Victory Square Technologies Inc.

Condensed Consolidated Interim Financial Statements
Nine Months ended September 30, 2019 and 2018

Expressed in Canadian Dollars

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed consolidated interim financial statements of Victory Square Technologies Inc. are the responsibility of the Company's management. The condensed consolidated 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.

Victory Square Technologies Inc.
Condensed consolidated interim unaudited statements of financial position
(Expressed in Canadian dollars)

	Note		September 30, 2019		December 31, 2018
ASSETS					
Current assets					
Cash		$	537,210	$	2,736,683
Short-term investment	3		-		1,000,000
Prepaids	4		572,883		683,592
Receivables	5		1,571,716		254,671
Government sales tax receivable			154,155		101,598
Marketable securities			1,650		3,000
Digital currencies	8		105,863		104,831
			2,943,477		4,884,375
Non-current assets					
Investments	6		11,290,474		10,001,652
Advances	7		375,929		138,000
Due from related parties	16		2,019,588		1,793,967
Property and equipment	9		554,963		128,037
Intangible assets	10		1,007,993		1,113,308
TOTAL ASSETS		**$**	**18,192,424**	**$**	**18,059,339**
LIABILITIES					
Current liabilities					
Trade payables	16	$	1,801,933	$	456,551
Accrued liabilities	16		500,872		567,455
Deferred revenue			69,565		6,938
Related party loans	16		202,844		227,661
Loan payable	11		317,010		283,128
Current portion of lease payable	12		84,027		-
Other payables	13		158,766		416,622
			3,135,017		1,958,355
Convertible debentures	14		1,129,236		-
Lease payable	12		412,342		-
Related party loans	16		187,987		-
TOTAL LIABILITIES			**4,864,582**		**1,958,355**
EQUITY					
Share capital	15		31,353,728		31,073,488
Reserve	15		1,112,735		597,518
Equity portion of convertible debenture	14		199,703		-
Accumulated other comprehensive income			58,615		57,936
Deficit			(19,954,709)		(17,385,586)
Equity attributable to owners of the Company			12,770,072		14,343,356
Non-controlling interest	22		557,770		1,757,628
EQUITY			**13,327,842**		**16,100,984**
TOTAL LIABILITIES AND EQUITY		**$**	**18,192,424**	**$**	**18,059,339**

Nature of operations and going concern – Note 1

These condensed consolidated interim unaudited financial statements were authorized for issue by the Board of Directors on November 29, 2019.

Director: "Shafin Tejani" Director: "Howard Blank"

See accompanying notes to the condensed consolidated interim unaudited financial statements.

Victory Square Technologies Inc.
Condensed consolidated interim unaudited statements of loss and comprehensive loss
(Expressed in Canadian dollars)

	Note	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenue	21	$ 2,210,820	$ 1,176,519	$ 3,144,338	$ 2,489,261
Cost of goods sold	21	1,611,455	$ 453,384	2,026,790	1,409,877
		599,365	723,135	1,117,548	1,079,384
Expenses					
Amortization and depreciation	6,9,10	241,572	743,033	598,195	1,480,900
Bad debt expense		-	31,944	-	38,392
Director fees	16	5,375	-	18,998	-
Donations		-	14,500	2,000	326,550
Foreign exchange loss (gain)		(49,310)	9,561	20,871	34,842
General and administration		34,389	65,969	104,495	112,759
Insurance		25,963	23,280	83,563	50,301
Investor relations		(9,781)	17,827	49,692	65,394
Management fees	16	63,104	155,300	201,778	250,300
Professional and consulting fees	16	345,338	137,326	886,322	524,615
Rent		35,894	124,771	115,707	259,388
Research and development		-	-	-	13,450
Sales and marketing		244,943	157,314	841,639	1,550,509
Share-based payments		187,972	-	510,039	-
Transfer agent and regulatory fees		27,289	13,829	59,823	34,990
Wages	16	415,508	125,242	1,255,938	400,072
Total expenses		(1,568,256)	(1,619,896)	(4,749,060)	(5,142,462)
Other Items					
Equity loss on investments	6	(126,310)	(759,362)	(957,810)	(1,337,673)
Dilution gain on investments	6	-	(250,355)	-	450,386
Fair value gain (loss) on investment	6	(1,500)	(1,800)	409,204	(40,350)
Gain (loss) on digital currencies	8	(47,283)	(466,446)	30,694	(270,919)
Interest expense	12,14	(84,916)	(21,653)	(154,534)	(37,455)
Interest income	6	179,692	1,066	502,022	75,139
Other income		32,955	-	32,955	-
		(47,362)	(1,498,550)	(137,469)	(1,160,872)
Net loss for the period		(1,016,253)	(2,395,311)	(3,768,981)	(5,223,950)
Net loss attributable to:					
Shareholders of the parent company		(645,292)	(2,395,311)	(2,569,123)	(5,223,950)
Non-controlling interest		(370,961)	-	(1,199,858)	-
		(1,016,253)	(2,395,311)	(3,768,981)	(5,223,950)
Other comprehensive income (loss)					
Currency translation adjustment		(116)	1,770	679	16,347
		(116)	1,770	679	16,347
Total comprehensive loss		**$ (1,016,369)**	**$ (2,393,541)**	**$ (3,768,302)**	**$ (5,207,603)**
Basic and diluted loss per share attributable to the shareholders of the parent company		**$ (0.01)**	**$ (0.03)**	**$ (0.04)**	**$ (0.08)**
Weighted average number of common shares outstanding for the period - basic and diluted		**73,054,850**	**71,680,309**	**72,821,149**	**68,296,835**

See accompanying notes to the condensed consolidated interim unaudited financial statements.

Victory Square Technologies Inc.
Condensed consolidated interim unaudited statements of changes in equity
(Expressed in Canadian dollars)

	Share Capital							
	Number of shares	Amount	Accumulated other comprehensive income	Reserve	Equity portion of convertible debenture	Deficit	Non-controlling interest	Total
Balance at January 1, 2018	62,384,759	$ 15,960,006	$ 82,130	$ 104,403	$ -	$ (6,320,638)	$ -	$ 9,825,901
Shares issued - acquisition of subsidiaries	4,388,919	6,299,664	-	-	-	-	-	6,299,664
Shares issued - investments	1,363,234	2,667,265	-	-	-	-	-	2,667,265
Shares issued - warrants exercised for cash	3,333,334	5,000,001	-	-	-	-	-	5,000,001
Share issued - for debt	805,240	805,240	-	-	-	-	-	805,240
Share issuance costs	-	(2,438)	-	-	-	-	-	(2,438)
Reallocation of opening accumulated gain on marketable securities per adoption of IFRS 9	-	-	(22,500)	-	-	-	-	(22,500)
Currency translation adjustment	-	-	16,347	-	-	-	-	16,347
Net loss for the period	-	-	-	-	-	(5,223,950)	-	(5,223,950)
Balance at September 30, 2018	**72,275,486**	**$ 30,729,738**	**$ 75,977**	**$ 104,403**	**$ -**	**$ (11,544,588)**	**$ -**	**$ 19,365,530**
Balance at January 1, 2019	72,275,486	$ 31,073,488	$ 57,936	$ 597,518	$ -	$ (17,385,586)	$ 1,757,628	$ 16,100,984
Shares issued - investments	496,383	188,271	-	-	-	-	-	188,271
Shares issued - consulting services	282,981	91,969	-	-	-	-	-	91,969
Share-based payments	-	-	-	510,039	-	-	-	510,039
Convertible debenture	-	-	-	5,178	199,703	-	-	204,881
Currency translation adjustment	-	-	679	-	-	-	-	679
Net loss for the period	-	-	-	-	-	(2,569,123)	(1,199,858)	(3,768,981)
Balance at September 30, 2019	**73,054,850**	**$ 31,353,728**	**$ 58,615**	**$ 1,112,735**	**$ 199,703**	**$ (19,954,709)**	**$ 557,770**	**$ 13,327,842**

(See Notes 14,15)

See accompanying notes to the condensed consolidated interim unaudited financial statements.

Victory Square Technologies Inc.
Condensed consolidated interim unaudited statements of cash flows
(Expressed in Canadian dollars)

		Nine months ended September 30, 2019		2018
Operating activities				
Net loss for the period	$	(3,768,981)	$	(5,223,950)
Adjustments for non-cash items:				
Amortization and depreciation		598,195		1,480,900
Bad debt expense		-		38,392
Share-based payments		510,039		-
Loss (gain) on digital currencies		(30,694)		270,919
Consulting fees paid in shares		91,969		-
Crytomining revenue		-		(286,066)
Rent recovery		(35,020)		-
Interest income		(485,484)		(73,406)
Foreign exchange loss (gain)		(48,735)		9,788
Interest expense		154,147		32,964
Fair value loss (gain) on investment		(409,204)		40,350
Equity loss on investments		957,810		1,337,673
Dilution gain on investments		-		(450,386)
Changes in non-cash working capital items:				
Prepaid expenses		151,783		284,993
Receivables		(1,007,455)		(534,010)
Government sales tax recoverable		(52,557)		(29,185)
Scientific Research and Experimental Development tax credit		-		230,414
Trade payables and accrued liabilities		1,249,366		294,676
Other payables		(257,856)		-
Deferred revenue		62,627		(6,300)
Net cash flows used in operating activities		(2,320,050)		(2,582,234)
Investing activities				
Cash from acquisition of subsidiaries		-		117,179
Cash used in deconsolidation of subsidiary		-		(18,489)
Cash issued for investments		(1,550,333)		-
Proceeds from GIC		1,000,000		-
Loan receivable		-		-
Long term advances		(375,429)		(379,072)
Acquisition of investments		-		(4,660,400)
Acquisition of intangibles		(12,500)		-
Advances to related parties		(25,041)		(87,095)
Purchase of equipment		(15,583)		(1,057,814)
Purchase of intangibles		-		(33,128)
Proceeds from disposal of digital currencies		11,336		568,616
Proceeds from investments		315,688		-
Net cash flows used in investing activities		(651,862)		(5,550,203)
Financing activities				
Shares issued, net of share issuance costs		-		4,997,563
Convertible debentures issued, net of issuance costs		1,235,561		-
Lease payments		(80,020)		-
Repayment of related party loans		(602,800)		-
Proceeds from related party loans		219,019		765,168
Net cash flows from financing activities		771,760		5,762,731
Effect of foreign exchange on cash		679		-
Change in cash		(2,199,473)		(2,369,706)
Cash, beginning		2,736,683		2,715,182
Cash, ending	**$**	**537,210**	**$**	**345,476**

See accompanying notes to the condensed consolidated interim unaudited financial statements.

(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern

Victory Square Technologies Inc. (“Victory Square Technologies” or the “Company”) was incorporated under the Business Corporation Act (British Columbia) on February 10, 2015. The condensed consolidated interim financial statements comprise the financial statements of the Company plus the following:

	Percentage Ownership As At	
	September 30, 2019	**December 31, 2018**
Draft Label Technologies Inc. ("DLT")	100.00%	100.00%
PDL USA Inc. ("PDL")	100.00%	100.00%
Fantasy 360 Technologies Inc. ("Fantasy 360")	100.00%	100.00%
Victory Square Health Inc. ("Victory Square Health")	100.00%	100.00%
Victory Entertainment Inc. ("Victory Entertainment")	100.00%	100.00%
V2 Games Inc. ("V2 Games")	100.00%	100.00%
FansUnite Entertainment Inc. ("FansUnite")	48.55%	48.55%

Victory Square Technologies invests in emerging technology companies.

Victory Square Technologies has over 20 portfolio investments in emerging technologies such as AI, AR/VR and Blockchain. Victory Square Technologies supports these companies as they grow, by providing comprehensive functional expertise in commercialization, product market-fit and through access to proprietary technology solutions and to an extensive ecosystem of global partnerships.

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 910, 1111 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2J3. The Company’s shares are traded on the Canadian Securities Exchange (“CSE”) under the symbol “VST” and the Frankfurt Stock Exchange under the symbol “6F6”. The Company is also quoted on the OTCQX Best Markets in the United States under the symbol of “VSQTF”.

These condensed consolidated interim unaudited 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, 2019, the Company had a working capital deficiency of $191,540 (December 31, 2018 – working capital of $3,128,864) and an accumulated deficit of $19,954,709. 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 favourable to the Company. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. (Note 20).

2. Statement of Compliance, Basis of Preparation and New Accounting Policies and Standards

These condensed consolidated interim unaudited financial statements were authorized for issue on November 29, 2019, by the directors of the Company.

Statement of Compliance

These condensed consolidated interim unaudited financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards

(Expressed in Canadian dollars)

2. Statement of Compliance, Basis of Preparation and New Accounting Policies and Standards (continued)

Statement of Compliance (continued)

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 consolidated interim unaudited financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended December 31, 2018.

The condensed consolidated interim unaudited financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended December 31, 2018.

New Accounting Policies

Lease Liability

The Company adopted all of the requirements of IFRS 16 – *Leases* as of January 1, 2019. Company adopted the IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. In accordance with the new standard, the Company recorded a lease liability and a leased asset of $555,591 for an office lease with a term of 68 months. The fair value was determined by discounting the future lease payments at a discount rate of 8%. Accretion of the lease liability is recorded as interest expense in the consolidated statement of loss and comprehensive loss. The leased asset is being amortized over the period of the lease on a straight-line basis.

3. Short-term Investment

The Company's short-term investment consisted of one guaranteed investment certificate ("GIC") held with a national financial institution bearing interest at prime less 2.4% and maturing on August 2, 2019. During the period ended September 30, 2019, the GIC was redeemed.

4. Prepaids

Prepaids consist of the following:

		September 30, 2019		December 31, 2018
Marketing fees	$	350,000	$	280,337
Sponsorships		37,500		218,996
Rental deposits		104,003		92,909
Insurance		42,807		-
Listing fees		9,725		23,733
Legal retainers		8,018		7,133
Other		20,830		60,484
Total prepaids	$	572,883	$	683,592

(Expressed in Canadian dollars)

5. Receivables

Receivables consist of the following:

		September 30, 2019		December 31, 2018
Immersive services	$	174,432	$	145,391
Software sales		1,078,541		-
Current portion of loan receivable from Just Games Interactive Entertainment LLC (Note 6)		318,257		-
Gaming royalties		-		94,407
Other		486		14,873
Total receivables	$	1,571,716	$	254,671

6. Investments

The Company's investments at September 30, 2019 and December 31, 2018 consist of the following:

Investment		September 30, 2019		December 31, 2018
1108641 BC Ltd. (3)	$	1,894,065	$	353,731
Just Games Interactive Entertainment LLC (2)		1,584,475		977,544
Cassia (1)		1,349,127		1,375,652
Aspen (1)		996,450		1,063,882
Flo Digital (1)		943,740		972,665
Multapplied Networks, Inc. (2)		936,000		936,000
PayVida (1)		733,168		1,422,880
TLA Films, LLC (3)		657,569		647,569
Talo Flow Inc. (formerly LocoNoco Inc.) (2)		641,496		641,496
Howyl (1)		512,740		512,740
Look To The Sky Films (3)		297,408		-
Cloud Benefit Solutions Inc. (2)		300,000		300,000
Personalized Biomarkers Inc. (2)		227,081		227,081
Ragnarok Game LLC (2)		-		163,075
Next Decentrum Technologies Inc. (1)		120,713		132,510
PiiK Games Inc. (2)		188,271		-
Other (1) (2)		226,428		274,827
	$	11,608,731	$	10,001,652

The investments are accounted for as follows: (1) IAS 28, Investment in Associates and Joint Ventures (2) IFRS 9, Financial Instruments, (3) IAS 38, Intangible Assets.

a) 1108641 BC Ltd.

During the year ended December 31, 2018, V2 Games entered into a project financing agreement with 1108641 BC Ltd. to provide $3,410,500 (USD $2,500,000) to further development, marketing and commercialization of a game in exchange for a revenue share.

During the period ended September 30, 2019, the agreement was revised, reducing the required amount to be funded by the Company to $1,963,050 (USD $1,500,000). As at September 30, 2019, $1,894,064 has been advanced.

6. Investments (continued)

b) Just Games Interactive Entertainment LLC

During the year ended December 31, 2018, V2 Games entered into a project financing agreement with Just Games Interactive Entertainment LLC for $1,256,350 ($1,000,000 USD) for the development and publishing of a mobile game. In exchange, the Company receives a royalty of 20% of the gross revenues generated by the game.

During the year ended December 31, 2018, the Company earned royalty revenue of $279,510 and recorded depreciation of $278,806 on this investment.

On February 1, 2019, the investment was converted to a loan receivable. The loan is unsecured and bears interest at 30%. The loan and interest are being repaid monthly from July 2019 to January 2022. During the period ended September 30, 2019, the Company recorded a gain on the conversion of the loan of $410,554, and interest income of $300,254.

c) Cassia

During the year ended December 31, 2018, the Company entered into an agreement to purchase a 23.1% interest in the issued and outstanding common shares of Cassia Research Inc. ("Cassia") for cash of $1,000,000 and 187,266 common shares of the Company with a fair value of $514,982 for total consideration of $1,514,982. As at September 30, 2019, the Company holds an interest of 25.83% in Cassia.

During the year ended December 31, 2018, the Company recorded an equity loss of $139,330. During the period ended September 30, 2019, the Company recorded an equity loss of $26,526.

Cassia Research Inc (aka CoPilot Advisor) uses AI technology to help sales teams target qualified prospects on social media, initiate one-to-one conversations and surface sales opportunities without requiring content marketing, spam emails, or advertising.

d) Aspen

On October 10, 2017, the Company acquired a 59.26% interest in the issued and outstanding common shares of Aspen, a company related by common directors, for $16. On December 6, 2017, the Company's interest was diluted to 48.34%. Accordingly, the Company consolidated the results of Aspen from October 10, 2017 to December 6, 2017.

Upon the loss of control, the Company ceased consolidation, derecognized the assets and liabilities of Aspen from the Condensed Consolidated Interim statement of financial position and recognized the retained investment in Aspen at its fair value.

The net assets of Aspen equaled the fair value at the date of loss of control on December 6, 2017. The Company's interest in the fair value of the net assets, of $1,039,770 was recorded as the cost of the investment on initial recognition and, subsequently, the Company accounts for its investment in Aspen as an equity investment. The value of the investment at December 31, 2017 was $789,788.

On January 25, 2018, the Company's interest was diluted to 36.17% and then to 20.33 % on July 1, 2018.

During the year ended December 31, 2018, the Company recorded an equity loss of $307,652 and a gain on dilution of $581,746 due to the dilution of the Company's interest from 48.34% on December 31, 2017 to 20.33% on July 1, 2018.

During the period ended September 30, 2019, the Company recorded an equity loss of $67,432.

Aspen is a decentralized database that protects personal data by offering full privacy, high security, and dynamic scalability.

6. Investments (continued)

e) Flo Digital

During the year ended December 31, 2018, the Company purchased a 49% interest in the issued and outstanding shares of Flo Digital through the issue of 446,428 common shares of the Company with a fair value of $999,999. In addition, the Company has agreed to provide Flo Digital with a convertible loan in the amount of $300,000. The loan will have a term of 4 years and will be non-interest bearing for the first year and will bear interest at 4.45% thereafter. The Company has advanced $25,000 of the loan (Note 14).

During the year ended December 31, 2018, the Company recorded an equity loss of $27,334. During the period ended September 30, 2019, the Company recorded an equity loss of $28,925.

Flo Digital's software suite is a 360° video delivery platform. The Flo Digital platform makes 360° content viewable within any browser, VR platform, or mobile device. Flo Digital provides agencies, VR developers, brands and clients with an end to end, interactive VR advertising solution.

f) Multapplied Networks, Inc.

On December 27, 2017, the Company entered into an agreement to acquire 10% of the issued and outstanding common shares of Multapplied Networks, Inc. ("MNI") for $600,000. During the year ended December 31, 2018, the Company recorded a fair value gain of $336,000 on MNI and the fair value was increased to $936,000.

MNI develops and sells a proprietary software-defined wide area network platform that cloud and managed service providers white-label and run in their infrastructure to improve visibility and control over end-customer experiences of their hosted, managed applications.

g) PayVida

During the year ended December 31, 2018, the Company purchased a 33.67% interest in the issued and outstanding common shares of PayVida for cash of $1,250,000 and 365,168 common shares of the Company with a fair value of $967,695 (Note 15) for total consideration of $2,217,695. At acquisition, the Company held an interest of 33.67% in PayVida which was diluted down to 32.78% at December 31, 2018.

During the year ended December 31, 2018, the Company recorded an equity loss of $1,073,497 and a dilution gain of $278,682. During the period ended September 30, 2019, the Company recorded an equity loss of $689,712.

PayVida is a fintech company which connects merchants and consumers with e-commerce, mobile, in-store payment acceptance and disbursement technology. PayVida's technology enables existing merchants' POS terminals and POS systems to accept fiat and cryptocurrencies as a payment method.

h) TLA Films, LLC

During the year ended December 31, 2018, V2 Games entered into an agreement to provide a portion of the financing for the production of the film "The Opening Act" for $647,569. An additional $10,000 was advanced during the period ended September 30, 2019. Based on the estimated budget of $3,160,320 (USD $2,400,000), the Company's proportionate share of net earnings will be 20%. The film was under production at September 30, 2019.

i) Talo Flow Inc. (formerly LocoNoco Inc.)

During the year ended December 31, 2018, the Company purchased a 9.09% percent interest in the issued and outstanding shares of Talo Flow Inc. ("Talo Flow") for $641,496 (USD $500,000).

Taloflow's prediction engine, which reveals the cost of every cloud process in real-time, is an AI autopilot for cloud resource management.

6. Investments (continued)

j) Howyl

On May 1, 2018, the Company completed the acquisition of 28.5% of Howyl (dba Capaciti) by issuing 364,372 common shares of the Company with a fair value of $528,339 and $100,000 in cash.

During the year ended December 31, 2018, the Company recorded an equity loss of $115,599 and the value of the investment was reduced to $512,740.

Howyl is developing an online marketplace to connect freelance contractors with companies that are seeking to outsource project work.

k) Look To The Sky Films

On January 1, 2019, the Company purchased an investment in the film "Dragged Across Concrete" from the CEO of the Company for $495,680. The film was released in April 2019. The Company is entitled to receive the value of the investment plus 15%. During the period ended September 30, 2019, the Company recorded amortization of $198,272 on the investment.

l) Cloud Benefit Solutions Inc.

During the year ended December 31, 2018, the Company purchased 15% of the outstanding common shares of Cloud Benefit Solutions Inc. (dba Cloud Advisors) for $300,000.

Cloud Advisors connects insurance advisors with marketplace data and tools in a secure digital platform for an enhanced client experience. Through digital client management, on-demand insights, automated reporting, governance and compliance, Cloud Advisors creates an accessible and intelligent robo-advice assistant for insurance advice.

m) Personalized Biomarkers Inc.

On August 9, 2017, the Company executed an agreement with Personalized Biomarkers Inc. ("PBI") to acquire up to 33% of the issued and outstanding common shares of PBI. During the year ended December 31, 2018, the Company decided to limit its investment to 15% of PBI for $227,081.

PBI develops test kits that predict the expected response to a number of therapies prior to prescription, with an initial focus on diabetes.

n) Ragnarok Game LLC

During the year ended December 31, 2018, V2 Games entered into a project financing agreement with Ragnarok Game LLC in the amount of USD $250,000 for the development and marketing of a game. In exchange, the Company will receive a monthly share of the revenue generated by the game. The revenue share percentage is tiered from 30% to 10% depending upon the amount of revenue paid out and is capped at $1,000,000. The Company advanced a total of $163,075 (USD $125,000) before deciding not to proceed further with the investment and, during the period ended September 30, 2019, the principal amount of $163,075 plus interest income of $9,807 was repaid to the Company.

o) Next Decentrum Inc.

During the year ended December 31, 2018, the Company entered into an agreement to purchase a 26.5% interest in the issued and outstanding shares of Next Decentrum Technologies Inc. ("Next Decentrum") for $3. As the Company's share in the net loss of Next Decentrum for the year ended December 31, 2018 exceeded the amount of the investment, the investment was written down to $Nil. In connection with the investment, the Company also entered into an agreement to provide Next Decentrum with $450,000 under a secured, non-interest-bearing convertible promissory note. As at September 30, 2019, the Company had advanced $175,000 of the loan. In accordance with IAS 28, the Company has reallocated the value of the loan to investments and recorded an equity loss of $42,490 for 2018. During the period ended September 30, 2019, the Company recorded an equity loss of $11,797.

(Expressed in Canadian dollars)

6. Investments (continued)

p) PiiK Games Inc.

On March 1, 2019, the Company entered into an agreement to purchase 100% of the common shares of PiiK Games Inc.("PiiK"), an eSports platform developer, for $1,000,000 in common shares of the Company. The Company was required to issue common shares at a 10% discount to fair value, commencing March 1, 2019, on a quarterly basis to the shareholders of PiiK. During the period ended September 30, 2019, the Company decided to limit its investment in PiiK to 16.8% and issued 496,383 common shares with a fair value of $188,271 for an 16.8% ownership.

q) Other

During the period ended September 30, 2019, the Company held a number of smaller investments in technology-related companies and recorded an equity loss of $133,418 with respect to these investments.

7. Advances

Advances as at September 30, 2019 and December 31, 2018 are as follows:

		September 30, 2019		December 31, 2018
Advance to VS Biosciences Enterprise Inc.		333,250		-
Advances related to a potential acquisition		42,179		-
Advances for intellectual property		-		137,500
Other		500		500
	$	375,929	$	138,000

a) Advance to VS Bioscience Enterprises Inc.

During the period ended September 30, 2019, the Company advanced $333,250 (USD $250,000) to VS Bioscience Enterprises Inc. ("VS Bioscience"). VS Bioscience is a private company that supplies cannabidiol (CBD) in Canada and the U.S.

b) Advances for intellectual property

On January 24, 2018, FansUnite entered into a letter of intent to acquire intellectual property relating to an online betting website for consideration of $150,000 consisting of monthly cash installments of $12,500 beginning on February 1, 2018 and ending on January 1, 2019. As at December 31, 2018, $137,500 was advanced to the seller. The intellectual property for a total of $150,000 was acquired during the period ended September 30, 2019 (Note 10).

8. Digital Currencies

As at September 30, 2019 and December 31, 2018, the Company's digital currencies consist of the following:

		September 30, 2019		December 31, 2018
AidCoin	$	836	$	2,100
Bitcoin		55,863		39,070
Debitum		1,270		2,497
Ethereum		42,617		57,887
Guardium		5,277		3,277
	$	105,863	$	104,831

(Expressed in Canadian dollars)

8. Digital Currencies (continued)

During the period ended September 30, 2019, the Company recorded a gain on digital currencies of $30,694 (period ended September 30, 2018 – loss of $270,919). Digital currencies are measured using level two inputs obtained from www.coinmarketcap.com.

9. Property and Equipment

Property and equipment consist of the following:

	Cryptomining Equipment	Computer Equipment	Furniture and Other Equipment	Leased Office	Total
Cost					
Balance, December 31, 2018	$ 115,411	$ 17,941	$ -	$ -	$ 133,352
Additions	-	4,197	11,386	555,951	571,534
Balance, September 30, 2019	115,411	22,138	11,386	555,951	704,886
Accumulated depreciation					
Balance, December 31, 2018	$ -	$ (5,315)	$ -	$ -	$ (5,315)
Depreciation	(89,372)	(4,607)	(1,574)	(49,055)	(144,608)
Balance, September 30, 2019	(89,372)	(9,922)	(1,574)	(49,055)	(149,923)
Net book value, September 30, 2019	$ 26,039	$ 12,216	$ 9,812	$ 506,896	$ 554,963
Net book value, December 31, 2018	$ 115,411	$ 17,941	$ -	$ -	$ 128,037

The leased office is being amortized over the term of the lease (68 months) on a straight-line basis.

10. Intangible Assets

Intangible assets are comprised of the following:

	FansUnite
Balance, December 31, 2018	$ 1,113,308
Additions (Note 7)	150,000
Amortization	(255,315)
Balance, September 30, 2019	$ 1,007,993

Intangible assets are amortized on a straight-line basis over 3 to 5 years.

11. Loan Payable

On August 17, 2017, V2 Games entered into a loan agreement with Runway Finance Group Inc. (“Runway”) for $400,000. The loan bears interest at 16% and matures on August 16, 2020. V2 Games is required to make repayments as follows:

- 100% of the proceeds from V2 Games’ refund from Canada Revenue Agency for its Scientific Research and Experimental Development (“SRED”) tax credit for the year-end tax returns for 2017, 2018 and 2019;
- 50% of the proceeds from V2 Games’ refund from Canada Revenue Agency for its December 31, 2016 British Columbia Interactive Digital Media Tax Credit (“BC IDMTC”);

(Expressed in Canadian dollars)

11. Loan Payable (continued)

- 50% of the proceeds from payments to be received by V2 Games under a June 14, 2016 mobile game publishing agreement; and
- 50% of the proceeds from Canada Media Fund payments to be received by V2 Games under a February 11, 2015 agreement.

The loan is secured by a general security agreement over all present and after-acquired assets, property and undertaking of V2 Games as well as an assignment of the payments to be received for SRED, BC IDMTC and the mobile game publishing agreement. During the year ended December 31, 2018, proceeds from the SRED tax credit were received and a payment of $201,522 was made on the loan. At September 30, 2019, the balance of the loan, including interest, is $317,010. Interest of $33,882 was recorded on the loan during the period ended September 30, 2019.

12. Lease Payable

On April 1, 2019, the Company entered into an office lease for a term of 68 months. Monthly lease payments are $10,000. The fair value of the lease liability and the corresponding leased asset was $555,951 at the inception of the lease determined through discounting the future cash flows at a discount rate of 8%. During the period ended September 30, 2019, accretion of $17,195 was recorded on the lease and is included in interest expense in the condensed consolidated interim statement of loss and comprehensive loss.

Balance, December 31, 2018	$	-
Addition		555,951
Payments made		(80,020)
Accretion		20,437
Balance, September 30, 2019	$	496,368

	September 30, 2019	December 31, 2018
Current portion	$ 84,027	$ -
Long term portion	412,342	
	$ 496,369	$ -

13. Other Payables

Other payables consist of amounts advanced by third parties in connection with transactions which did not proceed. The amounts are unsecured, non-interest bearing and payable on demand.

14. Convertible Debentures

On May 10, 2019, V2 Games issued convertible debentures for gross proceeds of $1,319,000. The debentures bear interest at 8% and are convertible into common shares of V2 Games at a price of $0.25 per share. If not converted into shares, the debentures are repayable by May 10, 2020. Issue costs of $88,618, including finders' warrants with a fair value of $5,179, were incurred in connection with the debentures.

The debentures were initially recorded at a fair value of $1,104,914 less issue costs of $74,235 for a net value of $1,030,679. The equity component of the debentures was recorded at a fair value of $214,086 less issue costs of $14,383 for a net value of $199,703.

(Expressed in Canadian dollars)

14. Convertible Debentures (continued)

During the period ended September 30, 2019, accretion and interest of $98,557 were included in interest expense in the condensed consolidated interim statement of loss and comprehensive loss. As at September 30, 2019, the value of the debentures is $1,129,236.

15. Share Capital

Authorized Share Capital
Unlimited common shares without par value.

Issued Share Capital
At September 30, 2019, there were 73,054,850 common shares outstanding (December 31, 2018 – 72,275,486).

During the period ended September 30, 2019, 496,383 common shares with a fair value of $188,271 were issued in connection with the acquisition of 16.8% of PiiK (Note 6).

During the period ended September 30, 2019, 282,981 common shares with a fair value of $91,969 were issued as consulting fees in connection with the acquisition of PiiK.

Warrants
On May 10, 2019, 72,840 finders' warrants were issued in connection with the issue of the convertible debentures. The warrants are exercisable at a price of $0.25 per share of V2 Games for a period of one year from the date of issue. The warrants were valued at $5,179 using the Black-Scholes Pricing Model with the following assumptions: an expected life of one year, volatility of 122.68%, a risk-free interest rate of 1.57% and dividends of Nil.

Stock Options
The Company has a stock option plan whereby share purchase options are granted in accordance with the policies of regulatory authorities at an exercise price equal to the market price of the Company's shares on the date of the grant and, unless otherwise stated, vest on the grant date and with a term not to exceed ten years.

Under the plan, the board of directors may grant up to 10% of the issued number of shares outstanding as at the date of the share purchase option grant. As at September 30, 2019, the Company has not issued any stock options.

During the year ended December 31, 2018, the Company' s subsidiary, FansUnite, issued 5,340,000 options to employees and key advisors. The options are exercisable at $0.25 per share for a period of 10 years from the date of issue. Share-based payments of $510,039 were recorded in the statement of loss and comprehensive loss for the period ended September 30, 2019 related to the vesting of the options.

16. Related Party Transactions

During the period ended September 30, 2019 and 2018, the Company entered into the following transactions with related parties:

		September 30, 2019		September 30, 2018
Interest	$	1,270	$	12,091
Management fees	$	97,500	$	97,500
Professional and consulting fees	$	183,708	$	134,708
Prepayment for investment in the sponsorship of a speaker series	$	-	$	50,000
Wages paid to officers of a subsidiary of the Company	$	267,000	$	-
Director fees	$	18,998	$	-

(Expressed in Canadian dollars)

16. Related Party Transactions (continued)

Related Party Balances

At September 30, 2019, the Company has $246,550 (December 31, 2018 - $96,683) 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.

Key Management Compensation

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company and consist of the Company's Board of Directors and the Company's executive leadership team. Such compensation was comprised of $183,708 (2018 - $134,708) in professional fees to companies controlled by the CFO, for bookkeeping, corporate secretarial and CFO services, a consultancy fee of $6,000 to a director of the Company, $97,500 (2018 - $97,500) in management fees to the CEO and director fees of $18,998 (2018 - $Nil). The CEO has deferred payment of his management fees.

Related Party Loans

As at September 30, 2019, the Company has $390,831 (December 31, 2018 - $227,661) in related party loans, which includes $12,984 (December 31, 2018 - $11,714) in accrued interest. The related party loans are unsecured and are due on demand. Long- term loans of $160,002 (December 31, 2018 - $24,817) bear interest at 3%.

Due from Related Parties

		September 30, 2019		December 31, 2018
Due from Aspen	$	1,929,996	$	1,725,216
Due from Howyl		43,751		43,751
Due from Flo Digital (Note 6)		25,000		25,000
Due from PiiK		20,841		-
	$	2,019,588	$	1,793,967

The amount due from Aspen is largely related to the sale of Limitless to Aspen in 2018 and the resulting discounted receivable of $1,894,053 as at September 30, 2019. During the period ended September 30, 2019, the Company recorded interest of $186,134 in connection with the receivable. The receivable is stated net of a liability of $150,191 owing to Aspen by the Company.

The loan due from Flo Digital has a term of 4 years and is non-interest bearing for the first year and bears interest at 4.45% thereafter. (Note 6).

Amounts due from Howyl and PiiK are unsecured, non-interest bearing and have no fixed terms of repayment.

17. Operating Segments

The Company operates in two primary segments - technology and film production.

18. 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:

18. Financial Risk Management (continued)

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 receivables, due from related parties and government sales tax receivable. Based on the evaluation of receivables at September 30, 2019, the Company believes that its receivables are collectable and the Company is not exposed to significant credit risk.

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 risk.

c) Liquidity risk

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

Historically, the Company's main source of funding has been the issuance of equity securities through private placements and 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.

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, 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 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.

18. Financial Risk Management (continued)

Cash, marketable securities and certain investments are measured using Level 1 inputs. Investments in private companies are measured using level 3 inputs which either cost or price of recent financing.

The Company's financial instruments consist of cash, receivables, marketable securities, investments, due from related parties, trade payables, loan payable, other payables, related party loans and convertible debentures. The carrying value of cash, receivables, marketable securities, trade payables, other payables and related party loans approximates their fair value due to the short- term nature of these instruments. The carrying value of the loan payable approximates its fair value due to the fact that it bears interest at a market rate. The carrying values of the amounts due from related parties and the convertible debentures approximates their fair values due to the fact that they were recorded at fair value at inception and incur interest at a market rate.

19. Capital Management

The Company manages its cash and common shares 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 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 period.

20. Commitments

a) In fiscal 2016, the Company signed a binding term sheet with Victory Square Labs Inc., a company related by a director in common, for a secured convertible note facility up to $10,000,000 (the "Convertible Note").

   The Convertible Note, to be advanced in tranches, will consist of a series of secured convertible promissory notes (each a "Note"), each bearing a term of a minimum of one year, issued pursuant to a note purchase agreement. Interest on each Note will accrue at 6% per annum, compounded annually and payable in common shares in the capital of the Company upon maturity. The Notes will be secured by a first charge over all of the Company's present and subsequently acquired personal property pursuant to a general security agreement.

   As of September 30, 2019, the Company has not formally drawn any funds on the Convertible Note.

b) During the year ended December 31, 2018, V2 Games entered into a game financing agreement with 1108641 BC Ltd. to provide $3,410,500 (USD $2,500,000) to further development, marketing and commercialization of a game in exchange for revenue share. During the period ended September 30, 2019, the agreement was revised, reducing the required amount to be funded by the Company to $2,046,300 (USD $1,500,000).

c) During the year ended December 31, 2018, the Company entered into a lease agreement for office space. Monthly payments of $15,000 are payable from March 1, 2018 to August 30, 2020.

d) During the year ended December 31, 2018, the Company entered into a sublease agreement for office space. Monthly payments of $17,000 are receivable from November 12, 2018 to August 30, 2020.

(Expressed in Canadian dollars)

21. Revenue and Cost of Goods Sold

Revenue

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Immersive experiences	$ 1,116,094	$ 580,719	$ 1,691,199	$ 1,628,788
Royalties	62,229	311,338	420,642	327,027
Software	1,032,497	-	1,032,497	-
Cryptomining	-	103,566	-	286,066
Other	-	180,896	-	247,380
	$ 2,210,820	$ 1,176,519	$ 3,144,338	$ 2,489,261

Cost of Goods Sold

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Immersive experiences	$ 717,807	$ 453,384	$ 1,133,142	$ 1,409,877
Software	893,648	-	893,648	-
	$ 1,611,455	$ 453,384	$ 2,026,790	$ 1,409,877

22. Non-controlling Interest

As at September 30, 2019, he Company holds a 48.55% (2018 – 48.55%) interest in FansUnite. The following is a summarized condensed consolidated interim unaudited statement of financial position of FansUnite at September 30, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018
Current:		
Assets	717,419	2,369,053
Liabilities	(841,049)	(872,744)
Total current net liabilities	(123,630)	1,496,309
Non-Current:		
Assets	1,053,909	1,255,629
Total non-current net assets	1,053,909	1,255,629
Total net assets	930,279	2,751,938

The following is a summarized condensed consolidated interim unaudited statement of comprehensive loss for FansUnite for the periods ending September 30, 2019 and 2018:

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenue	2,262	6,027
Net loss	(2,332,085)	(1,403,666)
Other comprehensive income	(477)	-
Comprehensive loss	(2,332,562)	(1,403,666)