

**Victory Square Technologies Inc.**

**Consolidated Financial Statements**  
**Years ended December 31, 2024 and 2023**

Expressed in Canadian Dollars

To the Shareholders of Victory Square Technologies Inc.:

## Opinion

We have audited the consolidated financial statements of Victory Square Technologies Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of income (loss) and comprehensive income (loss), changes in equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2024 and, as of December 31, 2024, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## **Private investments**

### *Key Audit Matter Description*

The Company has a venture capital operation that makes equity investments in private, emerging technology companies generally in a start-up phase where fair value is based on unobservable inputs and are classified as Level 3 financial instruments. The valuation of these investments is inherently subjective due to the absence of quoted market values. As a result, the procedures related to the valuation methodologies and unobservable market inputs required a high degree of auditor judgment and increased audit effort, where the use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Auditing the fair value of financial assets based on unobservable inputs requires the application of significant auditor judgement and in some instances, involvement of valuation specialists in assessing the valuation techniques. Given the subjectivity involved, we considered this area to be a key audit matter. Refer to Notes 8 and 21 to the consolidated financial statements for further details.

### *Audit Response*

We responded to this matter by performing audit procedures in relation to the fair value of private company investments held at year end. Our audit work in relation to this included, but was not restricted to the following:

- We verified the Company's percentage shareholding and ownership interest in each significant investment held as of year-end based on review of share certificates, subscription agreements, central securities registers, and third-party confirmations received;
- We obtained and reviewed the documented valuation methodologies and key inputs used by the Company in determining fair value;
- With the assistance of internal valuation specialists, we evaluated the reasonableness of the valuation methodologies, inputs and assumptions in the valuation of private company investments held as of year-end;
- Where available, obtained financial statements of investee companies, and/or other publicly available financial information, as an input to a generally accepted valuation technique to corroborate fair value determined by management; and
- We assessed the appropriateness of the disclosures relating to the valuation methodology used in the fair value assessment in the notes to the consolidated financial statements.

## **Goodwill impairment**

### *Key Audit Matter Description*

The Company performs impairment testing for goodwill on an annual basis, or more frequently when there is an indication of impairment. An impairment is recognized if the carrying amount of an asset, or its cash generating unit (CGU), exceeds its estimated recoverable amount. The recoverable amount of the CGU was determined using the fair value less cost of disposal method, which included using a discounted cash flow projection model. Management used key assumptions in the discounted cash flow projection model, which included forecasted operating results, long-term growth rate and discount rate. We considered this a key audit matter due to the subjectivity and complexity involved in performing procedures to test key assumptions in determining the recoverable amounts of the CGU, which involved significant judgment from management. Refer to Note 13 to the consolidated financial statements for further details.

### *Audit Response*

We responded to this matter by performing audit procedures in relation to the impairment of goodwill. Our audit work in relation to this to this included, but was not restricted to the following:

- We evaluated the reasonability of key inputs such as forecasted revenues, gross margin, long-term growth rate, discount rate, and cost to dispose determined by management in the discounted cash flow projection model;
- We tested the mathematical accuracy of management's impairment model and supporting calculations;
- We tested management's key assumptions, including a 'retrospective review' to compare management's assumptions in prior year expected future cash flows to the actual results to assess the Company's budgeting process;
- With the assistance of internal valuation specialists, we evaluated the reasonableness of the discount rate used by management by comparing the Company's weighted average cost of capital against publicly available market data;
- We performed a sensitivity analysis on key inputs to assess the impact of reasonable changes on the determination of the recoverable amounts; and
- We assessed the appropriateness of the disclosures relating to the assumptions used in the impairment assessment in the notes to the consolidated financial statements.

### ***Loss of control of subsidiary***

#### *Key Audit Matter Description*

The Company has recorded a gain on loss of control of its former subsidiary, XR Immersive Tech Inc.. The determination of control involves an assessment of the rights the Company has over the subsidiary. Additionally, the subsidiary's relevant activities, decisions about how relevant activities are made, the current ability to direct these activities, and who receives returns from those activities are all subject to significant management judgement. We considered this a key audit matter due to the subjectivity and complexity involved in making this assessment and in the resulting calculation of the gain on loss of control of subsidiary. Refer to Note 7b to the consolidated financial statements for further details.

### *Audit Response*

We responded to this matter by performing audit procedures in relation to the gain on loss of subsidiary. Our audit work in relation to this to this included, but was not restricted to the following:

- We obtained management's accounting analysis concluding on the loss of control and assessed it for appropriateness under applicable accounting guidance;
- We obtained loan agreements, confirmations, and treasury directions that detail the factors that result in the Company losing control;
- We obtained evidence to support the fair value of the residual interest remaining in XR Immersive Tech Inc., and recalculated the gain on loss of subsidiary; and
- We assessed the appropriateness of the disclosures relating to the loss of control of subsidiary in the notes to the consolidated financial statements.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS® Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jaspreet Chahal.

Burlington, Ontario

June 30, 2025

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

Victory Square Technologies Inc.  
Consolidated statements of financial position  
(Expressed in Canadian dollars)

	Notes	December 31, 2024	December 31, 2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 1,230,344	\$ 2,202,377
Prepays and other deposits	3	251,743	177,301
Trade and other receivables	4	111,311	104,861
Loans receivable	5	49,866	-
Inventory	6	-	103,753
		1,643,264	2,588,292
<b>Non-current assets</b>			
Investments - fair value	8	5,093,247	5,383,217
Investments - equity accounted	9	101,776	794,303
Deposit	3	-	85,000
Due from related parties	19	119,963	277,079
Property and equipment		1,616	2,693
Intangible assets	12	1,616,917	1,013,394
Goodwill	13	1,640,653	1,640,653
<b>TOTAL ASSETS</b>		<b>\$ 10,217,436</b>	<b>\$ 11,784,631</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	19,21	\$ 1,621,548	\$ 1,771,902
Accrued liabilities	19,21	1,701,499	1,558,686
Current portion of contract liabilities	17	1,732,685	1,748,574
Related party loans	19	151,433	428,384
Current portion of loans payable	14	1,600,000	2,249,754
Current portion of loans payable - derivative	14	395,000	-
Income taxes payable		-	113,350
CEBA loan	15	-	40,000
Current portion of convertible debt	16	200,000	184,324
		7,402,165	8,094,974
<b>Non-current liabilities</b>			
Convertible debt	16	-	200,260
CEBA loans	15	62,852	106,637
Contract liabilities	17	2,122	27,475
Deferred tax liability		-	11,187
Loans payable	14	-	3,630,062
<b>TOTAL LIABILITIES</b>		<b>7,467,139</b>	<b>12,070,595</b>
<b>EQUITY (DEFICIT)</b>			
Share capital	18	44,120,621	43,916,621
Reserve	18	17,739,773	16,849,308
Equity portion of debt	18	511,620	563,391
Obligation to issue shares	18	61,828	-
Accumulated other comprehensive loss		(277,625)	(118,971)
Accumulated deficit		(56,021,353)	(57,254,854)
Equity attributable to owners of the Company		6,134,864	3,955,495
Non-controlling interest	28	(3,384,567)	(4,241,459)
<b>EQUITY (DEFICIT)</b>		<b>2,750,297</b>	<b>(285,964)</b>
<b>TOTAL LIABILITIES AND EQUITY (DEFICIT)</b>		<b>\$ 10,217,436</b>	<b>\$ 11,784,631</b>

Nature of operations and going concern – Note 1  
Commitments and contingencies – Note 29  
Subsequent events – Note 30

See accompanying notes to the consolidated financial statements

Victory Square Technologies Inc.  
Consolidated statements of income (loss) and comprehensive income (loss)  
(Expressed in Canadian dollars)

	Notes	Years ended December 31,	
		2024	2023
<b>Revenue</b>	23	\$ 16,717,806	\$ 12,055,070
<b>Cost of goods sold</b>		10,350,904	6,564,681
		6,366,902	5,490,389
<b>Expenses</b>			
Amortization and depreciation	11,12	692,028	2,832,075
Foreign exchange loss (gain)		(41,747)	28,856
General and administration	24	1,775,754	2,793,987
Expense associated with Futura transaction	10	-	596,906
Professional and consulting fees	19	2,577,837	3,844,493
Research and development		169,554	710,052
Sales and marketing		559,520	671,889
Share based payments	18	822,890	1,620,395
Wages		2,377,669	2,393,613
Equity loss on investments - equity accounted	9	692,526	390,345
Fair value loss (gain) on investments	8	5,286,940	3,974,700
Impairment of non-financial assets	12,13	-	1,947,117
Accretion, Interest and amortization of debt	7b,11,14,15,16	927,247	1,023,939
Loss (gain) on settlement of debt	7b,14	187,260	-
Loss (gain) on derivative liability	14	55,000	(916,237)
Loss on modification of loan payable		335,000	-
Movement in provision	4,7b	261,526	797,551
Interest and other income	5,15,25	(131,284)	(106,116)
		(16,547,720)	(22,603,565)
Gain on sale of subsidiary	7a	3,867,500	-
Gain on loss of control of subsidiary	7b	5,457,167	33,624
Gain on distribution from investment	8	641,775	-
Other gains (losses)	26	658,902	(635,099)
		10,625,344	(601,475)
Current income tax recovery (expense)	27	89,196	(30,959)
Deferred tax recovery	27	11,186	356,563
<b>Net income (loss) after income taxes for the year</b>		<b>544,908</b>	<b>(17,389,047)</b>
<b>Net income (loss) for the year</b>		<b>544,908</b>	<b>(17,389,047)</b>
<b>Other comprehensive income (loss)</b>			
Currency translation adjustment		(158,654)	(37,705)
<b>Comprehensive income (loss) for the year</b>		<b>386,254</b>	<b>(17,426,752)</b>
<b>Net income (loss) attributable to:</b>			
Non-controlling interest	28	(688,593)	(3,234,116)
		\$ 544,908	\$ (17,389,047)
<b>parent company</b>		<b>\$ 0.01</b>	<b>\$ (0.14)</b>
<b>Diluted loss per share attributable to the shareholders of the parent company</b>		<b>\$ 0.01</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding for the year - basic</b>		<b>99,645,572</b>	<b>99,564,971</b>
<b>Weighted average number of common shares outstanding for the period -</b>		<b>99,645,572</b>	<b>113,875,689</b>

See accompanying notes to the consolidated financial statements

Victory Square Technologies Inc.  
Consolidated statements of changes in equity (deficit)  
(Expressed in Canadian dollars)

Notes	Share Capital		Accumulated other comprehensive income (loss)	Reserve	Obligation to issue shares	Equity portion of debt	Broker's warrants	Income (deficit)	Non-controlling interest	Total	
	Number of shares	Amount									
<b>Balance at January 1, 2023</b>		99,564,971	\$ 43,916,621	\$ (81,822)	\$ 12,419,613	\$ 300,000	\$ 511,620	\$ 427,165	\$ (43,527,088)	\$ (720,272)	\$ 13,245,837
Shares issued - Hydreight earn out	18	-	-	-	288,995	(300,000)	-	-	-	11,005	-
Share exchange of Draft Label	10	-	-	-	2,520,305	-	-	-	-	(351,393)	2,168,912
Share-based payments	18	-	-	-	1,620,395	-	-	-	-	53,317	1,673,712
Expiration of warrants	18	-	-	-	-	-	-	(427,165)	427,165	-	-
Equity portion of convertible debt - XRI	16	-	-	-	-	-	51,771	-	-	-	51,771
Currency translation adjustment		-	-	(37,149)	-	-	-	-	-	-	(37,149)
Net loss for the year		-	-	-	-	-	-	-	(14,154,931)	(3,234,116)	(17,389,047)
<b>Balance at December 31, 2023</b>		99,564,971	\$ 43,916,621	\$ (118,971)	\$ 16,849,308	\$ -	\$ 563,391	\$ -	\$ (57,254,854)	\$ (4,241,459)	\$ (285,964)
RSUs vested and options exercised	18	-	-	-	-	61,828	-	-	-	-	61,828
RSU issuance	18	1,250,000	204,000	-	-	-	-	-	-	-	204,000
Share-based payments - XRI	18	-	-	-	4,023	-	-	-	-	-	4,023
Share-based payments - HTI	18	-	-	-	614,877	-	-	-	-	-	614,877
Shares issued and distributed - HTI	14,18,28	-	-	-	449,488	-	-	-	-	319,955	769,443
Shares issued - XRI	16,28	-	-	-	(188,075)	-	(51,771)	-	-	617,776	377,930
Warrants issued - XRI	14	-	-	-	433,099	-	-	-	-	-	433,099
Deconsolidation of XRI	7b, 28	-	-	-	(422,947)	-	-	-	-	607,754	184,807
Currency translation adjustment		-	-	(158,654)	-	-	-	-	-	-	(158,654)
Net income for the year		-	-	-	-	-	-	-	1,233,501	(688,593)	544,908
<b>Balance at December 31, 2024</b>		100,814,971	\$ 44,120,621	\$ (277,625)	\$ 17,739,773	\$ 61,828	\$ 511,620	\$ -	\$ (56,021,353)	\$ (3,384,567)	\$ 2,750,297

See accompanying notes to the consolidated financial statements

Victory Square Technologies Inc.  
Consolidated statements of cash flows  
(Expressed in Canadian dollars)

	Year ended December 31,	
	2024	2023
<b>Operating activities</b>		
Net income (loss) for the year	\$ 544,908	\$ (17,389,047)
<b>Adjustments for non-cash items:</b>		
Amortization and depreciation	692,028	2,832,075
Accretion, interest and amortization of debt	927,247	1,023,939
Deferred tax recovery	(11,186)	(356,563)
Income tax recovery	(111,597)	-
Foreign exchange loss	(42,501)	(28,977)
Interest accrued on loan receivable	-	(45,191)
Share based payments	822,890	1,620,395
Transaction expense	-	596,906
Gain on sale of subsidiary	(3,867,500)	-
Loss on derivative liability	55,000	(916,237)
Loss on settlement of debt	187,260	-
Movement in provision	360,386	797,551
Gain on deconsolidation of subsidiaries	(5,457,167)	(33,624)
Equity loss on investments	692,526	390,345
Fair value (gain) loss on investments	5,286,940	3,974,700
Impairment of non-financial assets	-	1,947,117
Other (gain) loss	(658,902)	635,099
<b>Changes in non-cash working capital items:</b>		
Trade receivables	23,267	(9,487)
Government sales tax receivable	(23,210)	(65,686)
Income taxes payable	-	32,769
Prepays and other deposits	(123,670)	297,961
Trade payables	(189,793)	731,448
Accrued liabilities	426,095	733,391
Inventory	4,893	518
Contract liabilities	(41,243)	54,184
<b>Net cash flows used in operating activities</b>	<b>(503,329)</b>	<b>(3,176,414)</b>
<b>Investing activities</b>		
Cash derecognized on deconsolidation of subsidiary	(302,010)	(13,430)
Cash used for purchase of equipment	-	(3,232)
Cash used for additions to intangible assets	(1,182,427)	(208,639)
Cash used for deposit	-	(85,000)
Cash and cash equivalents acquired on share exchange transaction	-	1,135,740
Loans to arm's length parties	(49,866)	-
Loans to portfolio companies	-	(175,913)
Proceeds received from token liquidation	663,812	463,541
Proceeds received from distribution on investment	641,775	-
Proceeds received from sale of investments	15,681	62,500
Proceeds received from divestment in investee	-	300,000
<b>Net cash flows from investing activities</b>	<b>(213,035)</b>	<b>1,475,567</b>
<b>Financing activities</b>		
Cash used for lease payments	-	(83,682)
Cash used for subsidiary share buyback	(7,426)	-
Cash proceeds from (used for) related parties	15,000	(70,972)
Cash used to repay CEBA loan and interest	(41,328)	-
Proceeds from convertible debt	-	250,000
Repayment of loan principal	(400,000)	-
Repayment of loan interest	(80,000)	-
Proceeds from promissory note, net of costs	248,662	-
Repayment of portfolio companies loans	118,210	-
Cash advanced to portfolio companies	(67,230)	-
Proceeds received for exercise of subsidiary stock options	33,000	-
<b>Net cash flows (used in) from financing activities</b>	<b>(181,112)</b>	<b>95,346</b>
<b>Effect of foreign exchange on cash</b>	<b>(74,557)</b>	<b>(28,937)</b>
Change in cash	(972,033)	(1,634,438)
Cash, beginning	2,202,377	3,836,815
<b>Cash, ending</b>	<b>\$ 1,230,344</b>	<b>\$ 2,202,377</b>
<b>Supplemental non-cash activities:</b>	<b>Note</b>	
Intangible assets included in trade payables	12	\$ 43,627
Obligation to issue shares - subsidiary	18	\$ 61,828
Issuance of shares to settle bonus obligation - subsidiary	18,28	\$ -
Transfer of subsidiary shares to settle accrued interest	14	\$ 520,000

See accompanying notes to the consolidated financial statements

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**1. Nature of Operations and Going Concern**

Victory Square Technologies Inc. (“Victory Square Technologies”, “VST”, or the “Company”) was incorporated under the Business Corporation Act (British Columbia) on February 10, 2015. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries detailed in the table below.

<b>Legal Entities</b>	<b>Reference</b>	<b>Percentage of Equity Interest (2024)</b>	<b>Percentage of Equity Interest (2023)</b>	<b>Jurisdiction of Incorporation</b>	<b>Functional Currency</b>	<b>Segment</b>
Draft Label Technologies Inc.	Draft Label	58.46%	58.46%	BC, Canada	CAD	Health Tech
PDL USA Inc.	PDL USA	58.46%	58.46%	Delaware, USA	USA	Health Tech
Futura Health and WellNess Inc.	Futura	58.46%	58.46%	BC, Canada	CAD	Health Tech
XR Immersive Tech Inc. <sup>(2)</sup>	XRI <sup>(2)</sup>	Note 2	Note 2	BC, Canada	CAD	Immersive Services
Synthesis VR Inc.	SVR	Note 2	Note 2	California, USA	USA	Immersive Services
Victory Square Technologies Inc. <sup>(1)</sup>	VST <sup>(1)</sup>	N/A	N/A	BC, Canada	CAD	Investments
BlockX Capital Corp. <sup>(2)</sup>	BlockX <sup>(2)</sup>	Note 2	Note 2	BC, Canada	CAD	Investments
VS Blockchain Assembly	VS Blockchain	100.00%	100.00%	BC, Canada	CAD	Investments
VS Digital Health Inc.	VSDH	100.00%	100.00%	BC, Canada	CAD	Health
VS Digital Health Inc. (Delaware)	VSDH (USA)	100.00%	100.00%	Delaware, USA	USA	Health
Hydreight Technologies Inc.	HTI	64.31%	69.83%	BC, Canada	CAD	Health
Hydreight Canada Holdings Inc.	HCH	64.31%	69.83%	BC, Canada	CAD	Health
IV Hydreight Inc.	IVH	64.31%	69.83%	Nevada, USA	USD	Health
Digital Health GPO, LLC	GPO	64.31%	69.83%	Nevada, USA	USD	Health
Healthcare Prosoft, LLC	Prosoft	64.31%	69.83%	Nevada, USA	USD	Health
Healthcare Prosoft CT, P.A. <sup>(3)</sup>	Prosoft CT <sup>(3)</sup>	0.00%	0.00%	Kansas, USA	USD	Health
Healthcare Prosoft NE Professional Corporation <sup>(3)</sup>	Prosoft NE <sup>(3)</sup>	0.00%	0.00%	New Jersey, USA	USD	Health
Healthcare Prosoft SW, P.C. <sup>(3)</sup>	Prosoft SW <sup>(3)</sup>	0.00%	0.00%	California, USA	USD	Health

(1) Parent corporation

(2) Deconsolidated September 27, 2024 (XRI); August 2, 2024 (BlockX Capital) (Note 7a)

(3) Controlled by IVH through contractual agreements (Note 2d)

The Company reports Non-Controlling Interest (“NCI”) on HTI and its subsidiaries (Note 28). The Company was determined to have lost control of the previously consolidated subsidiaries Insu Therapeutics Inc. (“Insu”, formerly Victory Entertainment Inc., “VEI”) on December 13, 2023.

Victory Square Technologies has numerous investments in emerging technologies such as artificial intelligence (AI), augmented and virtual reality (AR/VR), blockchain and digital health. 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 401, 750 West Pender Street, Vancouver, British Columbia, V6C 2T7. 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”.

## 1. Nature of Operations and Going Concern (continued)

These consolidated 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 December 31, 2024, the Company had a working capital deficit of \$5,758,901, (December 31, 2023 – \$5,398,349) and an accumulated deficit of \$56,021,353 (December 31, 2023 – \$57,254,854) and is overall in a net liability position. 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 consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

## 2. Material Accounting Policies

These consolidated financial statements were authorized for issue on June 30, 2025, by the directors of the Company.

### a) Statement of Compliance

These Consolidated Financial Statements have been prepared in accordance with IFRS<sup>®</sup> Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

### b) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries outlined in Note 1. The consolidated statement of income (loss) and comprehensive income (loss) exclude the results of operations and cash flows of Futura prior to the share exchange transaction and Insu and BlockX prior to the dates of deconsolidation. For former consolidated subsidiaries XRI and SVR, the results of operations and cash flows are included up to the date of deconsolidation, with the subsequent period accounted for under IAS 28 (Note 9).

Intercompany transactions, balances, income and expenses, and gains or losses on transactions are eliminated on consolidation.

All of the Company's subsidiaries have a December 31 year end. The Company's subsidiary VS Blockchain Assembly is inactive.

IFRS 10 outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Consolidation of a subsidiary begins on the date that control is acquired by a Company over the subsidiary and ceases when the Company loses control of the subsidiary. The income and expenses of the new subsidiary are incorporated during the year and are included in the consolidated statements of loss and comprehensive loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

## 2. Material Accounting Policies (continued)

### c) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for certain assets and liabilities measured at fair value, and are presented in Canadian dollars. Certain comparative figures have been reclassified to conform to the current year's presentation. Specifically, the reclassification of expense line items insurance, investor relations, management fees, and rent within general and administration expense. Also, several accounts have been reclassified between professional and consulting fees, sales and marketing, and general and administrative expense. The reclassification is intended to align expenses by nature has no impact to net income.

### d) Business combinations

The Company uses the acquisition method to account for business combinations. This requires an entity to measure each identifiable asset and liability at fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The purchase price allocation involves judgment with respect to the identification of intangible assets acquired and estimates of the fair value of the assets acquired and liabilities assumed, including pre-acquisition contingencies and contingent consideration. Changes in any of the assumptions or estimates used to identify intangible assets acquired, determine the fair value of acquired assets and liabilities assumed, including pre-acquisition contingencies or contingent consideration, could affect the amounts assigned to assets, liabilities and goodwill in the purchase price allocation. Transaction costs incurred in a business combination are expensed.

The Company considers certain acquisitions to be asset acquisitions, on the assumption that there are no identifiable businesses acquired in the transaction. There is judgment involved in the determination of whether the acquisition involves assets or entire businesses. Direct transaction costs incurred in the acquisition of an asset, or a group of assets generally are a component of the consideration transferred and are capitalized as a component of the cost of the assets acquired and liabilities assumed. Where contingent consideration is included in an asset acquisition, the Company has adopted a policy choice to record a liability for any expected variable payments at the time the obligating event or related activity that gives rise to the variability occurs (Note 7b,8,14). Changes in the fair value of the contingent consideration upon recognition are recognized in profit or loss during the periods in which the obligating event occurs.

### e) Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 13 for a description of the Company's annual impairment testing procedures.

## 2. Material Accounting Policies (continued)

### f) Cash

Cash, which may include highly liquid, guaranteed short-term instruments, are presented net of outstanding items, including cheques written but not cleared by the related banks as at the statement of financial position date. Cash is classified as a liability in the statement of financial position when the total amount of all cheques written but not cleared by the related banks exceeds the amount of cash.

### g) Inventory

Inventory is valued and recorded at the lower of cost and net realizable value. Cost is determined on a weighted average basis. Cost includes all direct expenses in bringing inventory to its present condition and location, net of consideration received from suppliers and vendors. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Inventory is written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, shrinkage or declining retail prices. The Company records consideration received from suppliers and vendors as a reduction to the cost of inventory, and these amounts are recognized in cost of sales when the associated inventory is sold.

### h) Property and equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation and amortization are calculated using the straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of equipment are as follows:

<u>Class of property and equipment</u>	<u>Amortization policy</u>
Computer equipment	3 years
Leasehold improvements	Term of the lease
<u>Furniture and other equipment</u>	<u>3 years</u>

### i) Intangible assets

Intangible assets are stated at cost, net of accumulated amortization. The intangible assets are amortized when they are available for use. Following initial recognition, the underlying assets are carried at cost, less accumulated amortization and accumulated impairment losses.

#### *Blockchain Technology*

Blockchain technology acquired in an asset purchase agreement that qualifies for separate recognition as intangible assets, is initially recognized at the fair value of the consideration paid.

**2. Material Accounting Policies (continued)**

i) Intangible assets (continued)

*Hydreight App*

The core Hydreight App acquired in a business combination that qualifies for separate recognition, is initially recognized at fair value as at the acquisition date.

Development costs are capitalized where the expenditure is incurred on developing an income generating mobile application and the expenditure is directly attributable to the development of the intangible asset. All research costs are expensed as incurred. Subsequent expenditures are capitalized only if it increases the future economic benefits embodied in the mobile application. All other expenditures, including operating costs, are recognized in the consolidated statement of loss and comprehensive loss.

Intangible assets consist of the costs capitalized to build and develop the Company's mobile application white label functionality, patient-specific ("PSF") transaction capability and VSDH One a direct-to-consumer ("D2C") platform. Commencing April of 2022, the white-label mobile application went live, and the Company began amortizing the intangible asset on a straight-line basis with an estimated useful life of 5 years. PSF started amortization in 2023 and development costs of the D2C platform commenced in the second quarter of 2024. The PSF and D2C platform are also amortized on a straight-line basis over 5 years.

*Subsequent measurement*

All finite-lived intangible assets, including capitalized internally developed software, are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. Indefinite life assets are not amortized but are tested for impairment annually.

Class of intangible asset	Amortization policy
Hydreight App and Blockchain Technology	3 years
Hydreight - Franchise White-Label	5 years
Hydreight - Patient Specific Tech	5 years
Hydreight - VSDH One Platform	5 years

j) Convertible debt

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. A conversion feature of the convertible debt meets the definition of a derivative liability if the conversion rate is variable, otherwise the conversion feature is treated as equity.

At the date of issue, the Company determines if the conversion feature is equity or liability based on the conversion terms. If the conversion feature is determined to be equity, the fair value of the liability is measured separately using an estimated market rate for a similar liability without an equity component and the residual is allocated to the conversion option. The liability component is subsequently recognized on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is recognized and included in equity and is not subsequently remeasured.

## 2. Material Accounting Policies (continued)

### j) Convertible debt (continued)

In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital. If the conversion feature is determined to be a liability, the fair value of the conversion is measured separately at fair value on issuance date. The residual amount is then allocated to the debt host liability, and the conversion feature liability is subsequently measured at FVTPL.

Upon conversion, the carrying amount of the host debt liability along with the fair value of the conversion feature will be transferred to share capital. Transaction costs are divided between the various components in proportion to their values recorded at issuance. The portion of transaction costs allocated to the derivative liability is expensed immediately in net loss.

In the event that the instruments are not converted, and the conversion option expires at maturity, the Company accounts for the settlement of the instruments at the redemption value, which is equal to the stated principal amount of the instruments. The debt element is derecognized and the carrying amount of the conversion feature within equity portion is reclassified to deficit.

### k) Financial Instruments

#### (i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company classifies its financial assets and liabilities as outlined below:

Cash	Amortized cost
Trade and other receivables	Amortized cost
Loans receivable	Amortized cost
Investments - equity accounted	Equity method
Investments - fair value	FVTPL
Due from related parties	Amortized cost
Related party loans	Amortized cost
Trade payables and accrued liabilities	Amortized cost
Loans payable, CEBA loan, convertible debt	Amortized cost
Derivative liability	FVTPL

## 2. Material Accounting Policies (continued)

### (ii) Measurement

#### Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and are subsequently carried at amortized cost less any impairment.

#### Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL, including derivative liabilities, are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net income (loss) in the period in which they arise.

#### Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

#### Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

### (iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company recognizes in the consolidated statements of net loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

## 2. Material Accounting Policies (continued)

### k) Financial Instruments (continued)

#### (iv) Derecognition

##### Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

##### Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are recognized in profit or loss.

### l) Investments – fair value

Investments which are classified as financial instruments under IFRS 9 are initially recorded at the fair value of consideration paid at the time of acquisition. Subsequent measurement depends on the classification of the financial instrument as noted above. Where investments are made in publicly traded companies, the quoted price is used to determine subsequent fair value (level 1 instrument). Where investments are made in companies that do not have a quoted price, the Company uses valuation techniques such as those described in Note 21 to determine subsequent fair value (level 3 instrument). All of the Company's investments are in equity instruments.

Purchases and sales of investments are recognized on the transaction date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the consolidated statements of income (loss) and comprehensive income (loss). Realized losses may arise even if the investment is not disposed of in circumstances where the investee is insolvent.

### m) Investments – equity accounted

Associates are entities over which the Company has significant influence but not control. Significant influence is generally presumed to exist where the Company has between 20 percent and 50 percent of the voting rights but can also arise where the Company holds less than 20 percent of the voting rights, but it has the power to be actively involved and influential in policy decisions affecting the entity. Investments in associates are held as part of the Company's investment portfolio and carried in the consolidated statements of financial position at fair value even though the Company may have significant influence over the companies. This treatment is permitted by IAS 28, Investment in Associates, which allows investments held by venture capital or similar organizations to be excluded from its scope where those investments are

## 2. Material Accounting Policies (continued)

### m) Investments – equity accounted (continued)

measured at fair value through profit or loss in accordance with IFRS 9, with changes in fair value recognized in the consolidated statements of income within net change in unrealized gains or losses on investments.

For those investments in which the Company has significant influence the Company uses either the equity method of accounting whereby an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net profit or loss of the investee, and any distributions received from the investee company reduce the carrying amount of the investment, or it elects to use the exemption in IAS 28 – Investments in Associates ("IAS 28") for venture capital organizations. As at December 31, 2024, and 2023, the exemption has been applied to the Company's venture organization investment in XRI subsequent to loss of control (Note 8,9) and Insu (Note 7c, 9).

The exemption is not taken for investments in which the Company has significant influence where the Company is not managing the investment as a venture organization. The Company has determined that it has significant influence over the following: Cassia Research Inc. ("Cassia", dba CoPilot AI, "CoPilot") and GrowTech Academy ("GrowTech") (inactive) (Note 9).

### n) Foreign Currency Translation

These consolidated financial statements are presented in Canadian dollars. At the time of consolidation and financial reporting the following conversion methods are used:

#### *Translation of Foreign Currency Transactions*

At each statement of financial position date, foreign currency monetary items are translated to reflect the exchange rate at the statement of financial position date. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences are recorded in profit and loss.

#### *Translation of Foreign Operations*

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

## 2. Material Accounting Policies (continued)

### o) Income Taxes

#### *Current Income Tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### *Deferred Income Tax*

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally

enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### p) Impairment of non-financial assets

The carrying amount of the Company's non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The Company considers Hydreight to be a distinct cash-generating unit for which impairment of non-financial assets are performed at each reporting date.

## 2. Material Accounting Policies (continued)

### p) Impairment of non-financial assets (continued)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Impairment loss on goodwill is not reversed.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

### q) Income (Loss) per Share

Basic income (loss) per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted income (loss) per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti dilutive.

### r) Revenue Recognition

IFRS 15 - Revenue from Contracts with Customers - utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Company determines the amount of revenue to be recognized through application of the following steps:

- Identification of the contract, or contracts with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Company satisfies the performance obligations.

Interest income is recorded on an accrual basis using the effective interest method. Under the effective interest method, the interest rate realized is not necessarily the same as the stated loan interest rate. When a loan is classified as impaired, the original expected timing and amount of future cash flows may be revised to reflect new circumstances. These revised cash flows are discounted using the original effective interest rate to determine the impaired carrying value of the loan. Interest income is thereafter recognized on this impaired carrying value using the original effective interest rate. Additional changes to the amount or timing of future cash flows could result in further loan losses, or the reversal of prior loan losses, which would also impact the amount of subsequent interest income recognized. Interest and fees collected in advance are recorded as deferred revenue and recognized in income. Loan commitment, origination, structuring fees and bonuses are recorded as income over the life of the loan.

## 2. Material Accounting Policies (continued)

### s) Revenue Recognition (continued)

Management and consulting fees are recognized over the period in which the services are provided.

The Company, through its investment in subsidiaries, generates its revenue from the following sources:

#### Hydreight

##### Business partner contract revenue

Hydreight generates business partner contract revenue by providing support, hosting and related services to business partners across the US that use the digital app platform. The business partners are the Hydreight's professional provider network of medical practitioners that use the telehealth platform to service their patients. Business partner contract revenue is typically for an annual term, except for exclusivity contracts, prepaid by business partners in advance and earned over a period of time and generated from Hydreight rendering the service. These arrangements are non-cancellable, do not contain refund-type provisions and generally contain an option to renew. Hydreight's performance obligation is to provide access to the telehealth platform over the term of the contract and therefore the business partner contract revenues are satisfied as services are rendered over the term of service arrangement. The balance of the subscription consideration is allocated to a separate performance obligation; to provide access to the telehealth platform over the term of the contract and satisfied as services are rendered over the term of service agreement.

Hydreight offers a financing plan whereby the business partner can pay for the annual subscription in twelve monthly instalments completed within one year from the subscription term commencement. Hydreight does not adjust the transaction price for a significant financing component under the practical expedient option in IFRS 15 whereby the time between the services rendered and consideration paid is one year or less.

Hydreight incurs incremental costs in the form of sales commissions in obtaining subscriptions from new partners and renewing partners. Hydreight recognizes the incremental costs as an expense when incurred under the practical expedient offered under IFRS 15 whereby the amortization period of the costs would have been one year or less.

##### Commission revenue

Hydreight generates commissions from patients that visit its platform to have access to and hire a provider within Hydreight's network of medical practitioners. Commission revenue is generated mainly on a per telehealth visit basis, as the patients enter into a contractual relationship with the business partner. Commission revenue is considered to be variable consideration and is recognized on a net basis, as Hydreight's obligation is to act as intermediary between the patient and the business partner. The commission revenue is earned based on the level of activity the business partner generates. Commission revenue is recognized upon the completion of the patient and business partner service.

##### Pharmacy Sales

Hydreight offers an online pharmacy to its subscribers, which allow its network of medical practitioners to purchase pharmacy products from federally regulated pharmacies. Sales orders are received through Hydreight's online store and products are sourced and shipped by independent pharmacies. Hydreight

## 2. Material Accounting Policies (continued)

### s) Revenue Recognition (continued)

collects payment upon the completion of the online ordering by the customer, and revenue is recognized when the products are delivered to the customer. Although the independent pharmacies are sourced to ship the products to the customer, Hydright determines the specialized ingredient compositions for its product base that are distributed through the pharmacies, has access and control over the contents of the online store, determines the pharmacy to source the delivery of the products, sets the prices for the products paid by the customer, and therefore acts as the principal point of contact with the customer and correspondingly recognizes revenue on a gross basis. Hydright records pharmacy vendor volume rebates as a reduction in the cost of pharmacy sales and customer volume rebates as a reduction in gross pharmacy revenue. Both rebates are recorded in the period to which the related purchase or sale occurred. The right to return is order-specific and estimated at the date the products are delivered to the customer.

### t) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of loss and comprehensive loss. For the years ended December 31, 2024, and 2023, other comprehensive income is related to the foreign currency translation adjustments.

### u) Share-based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using a Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Vesting conditions are determined by the Board of Directors.

### v) Non-Controlling Interest ("NCI")

The Company has two subsidiaries, HTI and Futura with material non-controlling interests (Note 29). Non-controlling interests represent ownership interests in consolidated subsidiaries by parties that are not shareholders of VST. They are shown as a component of total equity in the consolidated statements of financial position, and the share of income (loss) attributable to non-controlling interests is shown as a component of net loss in the consolidated statements of operations. Changes in the Company's ownership that do not result in a loss of control are accounted for as equity transactions.

## 2. Material Accounting Policies (continued)

### w) New accounting standards and amendments in effect

The Company has applied several accounting pronouncements to standards that have been issued and are effective for annual periods beginning on or after January 1, 2024. The adoption of the amendments did not have a material impact on the Company's financial statements.

### x) New accounting standard pronouncements

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at December 31, 2024, but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

- *Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures*
- *IFRS 18 Presentation and Disclosure in Financial Statements*
- *IFRS 19 Subsidiaries without Public Accountability: Disclosures*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures*

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. The Company does not anticipate a material impact to the consolidated financial statements upon adoption.

### y) Critical Accounting Estimates and Judgements

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

#### Critical accounting estimates

##### *Fair Value of Investments*

The Company reviews certain investments and records their fair value at each financial statement reporting date. For investments in public companies, fair value is determined based on the quoted market price. For investments in private companies, certain subjective measures, including recent share transactions, prices for comparable entities, review of cash flow projections and the investee's prospects, financial ratios and discounted cash flows are techniques used to determine fair value. Privately held investments are initially recorded at the transaction price being the fair value at the time of acquisition. Thereafter, the fair value is adjusted using various valuation techniques such as subsequent equity financing or share performance of comparable public companies. Where possible the Company uses inputs obtained from observable market

## 2. Material Accounting Policies (continued)

### y) Critical Accounting Estimates and Judgements (continued)

#### Critical accounting estimates (continued)

data for its valuation models. However, if observable market data is not available the Company uses judgement to determine fair value (Note 21(e)).

#### *Impairment of Non-Financial Assets*

When there are indications that intangible assets may be impaired, the Company is required to estimate their recoverable amounts. The recoverable amount is the greater of value in use and fair value less costs to sell. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Determining the value in use requires the Company to estimate expected future cash flow associated with the assets and a suitable discount rate in order to calculate the present value (refer to Note 13) for details of the impairment loss on goodwill).

#### *Estimated Useful Life of Intangible Assets*

The relative size of the Company's intangible assets makes the judgements surrounding the estimated useful lives critical to the Company's financial position and performance. The useful life of intangible assets relates to the future performance of the assets and management's judgement of the period over which economic benefit will be derived from the assets. The useful life is determined by management and is regularly reviewed for appropriateness. The amortization of Company's finite-life intangible assets begins when the assets are available for use. The useful life is based on historical experience with similar development costs as well as anticipation of future events which may impact their life such as changes in technology.

#### *Share-based payments*

The cost of equity settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost of equity settled transactions with non-employees is measured by reference to the fair value of services or products received if reliably measurable, or alternative by reference to the fair value of equity instruments granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. The fair value of the options is measured by use of the Black-Scholes pricing model. The valuation of these share-based payments requires several judgements and inputs to the valuation model.

#### *Convertible Debt*

The identification of convertible debt and conversion feature on debt are based on the interpretations of the substance of the contractual arrangement and therefore require judgment from management. The separation of the components affects the initial recognition at issuance and the subsequent recognition of interest on the liability component.

Critical estimates and assumptions used in the assessment of the fair value of the components are discussed in Note 16 and include the discount rate applied.

## 2. Material Accounting Policies (continued)

### y) Critical Accounting Estimates and Judgements (continued)

#### Critical accounting judgements

##### *Going Concern*

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2024, and 2023. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded the going concern basis of accounting is appropriate based on its profit and cash flow forecasts and access to replacement financing for the future twelve months.

##### *Loan Modification*

The Company accounts for loan modification based on an assessment of whether the modification is substantial or non-substantial using both quantitative and qualitative tests. Management exercises significant judgment in determining whether a loan is considered to be substantially modified. Where a modification is determined to be non-substantial, modification accounting adjusts the existing liability with an adjustment to amortized cost recorded in profit and loss. Where a modification is determined to be substantial, extinguishment accounting is used with the existing liability derecognized, and a new liability recognized at fair value with any difference between consideration and carrying amount of the old debt recorded as a gain or loss.

##### *Control of Subsidiaries*

Judgment is required on whether an investor controls an investee, regardless of the nature of involvement with the investee. The Company has evaluated its contractual relationships with specific subsidiaries for which it has no equity interest and has concluded that the contracts in place give the Company sufficient control to establish the consolidation requirement.

##### *Principal vs. Agent*

Judgement is required in determining whether Hydreight is the principal or agent in transactions with service providers, vendors and end-users. Hydreight evaluates the presentation of revenue on a gross or net basis based on whether Hydreight controls the service provided to the end-user and is the principal, or Hydreight arranges for other parties to provide the service to the end-user and is an agent.

For commission revenue, Hydreight's role in each transaction is as a facilitator; to provide the digital health platform to service providers to offer a successful service to end-customers. Hydreight does not set the price for the services, is not primarily responsible for completing the service and does not carry inventory risk. Accordingly, Hydreight has concluded that it acts as an agent by facilitating the transaction and as a result, Hydreight reports commission revenue on a net basis, reflecting the fee owed to Hydreight from the service providers as revenue and not the gross amount collected from the end-customer.

## 2. Material Accounting Policies (continued)

### y) Critical Accounting Estimates and Judgements (continued)

For pharmacy sales, Hydreight's role in each transaction is to arrange and fulfil the medical service products (goods) being purchased by the service provider (the customer for Hydreight). Hydreight completes this by purchasing the goods from a vendor and having them shipped to the service provider. Judgement is involved in whether Hydreight controls the goods sold to its customers. Hydreight assesses that it obtains control over the goods because it develops specialized goods that are assembled by the pharmacy using ingredient compositions that Hydreight has developed by working with medical specialists and researchers. Hydreight sets the price of the goods and selects the pharmacy (approved by Hydreight) to source the goods for delivery to the customer. While they do not directly possess inventory risk due to the use of third-party vendors, Hydreight maintains a pharmacy support service to process any inventory refund requests or related issues. Accordingly, Hydreight has concluded that it acts as the principal in the transaction and as a result, Hydreight reports revenue on a gross basis, reflecting the sale price from the service provider as revenue and a corresponding cost of pharmacy sales for the purchase of the goods from the vendor.

#### *Determination of Significant Influence*

Management applies judgement in determining whether it controls or has significant influence over an investee in which it has equity interest in. In determining its judgement, management reviews any agreements in place with the investee, as well as board representation.

#### *Business versus Asset Acquisition*

Determining whether or not the July 12, 2023, share exchange agreement between the Company, Draft Label and 1288273 B.C. Ltd. ("1288273") (Note 11) constituted a business combination or acquisition of assets. At the agreement date, 1288273 did not meet the definition of a business as it had no notable inputs, processes and outputs. As such the substance of the transaction was a reverse acquisition of a non-operating company accounted for as an asset acquisition.

#### *Research and Development Costs for Applications*

Evaluating whether or not costs incurred by the Company in developing its applications meet the criteria for capitalizing as intangible assets, recognition of which involves significant management judgement. Specifically, assessing whether the internally generated intangible assets can demonstrate the following during the development phase:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- It's intention to complete the intangible asset and use or sell it;
- It's ability to use or sell the asset;
- How the asset will generate probable future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**3. Prepaids and Other Deposits**

Prepaids consist of the following:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Marketing events and fees	\$ 17,280	\$ 26,479
Insurance	53,129	54,992
Exchange fees	1,606	57,416
Advance on lab services	57,556	-
Deposit towards pharmacy purchases <sup>1</sup>	85,000	-
Consulting and legal	16,039	21,323
Rental deposits and other	21,133	17,091
	<b>\$ 251,743</b>	<b>\$ 177,301</b>

<sup>1</sup> Included in long-term assets as at December 31, 2023.

**4. Trade and Other Receivables**

Trade receivables consist of the following:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Trade receivables	\$ 43,941	\$ 22,436
Government sales tax receivable	63,872	80,489
Other	3,498	1,936
	<b>\$ 111,311</b>	<b>\$ 104,861</b>

The Company has not recorded an expected credit loss ("ECL") allowance due to amounts being small and considered fully collectible. Included in movement in provision on the consolidated statements of income (loss) and comprehensive income (loss) is \$40,553 in previous recorded government sales tax receivable in Futura that can not be claimed due to Futura being ineligible to claim Input Tax Credits as of December 31, 2024.

## 5. Loans Receivable

On May 25, 2022, Futura loaned \$1,200,000 to an arms-length corporation. During the year ended December 31, 2022, the counterparty repaid \$577,862 and Futura earned \$46,861 in interest. Futura earned an additional \$36,474 in interest up to the Futura Reverse Takeover transaction. The loan bore interest at 10% per annum and was to mature on May 5, 2024. As at the Futura Reverse Takeover transaction date of July 12, 2023, the fair value of the loan was \$681,251. Interest was included in interest and other income on the statement of income (loss) and comprehensive loss. During the year ended December 31, 2023, the Company recorded an allowance for loan losses equal to the carrying value of the loan due to uncertainty over collectability.

On February 20, 2024, the Company advanced a \$40,000 loan to an arms length party. In December 2024, the Company advanced a \$9,866 loan to a different arms length party. The loans are unsecured, do not bear interest and have no terms of repayment.

Balance, July 12, 2023 (Note 13)	\$	681,251
Interest earned		45,191
Allowance		(726,442)
Balance, December 31, 2023		-
Loans advanced		49,866
Balance, December 31, 2024	\$	49,866

## 6. Inventory

In a previous year, Hydreight entered into a purchase commitment with a pharmacy vendor for the production of a specific number of customized branded kits and packaging, which were sold and delivered in the normal course of operations. On December 20, 2021, a final purchase commitment settlement agreement was executed with the vendor whereby Hydreight agreed to purchase and take possession of the remaining unsold units. Inventory consisted of customized kits and itemized component products ordered and warehoused in advance of shipment to new and existing business partners. Hydreight contracts with a third party to accept and warehouse the kits. As of December 31, 2024, these units were not sold and Hydreight has recognized a \$98,860 impairment charge, which is included in the cost of goods sold in the consolidated statement of loss and comprehensive loss in the year ended December 31, 2024, to write down the balance in inventory to \$Nil (2024 - \$103,753).

## 7. Deconsolidation of Subsidiaries

### a) BlockX Capital

On September 25, 2024, pursuant to a merger agreement dated August 2, 2024 (the “Merger Agreement”), BlockX, Edge Total Intelligence Inc. (“EdgeTI”) and 1494029 B.C. Ltd. (“AcquisitionCo”), a wholly owned subsidiary of the EdgeTI, completed the transaction. Pursuant to the Merger Agreement, EdgeTI (TSXV: CTRL) acquired all of the issued and outstanding shares in the capital of BlockX (the “BlockX Acquisition”), being 4,250,000 common shares, in exchange for an equivalent number of subordinate voting shares of

EdgeTI (the “Amalgamation”), being 4,250,000 SVSs. EdgeTI now holds all of the issued and outstanding shares in the capital of the corporation that resulted from the Amalgamation, being EdgeAI Technologies Inc. (“EdgeAI”). These SVS shares were issued as part of the Amalgamation to VST, as the sole shareholder of BlockX.

At the time of the BlockX Acquisition, the net assets of BlockX were fully amortized to \$Nil. The closing share price of EdgeTI as quoted on the TSXV on September 25, 2025, was \$0.91. This resulted in a total gain on sale of the subsidiary of \$3,867,500 recognized in the consolidated statement of income (loss) and comprehensive income (loss).

The Company and EdgeTI share a common Chief Financial Officer (“CFO”); however, the consideration paid was determined through arm’s length negotiation between the Company and EdgeTI. The CFO was not involved in any negotiations between the Company and EdgeTI in relation to the consideration paid.

### b) XRI

Prior to September 27, 2024, the Company held 8,286,157 shares in XRI, which represented a 54.10% interest and control of XRI and, as a result, presented the assets, liabilities, certain reserves, and results of operations of XRI in its consolidated financial statements. On September 27, 2024, XRI issued 3,562,374 Units to extinguish promissory notes payable, reducing the Company’s ownership to 43.89% (Note 14). As effective on the same date, XRI entered into a loan amendment with the lender that gave the lender the right to nominate two of its three board members, as well as give it authority over XRI’s spending and strategic decision making, effectively giving the lender control over XRI. On September 30, 2024, the Company’s CEO resigned as director of XRI, resulting in VST no longer having representation on the board of XRI. Accordingly, the Company determined that it no longer had control over XRI and deconsolidated XRI effective September 27, 2024, resulting in a gain on loss of control of subsidiary of \$5,457,167. After this deconsolidation date, the investment in XRI is recorded under IAS 28 using the fair value exemption available to venture capital organizations (Note 9).

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**7. Deconsolidation of Subsidiaries (continued)**

**b) XRI (continued)**

The major classes of assets and liabilities of XRI are as follows:

	<b>September 27, 2024</b>
<b>Assets</b>	
Cash	\$ 302,010
Prepays and other receivable	287,850
Government sales tax receivable	4,447
Investment (Note 8)	10,500
<b>Total Assets</b>	<b>\$ 604,807</b>
<b>Liabilities</b>	
Trade and other payables	\$ 585,271
Accrued liabilities	228,076
Due to related parties (Note 19)	300,000
Loans payable (Note 14)	4,049,485
CEBA loan (Note 15)	60,750
Due to parent	1,092,194
Convertible debentures (Note 16)	271,393
<b>Total Liabilities</b>	<b>\$ 6,587,169</b>

Included in accrued liabilities is \$13,822 (2023 - \$Nil) of interest and penalties on accrued on provincial government assessed payroll taxes.

Included in the line-item Loss settlement of debt on the consolidated statement of income (loss) and comprehensive income (loss) is a \$500,776 loss on the extinguishment of promissory notes with shares of XRI (Note 14).

The gain on deconsolidation of XRI and retained investment in XRI is recognized in the consolidated statement of income (loss) and comprehensive income (loss) and calculated as follows:

Fair value of retained investment (Note 8)	\$ 1,160,062
Carrying value of the non-controlling interest	(607,754)
	552,308
Less: Carrying value of former subsidiary's net assets	5,982,362
FVOCI reserve transferred to income	14,691
	6,549,361
Less: Write-off of amount owed from XRI (Note 19)	(1,092,194)
Gain on deconsolidation	\$ 5,457,167

**7. Deconsolidation of Subsidiaries (continued)**

**c) Victory Entertainment Inc. (Insu)**

Prior to December 13, 2023, the Company owned 100% of Victory Entertainment Inc., a subsidiary with no active operations. On November 16, 2023, the Company owned 250,000 shares of VEI after a 1 to 2,500 share split. On December 13, 2023, the Company issued shares to several arm's length parties for 750,000 common shares of VEI at \$0.01, resulting in VST's interest being diluted to 25%. Accordingly, at December 13, 2023, the Company deconsolidated VEI and recognized a gain on loss of control of subsidiary of \$33,624 calculated based on the following:

Common shares of VEI held at date of deconsolidation		250,000
Fair value of VEI shares on December 13, 2023	\$	0.01
Proceeds of disposal @ fair value recognized at disposal date		2,500
Less: Net Liability of VEI at date of deconsolidation		(31,124)
Gain on loss of control of subsidiary	\$	33,624

The gain was recorded during the year ended December 31, 2023, on the statement of income (loss) and comprehensive income (loss) as gain on loss of control of subsidiary. Prior to the share split and subscription agreements, on September 7, 2023, VEI changed its name to Insu Therapeutics Inc ("Insu"). Subsequent to the loss of control and deconsolidation, the Company accounted for its investment in Insu under IAS 28 and the equity method with the fair value exemption available to venture capital companies. The fair value and carrying value of the Company's investment in Insu as of December 31, 2024, is \$2,500 (2023 - \$2,500) remaining unchanged since initial recognition due to limited activity in the investments business.

**8. Investments Measured at Fair Value**

The Company's investments measured at fair value consist of the following:

	December 31, 2024		December 31, 2023	
	Fair Value	% holding	Fair Value	% holding
FansUnite (1) (6)	\$ 12,731	2.47%	\$ 486,849	2.47%
Victory Square Health (2)	-	20.00%	1,500,000	20.00%
Turnium (1)	120,500	1.88%	164,165	2.97%
Cloud Benefit, dba Cloud Advisors (2)	252,000	5.43%	309,000	5.43%
XRI (1) (7)	1,408,646	43.89%	-	0.00%
EdgeTI (1) (8)	3,143,520	7.20%	-	0.00%
Anonymous Intelligence (1) (3)	20,518	2.25%	27,868	2.57%
GameOn (1)	-	19.57%	1,464,684	19.75%
Stardust Solar (1) (2)	74,067	10.97%	1,320,000	10.97%
Other (1) (5) (7) (9)	61,265		110,651	
	\$ 5,093,247		\$ 5,383,217	

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**8. Investments Measured at Fair Value (continued)**

A summary of investment transactions recorded in the consolidated statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2024, is as follows:

	Fair Value - Opening	Deconsolidation of Subsidiary	Additions	Unrealized (losses) gains	Proceeds of disposal (Cash)	Realized gains (losses)	Fair Value - Ending
FansUnite (1) (6)	\$ 486,849	\$ -	\$ -	\$ (474,118)	\$ -	\$ -	\$ 12,731
Victory Square Health (2)	1,500,000	-	-	(1,500,000)	-	-	-
Turnium (1)	164,165	-	-	(43,665)	-	-	120,500
EdgeTI (1) (8)	-	-	3,867,500	(722,160)	(1,820)	-	3,143,520
Cloud Benefit, dba Cloud Advisors (2)	309,000	-	-	(57,000)	-	-	252,000
XRI (1) (7)	-	1,160,062	-	248,584	-	-	1,408,646
Anonymous Intelligence (1) (3)	27,868	-	-	10,921	(13,861)	(4,410)	20,518
GameOn (1)	1,464,684	-	-	(1,464,684)	-	-	-
Stardust Solar (1) (2)	1,320,000	-	-	(1,245,933)	-	-	74,067
Other (1) (6)	110,651	(10,501)	-	(38,885)	-	-	61,265
	\$ 5,383,217	\$ 1,149,561	\$ 3,867,500	\$ (5,286,940)	\$ (15,681)	\$ (4,410)	\$ 5,093,247

A summary of investment transactions recorded in the consolidated statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2023, is as follows:

	Fair Value - Opening	Unrealized (losses) gains	Proceeds of disposal	Realized losses	Fair Value - Ending
FansUnite (1)	\$ 573,473	\$ (86,624)	\$ -	\$ -	\$ 486,849
Victory Square Health (2)	5,347,000	(3,847,000)	-	-	1,500,000
Turnium (1)	328,330	(164,165)	-	-	164,165
Next Decentrum (2)	901,000	(901,000)	-	-	-
Cloud Benefit, dba Cloud Advisors (2)	475,000	(166,000)	-	-	309,000
Shop & Shout, dba Creator.co (2)(4)	1,193,000	-	(300,000)	(893,000)	-
Anonymous Intelligence (1)(3)	242,206	(139,338)	(62,500)	(12,500)	27,868
GameOn (1)	694,210	770,474	-	-	1,464,684
Stardust Solar (2)	770,000	550,000	-	-	1,320,000
Other (6)	99,198	8,953	-	-	108,151
	\$10,623,417	\$ (3,974,700)	\$ (362,500)	\$ (905,500)	\$ 5,380,717

- (1) Denotes Level 1 investments (listed) subject to certain trading and hold restrictions and have been discounted for a lack of marketability factor where applicable. Gameon was publicly traded as at December 31, 2023, but was under a cease trade order effective of December 6, 2024. FansUnite was delisted effective August 21, 2024. The investments classified as Other include some publicly traded entities.
- (2) Denotes Level 3 investments. Stardust Solar was privately held as at December 31, 2023 and went public during the year ended December 31, 2024.
- (3) During the year ended December 31, 2024, the Company sold 73,500 (2023 – 1,250,000) common shares of Anonymous Intelligence for gross proceeds of \$13,861 (2023 - \$62,500) and recognized a loss on disposal of \$4,410 (2023 - \$12,500). The Company has the right to dividend up to 15% of its interest in this investment to its shareholders.

## 8. Investments Measured at Fair Value (continued)

- (4) On July 10, 2023, the Company divested its interest in Shop & Shout by way of a settlement agreement whereby it transferred all shares and forfeiture of its options in Shop & Shout in exchange for cash consideration of \$300,000. The consideration was also in settlement of its amount due from Shop & Shout totalling \$214,935, consisting of \$185,450 amounts due from Shop & Shout and \$29,485 of unpaid sub-lease rent included in trade receivable, together included in other losses as loss on settlement of receivables. The Company derecognized \$801,654 in contingent consideration, included in loss on derivative liability on the consolidated statement of income (loss) and comprehensive income (loss). The difference between the cash consideration received and carrying value of the investment amounted to \$893,000 and is recognized as a realized loss on investment and included in other gains (losses) on the consolidated statement of loss and comprehensive loss.
- (5) The Company has minor investments in several other publicly traded equities and several private companies. Included in Other is the Company's investment in Insu, which is controlled by non-public entities and individuals.
- (6) On August 15, 2024, FansUnite completed the sale of all the issued and outstanding shares of FansUnite US Inc., a wholly owned subsidiary of FansUnite that carried out its core operating business for aggregate proceeds of USD \$37.5 million. In connection with the closing, FansUnite announced a distribution to its shareholders as a return of capital., with the Company's share of proceeds being \$641,775.
- (7) On September 30, 2024, the Company was determined to have lost control of XRI and as a result, derecognized the assets and liabilities of the former subsidiary (Note 7b), which included an investment in a publicly traded entity classified within the other investments group. The Company recognized the shares held in XRI at the closing price on the date of loss of control and subsequently accounted for its investment in XRI under the equity method with the fair value exemption available to venture capital companies (Note 9).
- (8) On September 25, 2024, BlockX was sold to EdgeTI whereby the Company received 4,250,000 subordinate voting shares of Edge. The Company recognized the investment in Edge at the closing price of Edge shares on the date of sale and revalued as at December 31, 2024 (Note 7a).
- (9) On December 13, 2023, the Company was determined to have lost control of Insu and as a result, derecognized the assets and liabilities of the former subsidiary (Note 7c). The Company recognized the shares held in Insu at the fair value on the date of loss of control and subsequently accounted for its investment in Insu under the equity method with the fair value exemption available to venture capital companies (Note 9).

## 9. Investments Accounted for Using the Equity Method

### 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 CoPilot 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 December 31, 2024, the Company holds an interest of 24.60% in Cassia (2023 – 24.60%). The Company reports its investment in Cassia under IAS 28, Investments in Associates and Joint Ventures and is presented separately on the consolidated statement of financial position as investment – equity accounted.

During the year ended December 31, 2024, the Company reported an equity loss of \$692,526 (December 31, 2023 – equity loss of \$390,345).

As at December 31, 2024, the value of the Company's investment in Cassia is \$101,776 (December 31, 2023 - \$794,303).

## 10. Futura Reverse Takeover Transaction

On July 12, 2023, the Company and Draft Label executed a Share Exchange Agreement (the “Agreement”) with 1288273 B.C. Ltd. (“1288273”), a company incorporated under the laws of British Columbia. Pursuant to the Agreement, the Company exchanged all of its issued and outstanding common shares of Draft Label to 1288273 in exchange for 45,000,000 common shares and 15,000,000 preferred shares of 1288273. Upon completion of the Agreement, Draft Label and its subsidiary PDL USA became wholly owned legal subsidiaries of 1288273. On August 14, 2023, 1288273 changed its name to Futura Health & Wellness Inc. (“Futura”). Also, effective August 14, 2023, a director resolution was executed appointing the CFO of VST as a director of Futura and the resignation of the sole former director. As at December 31, 2024, VST owned 58.46% of the common shares and 100% of the preferred shares of Futura.

The substance of the share exchange transaction was a reverse acquisition of a non-operating company. For accounting purposes, the share exchange transaction does not constitute a business combination under IFRS 3, since Futura, the predecessor entity, is a private company and did not meet the accounting definition of a business. As a result, the share exchange transaction has been accounted for as an asset acquisition, with the consideration paid being determined as an equity-settled share-based payment transaction under IFRS 2, with Draft Label being identified as the accounting acquirer as a result of Futura becoming a wholly owned accounting subsidiary of DLT. As DLT was deemed to be the acquirer for accounting purposes, all of DLT and Futura assets, liabilities, and operations since incorporation are consolidated at their historical carrying values. The total consideration in excess of the net identifiable assets of Futura acquired is charged as a transaction expense in contemplation of a go-public transaction in the consolidated statement of income (loss) and comprehensive income (loss).

The fair value of consideration shares deemed issued by DLT is \$2,272,425, calculated based on the share price of the most recent issuance per share of \$0.10 multiplied by the deemed exchange ratio.

The acquisition was recorded as follows:

	<b>Futura Asset Acquisition</b>
Number of Draft Label shares issued:	22,724,253
Price per share	\$0.10
Fair value of consideration	\$ 2,272,425
Less: Pre-existing relationship	(157,000)
	2,115,425
Less: Fair value of 1288273 net assets	(1,580,747)
Add: Legal fees attributable to transaction	62,228
<b>Total transaction expense on acquisition of Futura</b>	<b>\$ 596,906</b>

As the Company retained control of Draft Label following the transaction, it continues to consolidate Draft Label indirectly through control over Futura. As a result, the reduction in ownership in Draft Label is treated as an equity transaction. Based on the net assets acquired, a decrease of \$351,393 was recognized in NCI during the year ended December 31, 2023 (Note 29).

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

## 11. Right of Use Asset and Lease Liability

On June 23, 2021, the Company entered into a sub-lease agreement with an underlying sub-lease commitment term from September 1, 2021, to December 30, 2024. The sub-lease agreement provided for a monthly payment of \$21,503, comprised of a monthly base rent of \$2,766 and fixed operating costs of \$18,737, for the duration of the term of the sub-lease commitment.

In accordance with IFRS 16, the Company recognized a right-of-use asset and lease obligation in relation to its sub-lease commitments. The lease liability was recorded at the present value of the remaining sub-lease payments, discounted using the Company's incremental borrowing rate estimated at 20% per annum. The associated right-of-use asset was measured at the amount equal to the corresponding lease liability and subsequently depreciated. During the year ended December 31, 2023, the Company's sub-lease agreement was terminated, and a net \$21,043 gain on derecognition of the right of use asset, lease liability and leasehold improvements were included in other gains on the consolidated statement of loss and comprehensive loss.

Right-of-use asset at December 31, 2024 and 2023 was as follows:

	VST
Balance, January 1, 2023	\$ 384,033
Amortization	(48,004)
Derecognition	(336,029)
Balance, December 31, 2024 and 2023	\$ -

Lease liability at December 31, 2024 and 2023 was as follows:

	VST
Balance, January 1, 2023	\$ 429,526
Interest expense	19,662
Lease payment	(64,508)
Derecognition	(384,680)
Balance, December 31, 2024 and 2023	\$ -

## 12. Intangible Assets

Intangible assets at December 31, 2024, consist of the following:

	Blockchain Technology	DiscreetCare Website	SVR Technology and Trademarks	Hydreight App	Franchise White-Label (VSDH)	Franchise White-Label (HTI)	Patient Specific Tech	VSDH One Platform	Total
<b>Cost</b>									
Balance, January 1, 2023	\$ 5,536,298	\$ 18,900	\$ 1,578,408	\$ 1,593,739	\$ 258,977	\$ 272,963	\$ -	\$ -	\$ 9,259,285
Additions	-	-	-	-	-	-	230,789	-	230,789
Foreign currency translation	-	-	-	-	-	(3,450)	(2,976)	-	(6,426)
Balance, December 31, 2023	5,536,298	18,900	1,578,408	1,593,739	258,977	269,513	227,813	-	9,483,648
Additions	-	-	-	-	-	-	212,143	1,013,911	1,226,054
Foreign currency translation	-	-	-	-	-	16,521	26,969	62,152	105,642
Balance, December 31, 2024	\$ 5,536,298	\$ 18,900	\$ -	\$ 1,593,739	\$ 258,977	\$ 286,034	\$ 466,925	\$ 1,076,063	\$ 10,815,344
<b>Accumulated depreciation</b>									
Balance, January 1, 2023	\$ 3,316,721	\$ -	\$ 263,069	\$ 1,002,819	\$ 20,132	\$ 17,371	\$ -	\$ -	\$ 4,620,112
Impairment	-	-	1,092,220	-	-	-	-	-	1,092,220
Amortization	1,820,153	-	223,119	531,245	96,409	52,113	34,883	-	2,757,922
Balance, December 31, 2023	5,136,874	-	1,578,408	1,534,064	116,541	69,484	34,883	-	8,470,254
Impairment	-	18,900	-	-	-	-	-	-	18,900
Amortization	399,424	-	-	59,675	51,795	55,357	89,679	35,023	690,953
Foreign currency translation	-	-	-	-	-	8,040	8,024	2,256	18,320
Balance December 31, 2024	\$ 5,536,298	\$ 18,900	\$ -	\$ 1,593,739	\$ 168,336	\$ 132,881	\$ 132,586	\$ 37,279	\$ 9,198,427
Net book value, December 31, 2023	\$ 399,424	\$ 18,900	\$ -	\$ 59,675	\$ 142,436	\$ 200,029	\$ 192,930	\$ -	\$ 1,013,394
Net book value, December 31, 2024	\$ -	\$ -	\$ -	\$ -	\$ 90,641	\$ 153,153	\$ 334,339	\$ 1,038,784	\$ 1,616,917

## 12. Intangible Assets (continued)

### **Blockchain Technology**

On March 5, 2021, the Company acquired certain intangible assets related to blockchain technology for 4,600,048 common shares of the Company with a fair value of \$3,542,037 as well as forgiveness of outstanding debts of \$1,587,001 and other debts totalling \$407,260. After acquisition, the Company incurred costs to bring these assets to a saleable state, resulting in additional costs of \$29,357, which were expensed. The intangible assets, based on a value determined using a replacement cost approach, were included in the BlockX Merger Agreement (Note 7a).

### **Synthesis**

On January 4, 2022, XRI acquired Synthesis through a share purchase agreement. The purchase price allocation of this acquisition was finalized during the year ended December 31, 2022, and \$1,578,408 was allocated to intangible assets as a result. The intangible assets include an allocation for trademarks and developed technology, with each component being amortized on a straight-line basis over 5 and 6 years respectively, commencing on acquisition. As at December 31, 2023, the carrying value of the acquired intangibles were deemed to be fully impaired primarily because the revenue targets and growth rates were not achieved. The carrying amount was written off to impairment of non-financial assets in the consolidated statement of income (loss) and comprehensive income (loss).

### **Hydreight – Franchise White-Label, Patient Specific Tech, VSDH One**

Throughout 2021 and the first quarter of the 2022 fiscal year, Hydreight incurred costs to develop a White Label product built off its core technology. The technology was primarily financed by VST. The capitalized costs of the internally generated software consisted of the directly attributable costs of external labor and an allocation of Hydreight employee and contractor labour. The Company started development of Patient Specific Technology workflows in 2023 and through the first quarter of 2024, to allow for D2C transactions. In the second quarter of 2024, the Company started building the VSDH One platform. The technology is amortized over five years from the date it is put into use. Included in trade payables is \$40,929 in capitalized development fees.

### **Hydreight App**

On February 10, 2021, the Company acquired Hydreight through a share purchase agreement. The purchase price allocation of this acquisition was finalized during the year ended December 31, 2021, and \$1,593,739 was allocated to intangible assets as a result. The intangible asset is being amortized on a straight-line basis over three years, commencing on acquisition.

### 13. Goodwill

Goodwill was recognized in the acquisition of Hydreight and SVR and represents the expected synergies from combining the operations of the acquired companies with those of the acquiring Company, revenue growth, future market development and customer relations. These benefits are not recognized separately from goodwill since the resulting economic impact cannot be measured reliably. Goodwill is non-deductible for tax purposes. For the purpose of annual impairment testing, goodwill is allocated to the operating segments, or cash-generating units (“CGU”), expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below, and is compared to its recoverable value. The Company has identified Hydreight as a CGU for the purposes of goodwill impairment testing.

		Hydreight		SVR		Total
Balance, January 1, 2023	\$	1,640,653	\$	854,897	\$	2,495,550
Impairment		-		(854,897)		(854,897)
Balance December 31, 2023 and 2024	\$	1,640,653	\$	-	\$	1,640,653

The Company tests CGUs with goodwill annually for impairment, or more frequently if there is an indication that a CGU to which goodwill has been allocated may be impaired. The recoverable amount of a CGU is the higher of the CGU’s fair value less cost of disposal (“FVLCD”) and its value-in-use. FVLCD is determined based on an implied enterprise value calculation using a market capitalization approach. Value-in-use is calculated using a discounted cash flow analysis based on detailed forecasts provided by management to estimate enterprise value.

XRI recognized a goodwill impairment loss for the year ended December 31, 2023, primarily because the revenue targets of SVR were not achieved, on the SVR CGU of \$854,897 based on the excess of the carrying value of the acquired assets over the calculated recoverable amount using a value-in-use calculation. Key assumptions used in the impairment calculation was the revenue terminal growth rate of 2.5% and the discount rate of 27% to 31%. A +/- 3% change in the inputs used in the calculation of the recoverable amount would have resulted in the same impairment charge in XRI.

The Company performs an annual impairment test of the Hydreight CGU with no impairment recognized in the years ending December 31, 2024, and 2023. Key assumption used in the impairment calculation was the revenue terminal growth rate of 3.0% and the discount rate of 26.5%. A +/- 5% change in the inputs used in the calculation of the recoverable amount would have resulted in the same result of no impairment charge in Hydreight.

#### 14. Loans Payable

##### *VST secured loan*

On August 26, 2022, the Company entered into a agreement with a lender whereby the lender granted a loan in the aggregate of \$2,000,000 subject to an interest rate of 13% per annum. The loan matured on August 29, 2024, and the Company entered into an amending agreement on September 10, 2024 (“Amendment #1”). The Company and the lender settled the outstanding accrued interest of \$520,000. The Company transferred shares of one its subsidiaries previously held within the Company. As a result of the settlement of accrued interest, an increase to NCI of \$206,484 (Note 29) and a gain on extinguishment of \$313,596 was recognized and reported as loss on settlement of debt in the statement of income (loss) and comprehensive income (loss).

On September 10, 2024, in a first amendment agreement, the maturity date of the loan was extended to October 28, 2024, and the interest rate was increased from 13% to 15% payable monthly. On September 10, 2024, the Company repaid in cash \$400,000 towards the principal of the loan, resulting in the VST secured loan balance outstanding of \$1,600,000. On October 29, 2024, a second loan amending agreement was executed whereby the maturity date of the loan was extended nine months to July 1, 2025. As an additional inducement to the lender to grant the second extension, the Company granted the lender the right to convert any part of the loan into common shares of HTI at the market share price on the date of conversion less a discount of 20%, with a floor set at \$0.63 (“Conversion Liability”). As at December 31, 2024, the lender had not exercised any conversion right. In the second loan amending agreement, the Company also granted the lender the right to additional RSUs to compensate for interest paid via shares already transferred, where the share price was below the floor price (“Additional RSUs Liability”). The clause dictated that the lender would be entitled to the amount equal to the difference between a NURS share price of \$0.75 less actual share price on January 17, 2025, multiplied by the 825,396 shares transferred to settle interest accrued to July 31, 2024. As the share price of HTI was above \$0.75 on January 17, 2025, no additional shares were granted.

On October 29, 2024, the Company derecognized the loan that had matured and recognized the new \$1,600,000 loan principal remaining being the fair value of the new loan, a Conversion Option derivative liability at a fair value of \$105,000 and an additional RSU derivative liability at fair value of \$230,000. The fair value of the derivative liabilities were calculated independently from the host liability using a binomial option pricing model. As a result, a loss on extinguishment of VST secured loan of \$335,000 (2023 - \$Nil) was recognized on the consolidated statements of income (loss) and comprehensive income (loss). The fair value of the derivative liabilities were revalued at each reporting period, with the fair value at December 31, 2024, determined to be \$395,000 and a \$Nil for the Conversion Liability and Additional RSUs Liability respectively. The net change in fair value of the derivative liabilities is \$60,000 (2023 - \$Nil) and is recorded as loss on derivative liability and reported on the consolidated statement of income (loss) and comprehensive income (loss).

For the year ended December 31, 2024, included in interest expense and accretion on the consolidated statement of income (loss) and comprehensive income (loss) is \$350,246 (2023 - \$389,004), of which \$80,000 (2023 - \$Nil) was paid in cash.

##### *XRI*

On July 1, 2024, the previously issued \$250,000 of convertible debentures, with a carrying value of \$255,378 (Note 16), were converted into promissory notes payable.

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**14. Loans Payable (continued)**

On July 1, 2024, XRI issued \$250,000 of promissory notes payable to several investors with a maturity date of July 1, 2027 and interest rate of 12%. The fair value of the promissory notes were \$200,772, determined using the XRI's estimated borrowing rate of 23%. In addition, the

previously issued \$250,000 of convertible debentures, with a carrying value of \$210,817 plus accrued interest of \$44,561 (Note 16), were converted into promissory notes payable.

On September 27, 2024, XRI executed debt settlement and subscription agreements, whereby XRI issued 3,562,374 Units (Note 20) to settle the total of \$500,000 of promissory notes payable described above. Each Unit was comprised of one common share and one share purchase warrant exercisable at \$0.15 per share until September 27, 2027. XRI calculated a fair value of \$516,544 for common shares and \$433,099 for warrants based on the share price of XRI on the date of the settlement and using the Black-Scholes Option Pricing Model to fair value the warrants. The promissory notes payable had a carrying value of \$469,378 (including accrued interest), resulting in a \$500,776 loss on settlement of promissory notes payable

A total of \$432,651 of interest and accretion were recognized on the XRI loan and promissory notes payable during the year ended December 31, 2024 (2023 - \$551,416). As at September 27, 2024 (Note 7b), the carrying value of the XRI \$3,000,000 loan including accrued interest was \$4,049,485 (2023 - \$3,630,062), immediately prior to the date of deconsolidation of XRI

Loans payable as at December 31, 2024 and 2023, consist of the following:

	VST secured loan						XRI	Total
	Derivative -		Amendment #2	Amendment #1	Original Liability			
	Conversion Option	Derivative - Additional RSUs						
Balance, January 1, 2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,860,750	\$2,690,192	\$ 4,550,942
Amortization of transaction costs, accretion, and interest	-	-	-	-	-	389,004	939,870	1,328,874
Balance, January 1, 2024	-	-	-	-	-	2,249,754	3,630,062	5,879,816
Accretion	-	-	-	-	-	118,580	-	118,580
Interest	-	-	-	-	-	151,666	-	151,666
Extinguishment - September 10, 2024	-	-	-	-	-	(2,000,000)	-	(2,000,000)
Amended loan - September 10, 2024	-	-	-	2,000,000	-	-	-	2,000,000
Accrued interest settled with subsidiary shares (Note 29)	-	-	-	-	-	(520,000)	-	(520,000)
Interest	-	-	-	40,000	-	-	-	40,000
Principal repaid in cash	-	-	-	(400,000)	-	-	-	(400,000)
Interest paid in cash	-	-	-	(40,000)	-	-	-	(40,000)
Extinguishment - October 29, 2024	-	-	-	(1,600,000)	-	-	-	(1,600,000)
Amended loan - October 29, 2024	105,000	230,000	1,600,000	-	-	-	-	1,935,000
Conversion from convertible debt (Note 16)	-	-	-	-	-	-	255,378	255,378
Promissory notes issued	-	-	-	-	-	-	200,772	200,772
Interest	-	-	40,000	-	-	-	5,000	45,000
Accretion	-	-	-	-	-	-	8,228	8,228
Promissory notes settled with equity	-	-	-	-	-	-	(469,378)	(469,378)
Interest paid in cash	-	-	(40,000)	-	-	-	-	(40,000)
Interest on \$3M loan	-	-	-	-	-	-	332,193	332,193
Accretion on \$3M loan	-	-	-	-	-	-	87,230	87,230
Change in fair value of derivative liability	290,000	(230,000)	-	-	-	-	-	60,000
Deconsolidation of subsidiary (Note 7b)	-	-	-	-	-	-	(4,049,485)	(4,049,485)
Balance December 31, 2024	395,000	-	1,600,000	-	-	-	-	1,995,000
Less: Current portion	395,000	-	1,600,000	-	-	-	-	1,995,000
Non-current: Balance, December 31, 2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**15. CEBA Loans**

The Canada 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. Three of the Company's subsidiaries applied for and received the first \$40,000 in funds, and the same three entities applied for the additional \$20,000 available. The three entities received this additional amount in the year ended December 31, 2020. The full value of the grant was spent in the course of business operations. The loans were recognized at fair value using the Company's incremental borrowing rate of 20%.

The outstanding balances as of January 18, 2024, convert to a non-amortizing term loan with full principal repayment due on December 31, 2026. Commencing January 19, 2024, the loan accrues interest of 5% per annum. The Company committed to repay its CEBA loan in the prior year and paid the \$40,000 remaining balance in early January 2024, prior to the January 18, 2024 deadline. The \$20,000 balance of the loan was forgiven, with the net gain accrued in the prior year.

	VST	Draft Label	XRI	Total
Balance, January 1, 2023	\$ 49,269	\$ 36,683	\$ 49,270	\$ 135,222
Loan forgiven (Note 26)	(19,604)	-	-	(19,604)
Accretion	10,335	10,349	10,335	31,019
Balance, January 1, 2024	40,000	47,032	59,605	146,637
Repayment	(40,000)	-	-	(40,000)
Interest and accretion	-	15,820	1,145	16,965
Derecognized on deconsolidation of XRI (Note 8b)	-	-	(60,750)	(60,750)
Balance December 31, 2024	\$ -	\$ 62,852	\$ -	\$ 62,852

## 16. Convertible Debt and Promissory Notes Payable

### *Draft Label*

On August 21, 2022, Draft Label issued a \$200,000 convertible debenture to an arm's length investor. The convertible note is non-interest bearing, unsecured, and upon a liquidity event, becomes convertible at the option of the holder into common shares of Draft Label at a conversion price of \$0.15 per common share. The convertible debenture will mature two years after the closing date if no liquidity event occurs. Liquidity event for the convertible debenture is defined as:

- the acquisition of Draft Label by another entity by means of any transaction or series of related transactions to which Draft Label is party (including, without limitation, any stock acquisition, reorganization, merger, amalgamation, arrangement, consolidation or other transaction but excluding any bona fide sale of stock for capital raising purposes);
- the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by Draft Label or any subsidiary Draft Label of all or substantially all the assets of Draft Label and its subsidiaries taken as a whole, or (2) the sale or disposition (whether by merger, amalgamation, arrangement, consolidation or otherwise and whether in a single transaction or a series of related transactions) of one or more subsidiaries of Draft Label if substantially all of the assets of Draft Label and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where the sale, lease, transfer, exclusive license or other disposition is to a wholly-owned subsidiary of Draft Label; or
- the closing of the transfer (whether by merger, amalgamation, arrangement, consolidation or otherwise), in a single transaction or series of related transactions, to a "person" or "group", of the Shares if, after such
- closing, such person or group would become the "beneficial owner" of more than 50% of the outstanding voting securities of Draft Label (or the surviving or acquiring entity).

The share exchange transaction with Futura would meet the definition of a liquidity event. As at the financial statement date, the convertibility option has not been triggered.

The arm's length convertible debt has been assessed to be a compound instrument with a fixed conversion rate, and therefore the conversion feature is determined to be an equity component. The fair value of the arm's length convertible debt has had its debt host liability fair valued at inception using a market rate of interest of 13.99%, with \$153,921 being allocated to the debt host and \$46,079 being allocated to equity using the residual method.

For the year ended December 31, 2024, included in accretion and interest expense on the consolidated statement of income (loss) and comprehensive income (loss) is interest and accretion costs totalling \$15,676 (2023 - \$27,736), resulting in an ending carrying value of \$200,000 (December 31, 2023 - \$184,324).

### *XRI*

In the year ended December 31, 2023, XRI issued up to a maximum of \$500,000 convertible debenture units to a group of subscribers, each consisting of one unsecured, non-redeemable debenture and one common share purchase warrant exercisable for common shares. The debenture units were offered at an issue price of the 10-day value weighted average price ("VWAP") of XRI's common shares for the 10 trading days immediately preceding the date of issuance. The debentures bore interest at 12% per annum from issue date payable semi-annually in arrears on June 30 and December 31 of each year. The debentures were to mature 36 months from the closing date, with the option to extend or prepay upon agreement by both parties. The debentures were convertible at the holder's option into common shares of XRI at a conversion price of \$0.15 with accrued and

**16. Convertible Debt and Promissory Note Payable (continued)**

unpaid interest up to conversion date payable in cash or additional common shares. Each warrant was exercisable to acquire one common share at an exercise price of \$0.15 per share for a period of 36 months from the closing date.

On November 2, 2023, the XRI drew on \$250,000 in debentures at a VWAP price equivalent to 989,237 debenture units. The debenture was financed by way of a transfer of \$190,000 in cash and the balance as repayment of amount due to VST. The fair value of the debt component of the debenture was determined at inception based on XRI's debt fair value rate of 23%. A total of \$51,771, representing the difference between the discounted value of \$198,229 and the proceeds received of \$250,000, was allocated to the equity component as equity portion of debt. On July 1, 2024, the \$250,000 debentures were converted into promissory notes payable (Note 14) with the same discount rate and term.. The \$51,771 equity portion of debt was reclassified to reserve on extinguishment of loan payable (Note 14).

On April 29, 2024, XRI issued a convertible debenture to the same lender who loaned XRI \$3,000,000 Promissory Note in 2021 (Note 14). The debenture was \$250,000 which bears interest at 12% per annum payable semi-annually and matures 24 months from the date of issuance. The instrument is secured by a General Security Agreement over all of the XRI's assets and property. The conversion option gives the lender the right to convert the debt and accrued interest at a conversion price equal to the 10-day volume weighted average price of XRI shares on the date of conversion less 20%. The convertibility feature results in the liability being separated into a host liability and a derivative liability, as the fair value of the derivative liability is based on the future price of XRI shares and results in a variable number of shares. Accordingly, the fair value of the derivative liability was calculated independently from the host liability using a Black-Scholes model. The fair value of the conversion liability at initial recognition was \$90,000. The fair value of the host liability, at the date of recognition, was \$160,000, being the residual amount of \$250,000 less the fair value of the conversion liability. As at September 27, 2024, the date when VST no longer controls XRI (Note 7b), the carrying value of the host liability was \$186,393 (2023 - \$Nil). The fair value of the derivative liability was revalued on September 27, 2024, with the fair value of \$85,000. The net change in fair value of the derivative liability is \$5,000 (2023 - \$Nil) and is recorded as loss on derivative liability and reported on the consolidated statement of income (loss) and comprehensive income (loss).

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**16. Convertible Debt and Promissory Note Payable (continued)**

from the proceeds, resulting in \$248,662 in debt, net of costs. As at September 27, 2024, the carrying value of the host liability was \$186,393 (2023 - \$Nil), with \$26,393 of interest and accretion. The fair value of the derivative liability is revalued at each reporting period, with the fair value at December 31, 2024, determined to be \$85,000. The net change in fair value of the derivative liability is \$5,000 (2023 - \$Nil) and is recorded as loss on derivative liability and reported on the consolidated statement of income (loss) and comprehensive income (loss).

	Draft Label	XRI		Total
		Derivative	Host	
Balance, January 1, 2024	\$ 184,324	\$ -	\$ 200,260	\$ 384,584
Interest	-	-	22,315	22,315
Accretion	15,676	-	32,803	48,479
Converted to promissory note payable (Note 14)	-	-	(255,378)	(255,378)
Debt issued, net of costs	-	90,000	160,000	250,000
Change in fair value of derivative liability	-	(5,000)	-	(5,000)
Interest and accretion	-	-	26,393	26,393
Deconsolidation of subsidiary (Note 7b)	-	(85,000)	(186,393)	(271,393)
Balance, December 31, 2024	\$ 200,000	\$ -	\$ -	\$ 200,000
Less: Current portion	200,000	-	-	200,000
Non-current: Balance, December 31, 2024	\$ -	\$ -	\$ -	\$ -

  

	Draft Label	XRI		Total
		Derivative	Host	
Balance, January 1, 2023	\$ 281,588	\$ -	\$ -	\$ 281,588
Debt issued	-	-	250,000	250,000
Amount allocated to equity	-	-	(51,771)	(51,771)
Futura RTO transaction	(125,000)	-	-	(125,000)
Interest accretion	27,736	-	2,031	29,767
Balance, December 31, 2023	\$ 184,324	\$ -	\$ 200,260	\$ 384,584
Less: Current portion	184,324	-	-	184,324
Non-current: Balance, December 31, 2023	\$ -	\$ -	\$ 200,260	\$ 200,260

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**17. Contract Liabilities**

Contract liabilities for the year ended December 31, 2024, consists primarily of Hydreight deferred revenue related to the unearned portion of annual subscription sales and an amount of pharmacy product sales for which the delivery of goods occurred after the year ended December 31, 2024.

The following table is a summary of contract liabilities from contracts with customers and the change in those balances during the years ended December 31, 2024, and 2023. As at December 31, 2024, \$326,616 (December 31, 2023 - \$315,291) of contract liabilities relates to goods and services transferred at a point in time, with the remaining \$1,408,191 (December 31, 2023 - \$1,460,758) relating to its services transferred over time.

	December 31, 2024	December 31, 2023
Balance, opening	\$ 1,776,049	\$ 1,721,866
Revenue deferred in prior periods and recognized as revenue in current year	(1,748,574)	(1,741,238)
New additions from contracts with customers during the current year	1,707,332	1,795,421
Balance, ending	\$ 1,734,807	\$ 1,776,049
Current portion	1,732,685	1,748,574
Long-term portion	2,122	27,475
	\$ 1,734,807	\$ 1,776,049

**18. Share Capital**

**Authorized Share Capital**

Unlimited common shares without par value.

**Issued Share Capital**

As at December 31, 2024, there were 100,814,971 common shares outstanding (December 31, 2023 - 99,564,971).

*Shares issued during the year ended December 31, 2024*

The Company issued 1,250,000 common shares on the vesting of the same number of RSUs granted in December 2024. The RSUs vested on the grant date and resulted in an increase to equity of \$204,000 based on the fair value of the shares on the issuance date. The RSUs were granted to the CEO and director of HTI as per consulting agreements with the Company. There are no unvested RSUs as of December 31, 2024 and 2023.

**Reserve**

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.

The Company did not grant any stock options during the year ended December 31, 2024, and 2023. Share-based payments for the year ended December 31, 2024, relating to the vesting of the VST options was \$Nil (December 31, 2023 - \$16,145) and is recorded in the consolidated statement of income (loss) and comprehensive income (loss).

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**18. Share Capital (continued)**

Options outstanding as at December 31, 2024, are as follows:

Exercise Price	Number of Shares Issuable	Exercisable	Weighted Average Remaining Contractual Life (Years)	Expiry Date
\$0.15	4,137,500	4,137,500	0.21	March 17, 2025
\$0.43	300,000	300,000	0.21	March 17, 2025
	4,437,500	4,437,500		

Options outstanding as at December 31, 2023, are as follows:

Exercise Price	Number of Shares Issuable	Exercisable	Weighted Average Remaining Contractual Life (Years)	Expiry Date
\$0.15	4,137,500	4,137,500	1.21	March 17, 2025
\$0.60	2,745,000	2,745,000	0.03	January 11, 2024
\$0.51	250,000	250,000	0.56	July 22, 2024
\$0.43	300,000	300,000	1.21	March 17, 2025
	7,432,500	7,432,500		

The continuity of stock options for the years ended December 31, 2024 and 2023, is as follows:

	Number of options	WAV option price
Balance, December 31, 2022	7,812,500	\$0.35
Expired	(380,000)	\$0.64
Balance, December 31, 2023	7,432,500	\$0.34
Expired	(2,995,000)	\$0.59
Balance, December 31, 2024	4,437,500	\$0.17

**Warrants**

All unexercised warrants and broker's warrants expired in the year ended December 31, 2023.

There were no warrants issued during the years ended December 31, 2024 and 2023.

	Warrants	Broker's Warrants
Balance, January 1, 2023	\$ 6,105,351	\$ 772,867
Expired	(6,105,351)	(772,867)
Balance, December 31, 2024 and 2023	\$ -	\$ -

**Non-Controlling Interest**

*Share-based payments of subsidiary company*

During the year ended December 31, 2024, XRI recorded \$4,023 (December 31, 2023 - \$670,095) in share-based compensation expense.

During the year ended December 31, 2024, HTI recorded \$614,877 (December 31, 2023 - \$447,709) in share-based compensation expense.

## 18. Share Capital (continued)

During the year ended December 31, 2024, HTI settled a \$Nil (December 31, 2023 - \$300,000) obligation to issue shares recognized in the prior year to issue shares of HTI to the CEO of HTI in recognition of a going public bonus on closing of the RTO.

During the year ended December 31, 2023, the Company transferred 1,138,247 common shares of HTI to third party consultants as consideration for several software development projects in development. The transfer was recorded based on the share price of HTI shares of \$0.43 on the date of transfer and had no impact on overall control of HTI.

As per Note 10, on the share exchange transaction with Futura, the Company recognized a \$721,852 addition to NCI based on a 41.54% of net assets acquired by the NCI post transaction.

On May 1, 2021, XRI 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, XRI granted 3,100,000 stock options to employees and consultants exercisable at \$0.25 and expiring on August 12, 2026. On January 27, 2023, XRI granted 591,428 options to consultants exercisable at \$0.10 and expiring on January 27, 2025. These stock options vest according to specific terms on each employee, consultant, or director's stock option agreements. The Company has estimated a 0% forfeiture rate in 2024 and 2023. The following weighted average assumptions were used in calculating the fair value of stock options granted and exercisable through the year ended December 31, 2024, and 2023, 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
Issued January 27, 2023	178%	3.65%	0%	2

The following weighted average assumptions were used in calculating the fair value of broker warrants and consultant warrants exercisable through the years ended December 31, 2024, and 2023 using the Black-Scholes Option Pricing Model:

	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)
Performance Warrants, August 11, 2021	162%	0.45%	0%	5
Lender and Finder Warrants, December 17, 2021	157%	1.14%	0%	4

### *Shares issued of subsidiary companies*

#### *Shares issued during the year ended December 31, 2024*

During the year ended December 31, 2024, HTI issued 1,996,428 shares on vesting of RSUs, 28,000 on exercise of stock options and repurchased and cancelled 18,500 shares, resulting in a net increase in reserve and NCI of \$448,574 and \$113,484 respectively. HTI also recognized an obligation to issue shares of \$61,828 comprised of

## 18. Share Capital (continued)

\$26,000 cash proceeds for the options exercised, \$12,938 in amounts reclassified from reserve from the options exercised, and \$22,890 reclassified from reserve for RSUs vested but not issued as at December 31, 2024.

On September 27, 2024, XRI executed debt settlement and subscription agreements, whereby XRI issued 3,562,374 units to settle \$500,000 of promissory notes payable. Each Unit was comprised of one common share and one share purchase warrant exercisable at \$0.15 per share until September 27, 2027 (Note 14).

*Shares issued during the year ended December 31, 2023*

On December 13, 2023, XRI issued 125,000 RSUs to the lender of the loan payable (Note 14). The fair value of the RSUs on the date of issuance was \$21,250 and is recorded in share-based compensation expense.

## 19. Related Parties

### Related Party Transactions

During the years ended December 31, 2024, and 2023, the Company entered into the following transactions with related parties:

	December 31, 2024	December 31, 2023
Professional and consulting fees	\$ 321,652	\$ 325,126
Executive compensation	\$ 1,000,739	\$ 1,001,251
Share-based compensation - CEO, directors and officers of HTI	\$ 205,908	\$ 122,559

### Key Management Compensation

The Company's key management personnel, including subsidiaries' management, 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:

- \$1,000,739 (December 31, 2023 - \$1,001,251) in executive compensation to the CEO and Chief Growth Officer ("CGO") of VST and Hydreight and the CEO of Hydreight;
- \$321,652 (December 31, 2023 - \$325,126) in professional fees to a company controlled by the CFO, for controller, bookkeeping, corporate secretarial and CFO services; and
- \$205,908 (December 31, 2023 - \$122,559) in share-based compensation related to HTI RSUs granted to CEO, directors and officers of HTI.

HTI and a director of HTI entered into a medical consultation agreement for telemedicine consulting services. The director is the medical director of HTI and contracts with and assigns physicians for the provision of telehealth services. The director is paid a base fee of USD \$3,000 per month and a percentage-based fee for every transaction generated by HTI, from which physicians contracted under the director are compensated. The medical consultation agreement will remain in effect until terminated according to provisions in the agreement. Included professional and consulting fees is \$426,556 (2023 - \$497,680) related to fees paid out under this agreement.

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**19. Related Parties (continued)**

**Due to related parties**

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Due to Insu	\$ 113,015	\$ 113,311
Due to former owners of SVR (Note 7b)	-	300,000
Due to CEO	38,418	15,073
	<b>\$ 151,433</b>	<b>\$ 428,384</b>

These related party loans are unsecured, due on demand, and non-interest bearing.

As at December 31, 2024, the Company has \$34,41 (December 31, 2023 - \$15,073) in related party loans due to the CEO. This related party loan is unsecured, due on demand, and bears interest at 3%.

**Due from Related Parties**

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Due from a Director	\$ 250	\$ 250
Due from Subsidiary Management	84,618	81,920
Due from GameOn Entertainment	220,971	151,878
Due from GameOn Entertainment - Allowance	(220,971)	-
Due from XRI <sup>(1)</sup> (Note 7b)	1,092,194	-
Due from XRI - Allowance (Note 7b)	(1,092,194)	-
Due from IV Hydreight Inc related parties	-	7,936
Due from Victory Square Health	33,000	33,000
Due from Cassia, dba CoPilot	2,095	2,095
	<b>\$ 119,963</b>	<b>\$ 277,079</b>

<sup>1</sup> The balance owed from XRI in the year ended December 31, 2023, was eliminated on consolidation.

The Company has not recorded an expected credit loss ("ECL") allowance due to amounts assessed as fully collectible. Included in movement in provision on the consolidated statements of income (loss) and comprehensive income (loss) is \$1,330,380 in net amounts owing from XRI and GameOn deemed to be uncollectible as at December 31, 2024.

The amount due from Cassia relates to payment of supplier invoices on behalf of the entity. The balance does not have a fixed repayment date and is non-interest bearing.

Amounts, other than above, are unsecured, non-interest bearing, and due on demand.

**Related Party Balances**

As at December 31, 2024, the Company has \$115,858 (December 31, 2023 - \$366,149) due to a Company controlled by the CFO for professional services included in trade payables and accrued liabilities. As at December 31, 2024, the Company has \$816 (December 31, 2023 - \$125,587) due from related parties included in trade receivables. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

## 20. Operating Segments

The Company currently operates in four segments, broken down by entity as follows:

Legal Entities	Segment
Draft Label	Health Tech
PDL USA	Health Tech
Futura Health and Wellness Inc.	Health Tech
XRI <sup>(2)</sup>	Immersive Services
SVR	Immersive Services
Victory Square Technologies <sup>(1)</sup>	Investments
BlockX Capital <sup>(2)</sup>	Investments
VS Blockchain	Investments
VS Digital Health	Health
VS Digital Health (Delaware)	Health
Hydreight Technologies Inc.	Health
Hydreight Canada Holdings Inc.	Health
IV Hydreight Inc.	Health
GPO	Health
Prosoft CT	Health
Prosoft NE	Health
Prosoft SW	Health
Prosoft	Health

<sup>(1)</sup> Parent corporation

<sup>(2)</sup> Deconsolidated September 27, 2024 (XRI); August 2, 2024 (BlockX Capital)

Segmented operations were as follows as at December 31, 2024:

	Investments	Health Tech	Health	Intercompany Eliminations	Total
Current assets	\$ 58,998	\$ 3,401	\$ 1,580,865	\$ -	\$ 1,643,264
Non-current assets	7,046,282	-	1,527,890	-	8,574,172
	\$ 7,105,280	\$ 3,401	\$ 3,108,755	\$ -	\$ 10,217,436
Current liabilities	\$ 3,804,450	\$ 229,592	\$ 4,041,402	\$ (673,279)	\$ 7,402,165
Non-current liabilities	-	262,852	836,096	(1,033,974)	64,974
	\$ 3,804,450	\$ 492,444	\$ 4,877,498	\$ (1,707,253)	\$ 7,467,139

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**20. Operating Segments (continued)**

Segmented operations were as follows as at December 31, 2024 (continued):

	Investments	Health Tech	Immersive Services	Health	Intercompany Eliminations	Total
Revenue	\$ 122,405	\$ -	\$ 673,090	\$ 16,044,716	\$ (122,405)	\$ 16,717,806
Cost of goods sold	-	-	(2,441)	(10,348,463)	-	(10,350,904)
Gross margin	122,405	-	670,649	5,696,253	(122,405)	6,366,902
Expenses	(8,080,708)	(167,293)	(1,806,354)	(6,101,422)	(391,943)	(16,547,720)
Income tax recovery	89,196	-	-	-	-	89,196
Deferred tax recovery	11,186	-	-	-	-	11,186
Gain on sale of subsidiary	3,867,500	-	-	-	-	3,867,500
Gain on loss of control of subsidiary	5,457,167	-	-	-	-	5,457,167
Gain on distribution of investment	641,775	-	-	-	-	641,775
Other gains	557,155	-	101,747	-	-	658,902
Net income (loss)	2,665,676	(167,293)	(1,033,958)	(405,169)	(514,348)	544,908
Non-controlling interest	-	69,493	474,497	144,603	-	688,593
Net income (loss) attributable to parent	\$ 2,665,676	\$ (97,800)	\$ (559,461)	\$ (260,566)	\$ (514,348)	\$ 1,233,501

Segmented operations were as follows as at December 31, 2023:

	Investments	Health Tech	Immersive Services	Health	Total
Current assets	\$ 209,835	\$ 88,554	\$ 225,416	\$ 2,064,487	\$ 2,588,292
Non-current assets	8,607,818	-	49,000	539,521	9,196,339
	\$ 15,686,649	\$ 88,554	\$ 274,416	\$ 2,604,008	\$ 11,784,631
Current liabilities	\$ 2,661,618	\$ 144,000	\$ 773,573	\$ 4,407,450	\$ 7,986,641
Non-current liabilities	(1,598,301)	214,485	5,440,295	27,475	4,083,954
	\$ 1,063,317	\$ 358,485	\$ 6,213,868	\$ 4,434,925	\$ 12,070,595

	Investments	Health Tech	Immersive Services	Health	Total
Revenue	\$ 24,000	\$ -	\$ 521,574	\$ 11,509,496	\$ 12,055,070
Cost of goods sold	-	-	(16,627)	(6,548,054)	(6,564,681)
Gross margin	24,000	-	504,947	4,961,442	5,490,389
Expenses	(11,774,165)	(2,109,193)	(2,740,390)	(6,896,054)	(23,519,802)
Income tax	5,390	-	(36,349)	-	(30,959)
Deferred tax recovery	56,154	-	300,409	-	356,563
Gain on loss of control of subsidiary	33,624	-	-	-	33,624
Other gains (losses)	2,176,241	-	(1,892,356)	(2,747)	281,138
Net loss	(9,478,756)	(2,109,193)	(3,863,739)	(1,937,359)	(17,389,047)
Non-controlling interest	-	876,159	1,773,456	584,501	3,234,116
Other Comprehensive Income (Loss)	(75,155)	-	18,884	18,566	(37,705)
Net loss attributable to parent	\$ (9,478,756)	\$ (1,233,034)	\$ (2,090,283)	\$ (1,352,858)	\$ (14,154,931)

## 21. 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 primary exposure to credit risk is on its cash held in bank accounts. The cash is deposited in bank accounts in Canada and the USA. 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, government sales tax receivable, and due from related parties. Based on the evaluation of receivables, both current and past due as at December 31, 2024, the Company believes that its receivables are collectable, and management has determined credit risk to be low.

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

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**21. Financial Risk Management (continued)**

c) Liquidity risk (continued)

<b>Contractual Obligations As at December 31, 2024</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>After 5 years</b>
Trade payables and accrued liabilities	\$ 3,323,047	\$ 3,323,047	\$ -	\$ -	\$ -
Related party loans	151,433	151,433	-	-	-
Convertible debt	200,000	200,000	-	-	-
Loans payable	1,740,000	1,740,000	-	-	-
CEBA Loans	62,096	-	62,096	-	-
<b>Total Contractual Obligations</b>	<b>\$ 5,476,576</b>	<b>\$ 5,414,480</b>	<b>\$ 62,096</b>	<b>\$ -</b>	<b>\$ -</b>

  

<b>Contractual Obligations As at December 31, 2023</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>After 5 years</b>
Trade payables and accrued liabilities	\$ 3,330,588	\$ 3,330,588	\$ -	\$ -	\$ -
Other payables	-	-	-	-	-
Related party loans	428,384	428,384	-	-	-
Convertible debt	450,000	200,000	250,000	-	-
Loans payable	5,879,816	2,141,421	3,738,395	-	-
CEBA Loans	160,000	40,000	120,000	-	-
<b>Total Contractual Obligations</b>	<b>\$ 10,248,788</b>	<b>\$ 6,140,393</b>	<b>\$ 4,108,395</b>	<b>\$ -</b>	<b>\$ -</b>

Included in accrued liabilities is \$16,376 of interest on provincial government assessed payroll taxes.

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's subsidiary, Hydreight, has a functional currency of the USD and therefore the Company bears the risk of fluctuations in the exchange rate between the USD and CAD with respect to Hydreight's results of operations and financial position.

e) Fair value risk

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.

## 21. Financial Risk Management (continued)

### e) Fair value risk (continued)

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.

Private company investments and derivative liabilities are considered Level 3.

For investments that are not publicly traded, subsequent to initial recognition, the fair value of these investments is determined by the Company using the most appropriate valuation methodology in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio.

Investments are valued at cost for a limited period after the date of acquisition, if the purchase price remains representative of the fair value at the reporting date; otherwise, investments are valued using one of the other methodologies detailed below.

Investments in which there has been a recent or in-progress funding round involving significant financing from external investors are valued at the price of the recent funding, whereby the various shareholder categories rights are taken into account in the valuation. The price is adjusted, where appropriate.

Investments in which there has been a recent private secondary market trade of meaningful volume, and the transaction is undertaken by a sophisticated, arm's-length investor are valued at the price of the recent trade.

Investments in established companies for which there has not been any recent independent funding or secondary private market transaction are valued using revenue or earnings multiples. When valued on a multiple basis, the maintainable revenue or earnings of a portfolio company are multiplied by an appropriate multiple. The multiple is derived from the market capitalization of a peer group. Companies are selected for the peer group that are comparable with the portfolio company to be valued as to their business model and size. If the portfolio company to be valued differs in certain aspects compared with features of companies in the peer group, discounts or premiums are applied to the relevant multiple or resulting valuation.

Investments in early-stage companies not generating sustainable revenue or earnings and for which there has not been any recent independent funding are valued using alternative methodologies. The Company considers investee company performance relative to plan, going concern risk, continued funding availability, comparable peer group valuations, exit market conditions and general sector conditions and calibrates its valuation of each investment as appropriate.

The Company may apply a further illiquidity discount to the fair value of an investment if conditions exist that could make it challenging to monetize the investment in the near term at a price indicated by the valuation models. The amount of illiquidity discount applied requires considerable judgment and is based on the facts and circumstances of each investment.

## 21. Financial Risk Management (continued)

### e) Fair value risk (continued)

The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties, and the resulting values may differ significantly from values that would have been used had a ready market existed for the investments. These differences could be material to the fair value of investments in the portfolio.

The Company's investments include publicly listed entities that are listed on a Canadian and United States stock exchange. Changes in the fair value of investments designated as FVTPL are reported in the statement of income and comprehensive income.

The Company's financial instruments consist of cash, trade receivables, marketable securities, certain investments, amounts due from related parties, trade payables, loans payable, other payables, convertible debt, and related party loans. The carrying value of financial instruments approximates the fair value at December 31, 2024.

## 22. 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 to pursue the development of its business and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and adjusts 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 year.

## 23. Revenue

### Revenue

The timing of the Company's revenue recognition, in accordance with IFRS 15, are as follows:

	Years ended December 31,	
	2024	2023
Immersive experiences	\$ 673,090	\$ 521,574
Health - Goods and services transferred at a point in time	13,196,636	8,284,624
Health - Goods and services transferred over time	2,848,080	3,224,872
Sublease	-	24,000
	<b>\$ 16,717,806</b>	<b>\$ 12,055,070</b>

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**24. General and Administration**

The following table outlines the components of general and administration expenses for the year ended December 31, 2024, and 2023:

	<b>2024</b>	<b>2023</b>
Insurance	\$ 112,860	\$ 172,198
Investor relations, capital markets, and regulatory	275,300	539,689
Management fees	12,500	105,115
Merchant processor and bank fees	780,881	538,288
Provision (recovery) for sales tax <sup>1</sup>	(254,510)	591,502
Rent	251,936	248,916
Software, office, and other	596,787	598,279
	<b>\$ 1,775,754</b>	<b>\$ 2,793,987</b>

<sup>1</sup>IV Hydreight Inc. is subject to state sales and use taxes in the United States, the determination of which requires interpretation of complex laws and regulations that vary in scope across all 50 states. Significant judgement is required in determining the IVH's tax obligation. IVH's interpretation of state taxation law as applied to transactions and activities may not coincide with the interpretation of the state tax authorities. All state tax related filings are subject to state government audit and potential reassessment subsequent to the financial statement reporting period.

**25. Interest and Other Income**

Included in interest and other income is \$Nil (2023 - \$19,604) gain on forgiveness of CEBA loan (Note 15) and \$Nil (2023 - \$45,191) (Note 5) in accrued interest on loan receivable. The Company's subsidiaries HTI and XRI also earn interest and other income on high-interest savings accounts and other investment.

During the year ended December 31, 2024, XRI was refunded \$101,747 (2023 - \$54,087) plus interest for a provincial government tax credit for eligible salaries and wages incurred in the 2022 and 2021 taxation years and accrued and recognized in the year of application and refund receipt.

Interest and other income include interest earned on cash balances and other items not classified as revenue or other gains.

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**26. Other Gains**

Other gains in the current and prior periods consists of proceeds from digital assets dispositions whereby the initial cost of the digital asset tokens was not recognized at the time of receipt due to the inability of the Company to demonstrate future economic benefits of the tokens and uncertainty of measurement basis. The total tokens sold during the year was 2,328,735 (2023 – 2,000,000) for proceeds of \$663,812 (2023 - \$463,541), for an average price realized of \$0.285 (2023 - \$0.332). The Company had custody of 1,901,965 tokens at December 31, 2024 (2023 – 4,230,700).

		Years ended December 31,	
		2024	2023
Loss on disposal of Shop & Shout	8	\$ -	\$ (893,000)
Loss on disposal of portfolio shares	8	(4,910)	(12,500)
Gain on derecognition of lease	11	-	21,043
Gain on proceeds of digital assets		663,812	463,541
Loss on settlement of receivables	8	-	(214,935)
Other		-	752
<b>Other gains</b>		<b>\$ 658,902</b>	<b>\$ (635,099)</b>

**27. Income Tax**

The following tables reconciles the expected income tax recovery at the Canadian statutory income tax rates to the amounts recognized in the statements of income (loss) and comprehensive income (loss) for the years ended December 31, 2024, and 2023.

Income tax expense varies from the amount that would be computed by applying the basic federal and provincial tax rates to income (loss) from operations before income taxes, shown as follows:

	December 31, 2024	December 31, 2023
<b>Expected Tax Rate</b>	<b>27.00%</b>	<b>27.00%</b>
Expected income tax recovery	\$ 478,369	\$ (4,799,755)
Permanent Differences	(1,907,213)	822,599
Effect of losses not recognized	(342,184)	1,565,612
Effect of other deductible temporary differences not recognized	1,759,842	2,085,941
True-up of prior years taxes	(89,186)	-
<b>Income tax expense (recovery)</b>	<b>\$ (100,372)</b>	<b>\$ (325,604)</b>

The income tax expense (recovery) consists of the following:

	December 31, 2024	December 31, 2023
Current Tax Expense (Recovery)	\$ (89,186)	\$ 30,959
Deferred Tax Expense (Recovery)	(11,186)	(356,563)
<b>Net tax expense (recovery)</b>	<b>\$ (100,372)</b>	<b>\$ (325,604)</b>

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**27. Income Tax (continued)**

Deferred income taxes reflect the impact of loss carry forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The following deferred tax assets and liabilities have been recognized for accounting purposes:

	December 31, 2024	December 31, 2023
Deferred tax asset	\$ 263,414	\$ 278,001
Deferred tax liability	(263,414)	(289,188)
<b>Net deferred tax liability</b>	<b>\$ -</b>	<b>\$ (11,187)</b>

Gross temporary differences and loss carry forwards that give rise to significant portions of the deferred tax asset, which have not been recognized, are approximately as follows:

	December 31, 2024	December 31, 2023
Fixed Assets	\$ 1,271,570	\$ 1,309,636
Intangible Assets	1,825,441	1,503,960
Investments	15,999,519	17,157,768
Reserves	8,009	8,009
Share Issue Costs	113,041	393,480
Non-Capital Losses	19,939,106	30,298,997
Net Capital Losses	2,833,866	2,458,431
Other	761,097	1,410,179
<b>Total</b>	<b>\$ 42,751,649</b>	<b>\$ 54,540,460</b>

The Company has non-capital loss carry forwards which may be carried forward to apply against future year income tax subject to the final determination by taxation authorities, expiring in the following years:

2033	\$ 54,316
2034	9,910
2035	211,913
2036	1,483,198
2037	1,244,562
2038	767,136
2039	1,328,955
2040	1,897,573
2041	3,507,047
2042	4,455,836
2043	4,978,660
2044	-
	<b>\$ 19,939,106</b>

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**28. Non-Controlling Interest**

**HTI**

On closing of the reverse takeover transaction, 37,842,827 shares of HTI were issued and outstanding on a non-diluted basis, of which approximately 27,896,825 shares are held by VST representing a 73.72% interest, with the balance of 26.28% reported initially in NCI.

During the year ended December 31, 2023, HTI settled a \$300,000 obligation recognized in the prior year to issue shares of HTI to the CEO of HTI in recognition of a going public bonus. The shares were issued at the going public price of \$0.63 per share or 476,190 shares in total.

Effective July 4, 2023, the Company transferred 1,138,247 common shares of HTI to third party consultants as consideration for several software development projects in development. The transfer was recorded based on the share price of HTI shares of \$0.43 on the date of transfer. The transfer was recorded based on the share price of HTI shares of \$0.43 on the date of transfer, with \$489,446 recognized in share-based payments expense on the statement of loss and consolidated loss for the year ending December 31, 2023.

During the year ended December 31, 2024, HTI issued 1,996,428 shares on conversion of vested RSUs, 28,000 shares on the exercise of options, and repurchased and cancelled 18,500 shares. HTI also transferred 825,396 shares of HTI to a lender as consideration for interest accrued (Note 14).

As of December 31, 2024, the NCI interest in HTI is 35.69% (2023 - 30.17%).

**XRI**

The Company derecognized the NCI in XRI on deconsolidation (Note 7b). Immediately prior to deconsolidation, XRI issued 3,562,374 shares to extinguish a series of promissory notes payable, resulting in a decrease to surplus of \$188,075 and an increase in NCI of \$617,776 (Note 20).

**FUTURA**

As per Note 10, on the share exchange transaction with Futura, as at December 31, 2024, and December 31, 2023, Company owns 58.46% of Futura and records the balance of 41.54% in NCI.

	HTI	XRI	Futura	Total
Carrying amount, December 31, 2022	\$ (1,715,965)	\$ 995,693	\$ -	\$ (720,272)
Additions of non-controlling interest on acquisition da	-	-	(351,393)	(351,393)
Shares issued - Bonus	11,005	-	-	11,005
Shares issued - RSUs	-	26,728	-	26,728
Transfer of shares	26,589	-	-	26,589
Net loss attributable to non-controlling interest	(584,501)	(1,773,456)	(876,159)	(3,234,116)
Carrying amount, December 31, 2023	(2,262,872)	(751,035)	(1,227,552)	(4,241,459)
Shares for debt	-	617,776	-	617,776
Shares issued - NCIB, options	45,627	-	-	45,627
Shares issued - RSUs	67,857	-	-	67,857
Transfer of shares	206,471	-	-	206,471
Net loss attributable to non-controlling interest	(144,605)	(474,495)	(69,493)	(688,593)
Deconsolidation of XRI	-	607,754	-	607,754
Carrying amount, December 31, 2024	\$ (2,087,522)	\$ -	\$ (1,297,045)	\$ (3,384,567)

Victory Square Technologies Inc.  
Notes to the consolidated financial statements  
For the years ended December 31, 2024 and 2023  
(Expressed in Canadian dollars)

**28. Non-Controlling Interest (continued)**

Summarized financial information of HTI, XRI, and Futura are presented below, on a 100% basis:

	HTI		XRI		Futura	
For the year ended December 31,	2024	2023	2024	2023	2024	2023
Revenue	\$ 16,044,716	\$ 11,509,496	\$ 673,090	\$ 521,574	\$ -	\$ -
Cost of goods sold	(10,348,463)	(6,548,054)	(2,441)	(16,627)	-	-
Expenses	(6,101,422)	(6,896,054)	(1,806,355)	(2,740,390)	(167,293)	(2,109,193)
Other gains (losses)	-	(2,747)	101,747	(1,892,356)	-	-
Taxes	-	-	-	264,060	-	-
<b>Net loss</b>	<b>\$ (405,169)</b>	<b>\$ (1,937,359)</b>	<b>\$ (1,033,959)</b>	<b>\$ (3,863,739)</b>	<b>\$ (167,293)</b>	<b>\$ (2,109,193)</b>
Net loss attributable to non-controlling interest	\$ (144,605)	\$ (584,501)	\$ (474,495)	\$ (1,773,456)	\$ (69,494)	\$ (876,159)

**29. Commitments and contingencies**

In the ordinary course of business, from time to time, the Company is involved in various claims related to operations, rights, commercial, employment or other claims. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these financial statements.

Hydreight has contractual commitments for medical consulting services with a director of Hydreight.

Hydreight renewed the workspace agreement on its Las Vegas office for a twelve-month term ending June 30, 2025, at USD \$2,693 (2023 – USD \$2,612) per month for a total commitment of USD \$16,158 as at December 31, 2024.

**30. Subsequent Events**

- a) In the first quarter of 2025, 150,000 options were exercised for proceeds of \$22,500 and 4,287,500 options were cancelled on expiry.
- b) On January 16, 2025, the Board of HTI approved a resolution to amend the vesting terms of several RSU awardees from the July 18, 2023, issuance. Under the terms of the original vesting schedule, 262,500 RSUs vested on January 18, 2025, with the final tranche vesting July 18, 2025. Under the amended vesting provisions, 125,000 RSUs vest on January 18, 2025, with the balance of the RSUs vesting on the later of July 18, 2025, and the earlier of a specified date in 2026 and 2027 or a specified performance metric.
- c) On February 11, 2025, and March 11, 2025, HTI issued 160,000 and 26,000 common shares to two optionees for cumulative proceeds of \$57,660 in relation to the exercise of options at an exercise price of \$0.31.

**30. Subsequent Events (continued)**

- d) On February 26, 2025, HTI closed a private placement, issuing 3,492,300 units of HTI at a price of \$1.55 per Unit for aggregate gross proceeds of \$5,413,065, and net proceeds of \$4,996,117. Each Unit consists of one common share in the capital of HTI and one common share purchase warrant of HTI. Each share purchase warrant entitles the holder thereof to acquire one common share of HTI at a price of \$2.00 for a period of 36 months from the closing date of the private placement. In connection with the private placement, HTI paid (i) a cash commission of \$257,824, (ii) a corporate finance fee of \$70,298, (iii) \$88,826 in legal and closing expenses and (iv) 209,538 non-transferable compensation options, exercisable for a period of 24 months following the closing date at an exercise price equal to \$1.55 per compensation option share.
- e) On March 5, 2025, HTI issued 218,750 common shares of which 104,000 were for proceeds of \$26,000, received in the fourth quarter of 2024, for options exercised at \$0.25 per share by a Director of HTI. The remaining common shares issued were for 114,750 RSUs, 45,000 of which were issued to a director of HTI, that vested on November 17, 2024.
- f) On March 14, 2025, HTI issued 575,000 common shares in relation to a tranche of RSUs that were granted on July 18, 2023, and which vested in the first quarter of 2025. Of the 575,000 RSUs issued, 202,500 were issued to related parties of HTI.
- g) On April 9, 2025, HTI issued 61,000 common shares in relation to an issuance of RSUs that were granted on April 5, 2024, and which vested on April 5, 2025.
- h) On May 23, 2025, HTI issued 57,375 common shares in relation to an issuance of RSUs that were granted on November 17, 2023, and which vested on May 17, 2025.
- i) On May 27, 2025, HTI issued 82,000 common shares in relation to the exercise of options for cash proceeds of \$25,420.
- j) In June 2025, HTI issued 213,000 common shares in relation to the exercise of options for cash proceeds of \$53,250.