant, or director's stock option agreements. The total number of stock options vested as of September 30, 2021 was 370,730.

11. Share Capital (Continued)

Total share-based compensation recorded for the period ended September 30, 2021 was \$482,001 (September 30, 2020 - \$Nil).

The following weighted average assumptions were used in calculating the fair value of stock options granted during the year using the Black-Scholes Option Pricing Model:

	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)
Issued May 1, 2021	167%	0.92%	0%	5
Issued August 12, 2021	162%	0.91%	0%	5

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

Exercise Price	Number of Shares Issuable upon Exercise	Expiry Date
\$0.25	4,300,000	May 1, 2026
\$0.25	3,100,000	August 12, 2026

Stock options continuity for the period was as follows:

	Number of units
Balance, January 1, 2021	-
Granted	7,400,000
Balance, September 30, 2021	7,400,000

12. Financial Risk Management

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

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's receivables consist of trade receivables and amounts due from related parties. During the period ended September 30, 2021, the Company wrote off receivables in the amount of \$391 (September 30, 2020 - \$Nil) that it believed were uncollectible. Based on the evaluation of remaining receivables at September 30, 2021, the Company believes that its receivables are collectable, however, due to the current COVID-19 pandemic, there is an increase in the uncertainty of collectability and management has determined credit risk to be high.

b) Interest rate risk

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

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that

12. Financial Risk Management (Continued)

there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

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

d) Foreign exchange risk

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

Fair value

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the use of significant unobservable inputs are considered Level 3.

Cash is measured using Level 1 inputs.

The Company's financial instruments consist of cash, trade receivables, trade payables, loan payable, and related party balances. The carrying value of financial instruments approximates the fair value at September 30, 2021 and December 31, 2020.

13. Capital Management

The Company manages its cash as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its technology and products and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the

13. Capital Management (Continued)

Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. The Company will require capital resources to carry its plans and operations through its current operating period. The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

14. Subsequent Events

- a. On September 17, 2021, the Company signed a binding letter of intent ("LOI") 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 January 1, 2022, 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.
- b. On November 17, 2021, the Company issued 500,000 shares as payment for services rendered pursuant to two consultant agreements.