VSBLTY, INC. (formerly VSBLTY, L.P.)

FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in United States dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of VSBLTY, Inc. (formerly VSBLTY, L.P.)

Opinion

We have audited the financial statements of VSBLTY, Inc. (formerly VSBLTY, L.P.) (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 to the financial statements, which indicates that the Company incurred a working capital deficit of $1,050,428, had not yet achieved profitable operations and has an accumulated deficit of $6,806,257 since its inception. 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.

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 29, 2019

An independent firm associated with Moore Stephens International Limited

MOORE STEPHENS

VSBLTY, INC. (formerly VSBLTY, L.P.)
STATEMENTS OF FINANCIAL POSITION
(Expressed in United States Dollars)

	Notes		December 31, 2018		December 31, 2017
ASSETS					
Current assets					
Cash		$	832,827	$	334,303
Trade and other receivables	11		17,055		43,161
Prepaid expenses			28,899		3,000
			878,781		380,464
Equipment	5		29,347		38,869
Deposits	12		4,664		3,085
Total assets		$	912,792	$	422,418
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	6, 11	$	634,299	$	279,808
Deferred revenue			6,800		10,932
Current portion of notes payable	8, 11		150,000		-
Convertible debentures	7		1,079,606		-
Embedded derivatives	7		58,504		-
			1,929,209		290,740
Notes payable	8		1,365,930		446,847
Total liabilities			3,295,139		737,587
SHAREHOLDERS' DEFICIENCY					
Share capital	9		4,335,914		3,964,972
Additional paid in capital	9		87,996		76,734
Accumulated deficit			(6,806,257)		(4,356,875)
Total shareholders' deficiency			(2,382,347)		(315,169)
Total liabilities and shareholders' deficiency		$	912,792	$	422,418

Nature of operations and going concern	1
Commitments	12
Subsequent events	1, 17

APPROVED BY THE BOARD OF DIRECTORS:

"Jay Hutton" Director *"Tim Huckaby"* Director

The accompanying notes are an integral part of these financial statements.

VSBLTY, INC. (formerly VSBLTY, L.P.)
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in United States Dollars)

	Notes		Year ended December 31, 2018		2017
Revenue					
License fees		$	38,523	$	110,675
Connectivity			14,875		17,275
Professional services			6,459		127,011
Hardware and other			18,943		213,267
			78,800		468,228
Cost of sales	11		(77,056)		(334,503)
Gross profit			1,744		133,725
Sales and marketing expenses	10, 11		(164,790)		(143,961)
General and administrative expenses	10, 11		(1,734,097)		(888,164)
Research and development expenses	10, 11		(440,974)		(274,079)
Operating loss			(2,338,117)		(1,172,479)
Interest expense	7, 8 ,11		(140,567)		(73,298)
Change in fair value of derivative liability	7		(8,305)		-
Foreign exchange gain	7		37,607		-
Loss and comprehensive loss for the year		$	(2,449,382)	$	(1,245,777)
Loss per share – Basic and diluted		$	(0.48)	$	(0.27)
Weighted average shares outstanding – Basic and diluted			5,143,118		4,676,488

The accompanying notes are an integral part of these financial statements.

VSBLTY, INC. (formerly VSBLTY, L.P.)
STATEMENTS OF CHANGES IN DEFICIENCY
(Expressed in United States Dollars)

	Notes	Number of shares	Share capital	Additional paid in capital	Accumulated deficit	Total shareholders' deficiency
Balance, December 31, 2016		4,576,198	$ 2,995,972	$ 24,421	$ (3,111,098)	$ (90,705)
Issuance of common shares	9(a)	465,865	969,000	-	-	969,000
Warrants issued	9(b)	-	-	52,313	-	52,313
Loss for the year		-	-	-	(1,245,777)	(1,245,777)
Balance, December 31, 2017		5,042,063	3,964,972	76,734	(4,356,875)	(315,169)
Issuance of common shares	9(a)	153,431	331,121	19,943	-	351,064
Warrants issued	9(b)	-	-	7,204	-	7,204
Exercise of warrants	9(b)	18,272	39,821	(15,885)	-	23,936
Loss for the year		-	-	-	(2,449,382)	(2,449,382)
Balance, December 31, 2018		5,213,766	$ 4,335,914	$ 87,996	$ (6,806,257)	$ (2,382,347)

The accompanying notes are an integral part of these financial statements.

VSBLTY, INC. (formerly VSBLTY, L.P.)
STATEMENTS OF CASH FLOWS
(Expressed in United States Dollars)

	Year ended December 31	
	2018	**2017**
Cash flows from operating activities		
Loss for the year	$ (2,449,382)	$ (1,245,777)
Adjustments for non-cash items:		
Depreciation	11,070	5,295
Accretion expense	42,049	23,232
Bad debt expense	5,446	2,151
Change in fair value of derivative liability	8,305	-
Consulting fees settled by issuing notes	345,420	-
Unrealized foreign exchange gain	(37,607)	-
Changes in non-cash working capital items:		
Trade and other receivables	20,660	46,679
Prepaid expenses and deposits	(27,478)	39,019
Accounts payable and accrued liabilities	354,491	122,302
Deferred revenue	(4,132)	(36,904)
Net cash used in operating activities	(1,731,158)	(1,044,003)
Cash flows from investing activities		
Acquisition of equipment	(1,548)	(35,666)
Net cash used in investing activities	(1,548)	(35,666)
Cash flows from financing activities		
Proceeds from issuance of promissory notes	1,050,000	350,000
Proceeds from issuance of common shares	351,064	969,000
Proceeds from exercise of warrants	23,936	-
Proceeds from issuance of convertible debentures	803,260	-
Net cash provided by financing activities	2,231,230	1,319,000
Net increase in cash	498,524	239,331
Cash, beginning of year	334,303	94,972
Cash, end of year	$ 832,827	$ 334,303
Supplemental cash flow disclosures:		
Interest paid	$ 6,218	$ -
Discount on notes payable allocated to additional paid in capital	7,204	52,313
Discount on convertible debentures allocated to embedded derivatives	$ 53,030	$ -

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

VSBLTY, L.P. ("VLP") was formed under the laws in the State of Delaware as a limited partnership on July 28, 2015. On December 12, 2018, VLP was converted into a Delaware C Corporation, VSBLTY, Inc. (the "Company"), thereby converting all partnership units of VLP into common shares of the Company. Concurrently, VLP merged into the Company by filing a certificate of merger and distributing the common shares held by VLP on a 1 for 1 basis to the other common shareholders of the Company so that ownership interests remained substantially intact after such distribution.

The Company is a retail technology and marketing company with a variety of applications to drive brand engagement and puts insights in motion to drive sales. The Company's head office is located at 417 North 8th Street, Suite 300, Philadelphia, Pennsylvania 19123 and its registered office is located at The Corporation Service Company, 251 Little Falls Drive, City of Wilmington, New Castle County, DE 19808.

On December 12, 2018, the Company, VSBLTY Groupe Technologies Corp. ("VSBLTY Groupe") and VSBLTY Merger Co., a wholly-owned subsidiary of VSBLTY Groupe incorporated in Delaware, U.S. entered into a Merger Agreement (the "Agreement") pursuant to which VSBLTY Groupe acquired all of the issued and outstanding common shares of the Company (the "Acquisition") for 7.21228396 common shares VSBLTY Groupe and the Company became a wholly-owned subsidiary of VSBLTY Groupe. The Acquisition closed on February 15, 2019. Effective February 27, 2019, VSBLTY Groupe's shares trade on the Canadian Securities Exchange under the symbol "VSBY".

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at December 31, 2018, the Company had a working capital deficit of $1,050,428, had not yet achieved profitable operations and has an accumulated deficit of $6,806,257 since its inception. The continuing operations of the Company are dependent upon its ability to develop a viable business and to attain profitable operations and generate funds there from. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs with financings and a proposed going public transaction. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

2. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were authorized for issue by the Board of Directors on April 29, 2019.

b) Basis of measurement

These financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The financial statements are presented in United States dollars, unless otherwise noted.

The preparation of these financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates.

These financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout these financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

c) Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year. Due from related parties and due to related parties balances at December 31, 2017 of $9,068 and $61,474, respectively, have been reclassified to trade and other receivables and accounts payable and accrued liabilities, respectively. $36,000 in contract sales services has been reclassified from general and administrative expenses to sales and marketing expenses for the year ended December 31, 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

a) Foreign currency transactions

The functional currency of the Company is determined using the currency of the primary economic environment in which the Company operates. The functional and presentation currency, as determined by management, of the Company is the United States dollar.

Foreign currency accounts are translated into United States dollars, as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into United States dollars using the exchange rate in effect at that date. At the reporting period end date, monetary assets and liabilities are translated into United States dollars using the exchange rate in effect at that date and the related translation differences are recognized in profit or loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into United States dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

b) Accounts receivable

Accounts receivable, net of allowances, are stated at the amount the Company expects to collect. When required, an allowance for doubtful accounts is recorded based on information on the collectability of specific accounts. Accounts are considered past due or delinquent based on contractual terms and how recently payments have been received and the Company's judgment of collectability. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

c) Equipment

Equipment is recorded at cost and carried net of accumulated depreciation, amortization and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset to the location and condition necessary for operation. Subsequent expenditures are capitalized only if it is probable that the future economic benefits associated with the expenditures will flow to the Company. Repairs and maintenance costs are expensed as incurred. Depreciation is provided over the related assets' estimated useful lives using the straight-line method at the following rates:

- Computer equipment – 3 years
- Equipment – 3 to 5 years

The Company reviews the estimated useful lives, residual values and depreciation method at the end of each reporting period, accounting for the effect of any changes in estimate on a prospective basis.

d) Impairment of tangible assets

Tangible assets with finite useful lives are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the cash-generating unit, which is the lowest group of assets which generates separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss except to the extent it reverses gains previously recognized in other comprehensive income. Where impairment losses subsequently reverse, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimated recoverable amount to the extent that does not exceed the carrying amount that would have been

determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized in profit or loss.

e) Valuation of equity units issued in private placements

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued together as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

f) Loss per share

Basic loss per share is calculated by dividing the Company's net loss by the weighted average number of shares outstanding and reduced by any shares held in escrow during the reporting period. Diluted loss per share is calculated by dividing the Company's net loss by the sum of the weighted average number of shares issued and outstanding assuming all additional shares that would have been outstanding if potentially dilutive instruments were converted and reduced by any shares held in escrow.

g) Revenue recognition

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company reports revenue under four revenue categories being, software license fees, connectivity, professional services, and hardware and other. Software license revenue is comprised of license fees charged for the use of software, licensed under fixed-term arrangements. Connectivity revenue is comprised of connectivity fees charged for hardware unit access to cellular data. Professional service revenue consists of fees charged for creative services provided to develop and execute brand messaging used in hardware units as well as installation and support for hardware units. Hardware and other revenue includes sale and delivery of hardware units.

Contracts with multiple products or services
The Company's contracts with customers often include multiple products and services such as software licenses, connectivity, creative development and hardware. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation. Where a contract consists of more than one performance obligation, revenue is allocated to each based on their estimated stand-alone selling price.

Nature of products and services
Revenue from software licensing arrangements, which allows customers to use software over a term, are provided on a subscription basis and is recognized rateably over the term of the

subscription. Where software licensing arrangements includes connectivity services, the connectivity services are non-distinct and recognized over the same term.

Professional services revenue for creative services provided to develop and execute brand messaging used in hardware units as well as installation and support for hardware units is recognized by the stage of completion of the performance obligation determined using the percentage of completion method or as such services are performed as appropriate in the circumstances. The Company uses the ratio of incurred labour hours to estimated total labour hours as the measure of its progress to completion on each performance obligation and the revenue and profit of fixed price contracts is recognized only when the outcome of a contract can be estimated reliably.

Hardware and other revenue is accounted for as product revenue. Product revenue is recognized when control of the product has transferred under the terms of an enforceable contract.

Amounts are billed as defined by individual contracts. Billings rendered in advance of performance under contracts are recorded as deferred revenue.

h) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

If a hybrid contract contains a host that is not an asset, embedded derivatives are recorded at fair value separately from the host contract when their economic characteristics and risks are not clearly and closely related to those of the host contract. Subsequent changes in fair value are recorded in the statements of loss and comprehensive loss.

The convertible debentures issued by the Company are a hybrid financial instrument that can be converted into common shares of the Company upon an automatic conversion event, where there is an obligation to issue a fixed number of common shares to settle an instrument whose book value is variable. The hybrid financial instrument is recognized as a liability, with the initial carrying value of the convertible debentures (host) being the residual amount of the proceeds after separating the derivative component, which is recognized at fair value. Any directly attributable transaction costs are allocated to the host and derivative components in proportion to their initial carrying amounts. Subsequent to initial recognition, the host component of the hybrid financial instrument is measured at amortized cost using the effective interest method.

The derivative component of the hybrid financial instrument is measured at fair value through profit and loss. Subsequent changes in fair value are recorded in the statements of loss and comprehensive loss.

i) Leases

Leases are classified as either finance or operating leases. Finance leases are those that substantially transfer the benefits and risks of ownership of an asset to the lessee. All leases other than finance leases are operating leases.

At the inception of a finance lease, an asset and an obligation is recorded at the lesser of the present value of the minimum lease payments and the asset's fair value.

Total payments under operating leases are expensed on a straight-line basis over the term of the relevant lease. Any incentives received upon entry into an operating lease are recognized on a straight-line basis over the term of the lease.

j) Financial instruments

Recognition, classification and measurement
Financial assets are classified and measured based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 contains three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL"). Financial assets are recognized in the statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial instruments are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company has classified its cash, trade and other receivables, accounts payable and accrued liabilities, convertible debentures and notes payable as financial assets and financial liabilities measured at amortized cost. Such assets and liabilities are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company's derivatives are carried at fair value and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. Changes in the fair values of derivative financial instruments are reported in the consolidated statements of income.

Impairment of financial assets
The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivables are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. A

financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in the statements of comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of comprehensive loss.

Share capital
Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from shareholders' equity, net of tax.

k) Income taxes

Prior to its conversion to a C Corporation on December 12, 2018 (see note 1), VLP was not directly subject to federal income taxes. Instead, its taxable income or loss was allocated to its individual partners.

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are

offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) Accounting standards adopted effective January 1, 2018

Effective January 1, 2018, the following standards were adopted:

IFRS 9 – Financial Instruments ("IFRS 9")
Effective January 1, 2018, the Company adopted IFRS 9 which replaced IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). The Company applied the new standard retrospectively. The adoption of IFRS 9 did not have an impact on the Company's financial statements. The nature and effects of the key changes to the Company's accounting policies resulting from the adoption of IFRS 9 are summarized below.

Classification of financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVTOCI and FVTPL. The previous IAS 39 categories are eliminated. IFRS 9 bases the classification of financial assets on the contractual cash flow characteristics and the company's business model for managing the financial asset. The differences between the two standards did not impact the Company at the time of transition.

Impairment of financial assets
IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables and did not impact the Company at the time of transition.

Transition
The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at January 1, 2018 for each class of the Company's financial assets and liabilities. There were no adjustments to the carrying amounts of financial instruments as a result of the change in classification from IAS 39 to IFRS 9.

	Measurement category	
	IAS 39	**IFRS 9**
Cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Convertible debentures	Other financial liabilities	Amortized cost
Embedded derivatives	FVTPL	FVTPL
Notes payable	Other financial liabilities	Amortized cost

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15")
IFRS 15 provides a single, five-step model to be applied to all contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The standard requires an entity to recognize revenue that reflects the transfer of goods and services for the amount it expects to receive when control is transferred to the customer.

Effective January 1, 2018, the Company adopted IFRS 15 which supersedes IAS 18 - Revenue, IAS 11 – Construction Contracts, and other revenue-related interpretations. The Company used the cumulative effect method to adopt the new standard and has applied transitional relief to contracts completed before January 1, 2018. As a result of the practical expedient, no changes are made to the revenue recognized under the previous revenue standard as the Company has transferred all of the goods or services identified during the comparative period. The recognition and measurement of the sale of products in all contracts is consistent with the previous recognition practice and therefore there were no transitional adjustments upon adoption.

IFRS 2 – Share-based Payments ("IFRS 2")
In June 2016 the Board issued the final amendments to IFRS 2 which amended (a) the effects that vesting conditions have on the measurement of a cash-settled share-based payment; (b) the accounting for modification of the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled; and (c) classification of share-based payment transactions with net settlement features. Effective January 1, 2018, the Company adopted the amendments to IFRS 2 which did not have a material impact on the financial statements.

m) Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and is currently evaluating the impact, if any, that the following new standard might have on its financial statements.

IFRS 16 Leases ("IFRS 16")
IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The Company plans to adopt this standard on January 1, 2019 and is currently evaluating its impact on the financial statements.

4. USE OF JUDGMENTS AND ESTIMATES

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the applicable of the Company's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

a) Judgments

Judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are outlined below.

Going concern
The Company's ability to execute its strategy by funding future working capital requirements requires significant judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

Income taxes
Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the relevant jurisdiction. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the outcome may result in a materially different outcome than the amount included in the tax liabilities. In addition, the Company recognizes deferred tax assets relating to tax losses carried forward only to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

b) Estimates

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods are outlined below.

Recoverability of accounts receivable and allowance for doubtful accounts
The Company monitors its exposure for credit losses on its customer and related party receivable balances and the creditworthiness of those customers and related parties on an ongoing basis and records related allowances for doubtful accounts. Allowances are estimated based upon specific customer and related party balances, where a risk of default has been identified and also include a provision for noncustomer specific defaults based upon historical experience and aging of accounts. If circumstances related to specific customers and related parties change, estimates of the recoverability of receivables could also change.

Embedded derivatives
The convertible debentures issued by the Company include conversion features, which are considered Level 3 financial instruments. The derivatives are measured at fair value through profit and loss and its fair value is measured at each reporting period with subsequent changes in

fair value recorded in the statement of loss and comprehensive loss. The Black-Scholes option pricing model is used and includes management's assumptions to estimate the fair value. Detailed assumptions used in the model to determine the fair value of the embedded derivatives are provided in note 7.

5. EQUIPMENT

	Computer equipment	Equipment	Total
Cost			
Balance, January 1, 2017	$ 9,998	$ -	$ 9,998
Additions	-	35,666	35,666
Balance, December 31, 2017	9,998	35,666	45,664
Additions	-	1,548	1,548
Balance, December 31, 2018	$ 9,998	$ 37,214	$ 47,212

	Computer equipment	Equipment	Total
Accumulated depreciation			
Balance, January 1, 2017	$ 1,500	$ -	$ 1,500
Additions	3,332	1,963	5,295
Balance, December 31, 2017	4,832	1,963	6,795
Additions	3,332	7,738	11,070
Balance, December 31, 2018	$ 8,164	$ 9,701	$ 17,865

	Computer equipment	Equipment	Total
Net book value			
Balance, December 31, 2017	$ 5,166	$ 33,703	$ 38,869
Balance, December 31, 2018	$ 1,834	$ 27,513	$ 29,347

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2018	December 31, 2017
Accounts payable	$ 308,939	$ 199,422
Accrued liabilities	182,542	30,000
Accrued interest	142,818	50,386
	$ 634,299	$ 279,808

7. CONVERTIBLE DEBENTURES

On August 24, 2018, the Company closed tranche 1 of a private placement of convertible debt (the "Tranche 1 Debentures"), issuing $383,550 in debentures (CAD$500,000). Of the proceeds raised, $174,185 (CAD$225,000) was concurrently paid as prepaid consulting fees to certain subscribers, which has been expensed and is included in consulting fees (see note 10). The Tranche 1 Debentures

are denominated in Canadian dollars, mature on August 24, 2019, bear interest at a rate of 10% per annum, payable at maturity, and are secured by all the assets of the Company. The Tranche 1 Debentures automatically convert upon closing of the Acquisition. The Tranche 1 Debentures convert into one share of the Company's publicly traded entity for each CAD$0.05 principal amount outstanding of the Tranche 1 Debentures and the Holders shall forfeit any and all accrued and unpaid interest on the Holders of the Tranche 1 Debentures.

On September 17, 2018, the Company closed tranche 2 of a private placement of convertible debt (the “Tranche 2 Debentures” and collectively with the Tranche 1 Debentures, the “Debentures”), issuing $768,100 in debentures (CAD$1,000,000). Of the proceeds raised, $174,515 (CAD$225,000) was concurrently paid as prepaid consulting fees to certain subscribers, of which $161,714 has been expensed and is included in consulting fees (see note 10). The Tranche 2 Debentures are denominated in Canadian dollars, mature on September 17, 2019, bear interest at a rate of 10% per annum, payable at maturity, and are secured by all the assets of the Company. The Tranche 2 Debentures automatically convert upon closing of the Acquisition. The Tranche 2 Debentures convert into one share of the Company's publicly traded entity for each CAD$0.10 principal amount outstanding of the Tranche 2 Debentures and the Holders shall forfeit any and all accrued and unpaid interest on the Holders of the Tranche 2 Debentures.

In the event the Acquisition is terminated, the Company has the right to prepay the Debentures by repaying the principal amount outstanding, paying a 10% administration fee and by issuing 350 warrants for each $1,000 principal amount outstanding of the Debentures. In the event that, prior to maturity, the Company completes a change of control other than in connection with the Acquisition, then the Company must, prior to completion of the change of control, repay the principal amount outstanding, pay a 10% administration fee and issue 350 warrants for each $1,000 principal amount outstanding of the Debentures. In the event that the Debentures are not prepaid or converted prior to maturity, the Company must issue 350 warrants for each $1,000 principal amount outstanding of the Debentures. Each aforementioned warrant would entitle the holder to acquire one common share of the Company and is exercisable at a price of USD$2.18 per share for a period of three years.

As the debentures and embedded conversion feature are denominated in Canadian dollars, they were determined to be a financial instrument comprising an embedded derivative representing the conversion feature with a residual host debt component. On initial recognition, the Company used the residual value method to allocate the principal amount of the Debentures between the embedded derivative conversion feature and host debt components. The conversion feature was valued first with the residual allocated to the host debt component.

The fair value of the conversion features were determined based on the Black-Scholes Option Pricing Model using the assumptions set out as follows:

At initial recognition:

Assumptions	
CAD/USD exchange rate	1.3019 - 1.3036
Risk-free interest rate	2.44 - 2.57%
Expected volatility	150%
Dividend yield	0%
Expected life	1 year

As at December 31, 2018:

Assumptions	
CAD/USD exchange rate	1.3642
Risk-free interest rate	2.56%
Expected volatility	150%
Dividend yield	0%
Expected life	0.65 – 0.71 years

A breakdown of convertible debt and embedded derivative conversion feature as at December 31, 2018 is as follows:

	Host debt component	Conversion feature	Total
Balance, January 1, 2018	$ -	$ -	$ -
Issued during the period	1,098,620	53,030	1,151,650
Accretion	15,762	-	15,762
Change in fair value of derivatives	-	8,305	8,305
Foreign exchange gain	(34,776)	(2,831)	(37,607)
Balance, December 31, 2018	**$ 1,079,606**	**$ 58,504**	**$ 1,138,110**

During the year ended December 31, 2018, interest expense for the Debentures, excluding accretion, was $34,039 (2017 - $nil). Interest expense for the year ended December 31, 2018 includes $15,762 in non-cash accretion expense (2017 - $nil) from the Debentures.

8. NOTES PAYABLE

	December 31, 2018	December 31, 2017
Balance, beginning of year	$ 446,847	$ 125,928
Issued during the period	1,050,000	350,000
Allocated to additional paid in capital	(7,204)	(52,313)
Accretion	26,287	23,232
Balance, end of year	1,515,930	446,847
Balance, end of year, current	(150,000)	-
Balance, end of year, long-term	**$ 1,365,930**	**$ 446,847**

During the year ended December 31, 2018, the Company issued $50,000 (2017 - $350,000) in promissory notes (the "Notes") with attached warrants to various individuals, some of which are related (see note 11). Subscribers received 0.187272 warrants per dollar principal of Notes (see note 9(b)). The Notes bear interest at prime rate plus 550 basis points and mature three years after issuance. The Notes are secured by the accounts receivable of the Company and have no financial covenants.

The Notes are presented net of discounts and will be accreted at an effective interest rate such that the carrying amount of the Notes will equal the principal amount at maturity. The Notes were initially recognized at fair value based on similar debt securities without attached warrants and are carried at amortized cost. At initial recognition, the principal amount of the Notes less the initial fair value has

been allocated to the warrants (see note 9(b)). Interest expense for the year ended December 31, 2018 includes $26,287 in non-cash accretion expense (2017 - $23,232) from the Notes.

On December 12, 2018 and December 13, 2018, the Company received $600,000 and $400,000, respectively, from VSBLTY Groupe pursuant to a promissory note agreement (the “Interest-Free Notes"). The Interest-Free Notes are non-interest bearing, except upon termination of the Agreement or an event of default, upon which the loan would bear interest at a rate of 10% per annum. The Interest-Free Notes will mature on the earlier of the date that is 24 months from the issuance date or three months from termination of the Agreement, by which VSBLTY Groupe will acquire all of the issued and outstanding common shares of the Company and the Company will become a wholly-owned subsidiary of VSBLTY Groupe. The Interest-Free Notes are recorded at their face value

The following is a schedule of future minimum repayments of notes payable as of December 31, 2018:

2019	$	150,000
2020		1,350,000
2021		50,000
	$	1,550,000

9. SHAREHOLDERS’ EQUITY

a) Share capital

Authorized share capital of the Company consists of 5,225,000 shares of common stock with a par value of $0.001 per share.

On December 12, 2018, VLP was converted into a Delaware C Corporation, converting all partnership units in VLP to common stock in the Company (see note 1). All references to and number of partnership units in these financial statements have been adjusted, on a retroactive basis, to reflect this conversion.

During the year ended December 31, 2018, the Company issued an aggregate of:

- 153,431 common shares for cash proceeds of $351,064, $19,943 of which was allocated to attached warrants (see note 9(b)); and
- 18,272 common shares for cash proceeds of $23,936, pursuant to the exercise of warrants.

During the year ended December 31, 2017, the Company issued an aggregate of:

- 465,865 common shares for cash proceeds of $969,000.

b) Warrants

	December 31, 2018		December 31, 2017	
	Number	**Amount**	**Number**	**Amount**
Balance, beginning of year	93,636	$ 76,734	28,091	$ 24,421
Issued with Notes	9,364	7,204	65,545	52,313
Issued with shares	150,000	19,943	-	-
Exercised	(18,272)	(15,885)	-	-
Balance, end of year	234,728	$ 87,996	93,636	$ 76,734

During the years ended December 31, 2018 and 2017, the Company issued Notes with attached warrants (see note 8) and shares with attached warrants (see note 9(a)). Each warrant issued with Notes entitles the holder to acquire one common share of the Company and is exercisable at a price of $1.31 per warrant for a period of three years. Each warrant issued with shares entitles the holder to acquire one common share of the Company and is exercisable at a price of $1.31 per warrant for a period of five years.

For the Notes issued during the year ended December 31, 2018, a value of $7,204 (2017 - $52,313) has been attributed to the attached warrants and was determined based on the Notes' principal value less the fair value attributed to the Notes.

For the shares issued during the year ended December 31, 2018, a value of $19,943 has been attributed to the attached warrants and was determined based on residual method after first estimating the fair value of the shares based on recent share issuances without attached warrants.

As at December 31, 2018, the weighted average remaining contractual life of outstanding warrants is 3.33 years.

10. EXPENSES BY NATURE

	Year ended December 31, 2018	Year ended December 31, 2017
Marketing expenses	$ 69,550	$ 39,811
Meals and entertainment	28,767	33,657
Tradeshow expenses	30,473	34,493
General and administrative expenses	133,249	48,693
Bad debt expense	5,446	2,151
Professional fees	399,840	220,635
Consulting fees (note 7)	335,899	-
Management fees	304,375	195,000
Rent	26,281	18,510
Salaries and wages	857,702	559,795
Travel	104,384	133,940
Depreciation (note 5)	11,070	5,295
Utilities	19,014	14,224
Research and development materials	13,811	-

Total sales and marketing, general and administrative expense, and research and development expenses	$	2,339,861	$	1,306,204

11. RELATED PARTY TRANSACTIONS

Key management compensation
During the year ended December 31, 2018, remuneration of the Company's key management consisted of management fees in the amount of $304,375 (2017 - $195,000). These fees are included in general and administrative expenses.

Other related party transactions
During the years ended December 31, 2018 and 2017, other related party transactions consisted of the following:

	December 31, 2018		December 31, 2017	
Creative services paid to a related entity, included in cost of sales	$	2,919	$	83,235
Installation and support services paid to a related entity, included in cost of sales	$	-	$	12,227
Marketing expenses paid to a related entity, included in sales and marketing expenses	$	29,476	$	1,875
Accounting and administrative fees paid to a related entity, included in general and administrative expenses	$	298,988	$	222,061
Contract project development labour paid to a related entity, included in research and development expenses	$	156,225	$	-
Bad debt expense recognized on related party receivables	$	46	$	-
Interest expense for notes payable to related parties, excluding discount accretion	$	47,920	$	35,803

Related party balances
At December 31, 2018, $4,807 (2017 - $9,068) was due from related parties and is included in trade and other receivables. The amounts were non-interest bearing and due on demand.

At December 31, 2018, $142,938 (2017 - $61,474) was due to related parties and is included in accounts payable and accrued liabilities. The amounts were non-interest bearing and due on demand.

At December 31, 2018, $1,412,500 (2017 - $362,500) in notes payable were due to related parties, excluding discounts.

12. COMMITMENTS

The Company leases an office space, shared with two other entities, one of which is related. A security deposit of $4,664 was paid and will be refunded at the end of the lease.

At December 31, 2018, total future minimum lease payments under the Company's office space leases are:

2019	$	24,610
2020		27,514
2021		28,201
2022		28,906
2023		29,629
Thereafter		2,525
	$	141,385

13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue its operations and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its equity, promissory notes and convertible debt.

The Company's primary source of capital is through the issuance of common shares, promissory notes and convertible debt. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term, but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.

14. FINANCIAL RISK MANAGEMENT

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Foreign Exchange Risk
Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Foreign exchange risks are closely monitored and attempts are made to match foreign cash inflows and outflows. As at December 31, 2018, the Company is exposed to foreign exchange risk through its outstanding convertible debentures which are denominated in Canadian dollars. The Company mitigates foreign exchange risk by monitoring foreign exchange rate trends and evaluating refinancing opportunities when possible. Based on current exposures as at December 31, 2018 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the United States dollar would result in a gain or loss of approximately $107,961 in the Company's statements of loss and comprehensive loss.

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness and mitigate its credit risk on receivables by actively managing and monitoring its receivables. It has been determined that no allowance is required, as all amounts outstanding are considered collectible. During the year ended December 31, 2018, the Company incurred $5,446 in bad debt expense (2017 - $2,151). The Company mitigates credit risk by evaluating the creditworthiness of customers prior to conducting business with them and monitoring its exposure for credit losses with existing customers.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2018, the Company is exposed to interest rate risk through its outstanding Notes which bear interest at prime plus 550 basis points. The Company mitigates interest rate risk by monitoring interest rate trends and evaluating refinancing opportunities when possible.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity financing obtained through the issuance of equity and common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

15. BASIS OF FAIR VALUE

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from 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); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable marker data (unobservable inputs).

The Company's financial instruments consist of cash, trade and other receivables, accounts payable and accrued liabilities, convertible debentures, embedded derivatives and notes payable. With the exception of convertible debentures, embedded derivatives and notes payable, the carrying value of the Company's financial instruments approximate their fair values due to their short-term maturities. The fair value of convertible debentures and notes payable approximate their carrying value, excluding discounts, due to minimal changes in interest rates and the Company's credit risk since issuance of the instruments. Embedded derivatives are classified as level 3 financial instruments and are remeasured at fair value every reporting period.

16. INCOME TAXES

a) Income tax expense

The following table reconciles the expected income tax expense at United States statutory income tax rates to the amounts recognized in the statements of loss and comprehensive loss for the year ended December 31, 2018:

		December 31, 2018
Net loss before taxes	$	(2,449,382)
Statutory tax rate		21%
Expected income tax recovery	$	(514,000)
Income tax recovery allocated to partners		403,000
Non-deductible items		3,000
Other		(32,000)
Change in deferred tax assets not recognized		140,000
Total income tax expense (recovery)	$	-

b) Deferred tax assets and liabilities

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. Deferred tax assets (liabilities) as at December 31, 2018 are as follows:

		December 31, 2018
Convertible debentures and notes payable	$	(15,000)
Embedded derivatives		12,000
Tax loss carryforwards		102,000
		99,000
Unrecognized deferred tax asset		(99,000)
Net deferred tax asset	$	-

The Company did not recognize deferred tax assets for the following deductible temporary differences because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom:

		December 31, 2018
Embedded derivatives	$	59,000
Tax loss carryforwards		488,000
Unrecognized deductible temporary differences	$	547,000

As at December 31, 2018, the Company had net operating tax loss carryforwards in the United States of $488,000 which can be applied to reduce future United States taxable income and will expire in 2038.

17. SUBSEQUENT EVENTS

Pursuant to the Acquisition, the Company's shareholders received common shares of VSBLTY Groupe in exchange for their common shares of the Company, on the basis that each common share issued and outstanding before the Acquisition were exchanged for 7.21228396 fully paid and non-assessable common shares of VSBLTY Groupe.

Immediately prior to the closing of the Acquisition,

- all of the Company's Debentures were converted into common shares in accordance with their terms;
- all of the Company's outstanding warrants were exercised for common shares for no consideration; and
- the Notes of the Company and related accrued interest in the aggregate amount of $656,410 were settled in consideration for an aggregate of 395,708 common shares of the Company, resulting in each of the holders receiving one common share in the Acquisition for each $0.23 of debt outstanding for a total of 2,853,956 common shares of VSBLTY Groupe.

The Company's common shareholders as of the effective time of the Acquisition received an aggregate of 61,853,958 common shares of VSBLTY Groupe.