VSBLTY Groupe Technologies Corp.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2020 and 2019

(Expressed in United States dollars)
(Unaudited)

VSBLTY Groupe Technologies Corp.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in United States dollars)

	Notes	March 31, 2020	December 31, 2019
ASSETS		(Unaudited)	
Current assets			
Cash		$ 374,586	$ 499,435
Trade and other receivables	13	456,950	44,191
Prepaid expenses		281,679	428,497
		1,113,215	972,123
Equipment	6	28,917	59,450
Lease assets	9	216,516	229,085
Deposits		10,916	10,916
Total assets		$ 1,369,564	$ 1,271,574
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7, 13	$ 988,069	$ 566,180
Deferred revenue		2,720	3,825
Current portion of lease liabilities	9	65,493	61,982
		1,056,282	631,987
Lease liabilities	9	170,477	181,073
Convertible debentures	8	2,983,104	2,357,980
Total liabilities		4,209,863	3,171,040
SHAREHOLDERS' DEFICIENCY			
Share capital	10	10,138,607	9,948,497
Reserves	10	2,613,521	2,357,422
Obligation to issue warrants		19,127	19,127
Accumulated deficit		(15,768,104)	(14,173,281)
Accumulated other comprehensive income (loss)		156,550	(51,231)
Total shareholders' deficiency		(2,840,299)	(1,899,466)
Total liabilities and shareholders' deficiency		$ 1,369,564	$ 1,271,574
Nature of operations and going concern	1		
Subsequent events	16		

APPROVED BY THE BOARD OF DIRECTORS:

"Jay Hutton" Director *"Alnesh Mohan"* Director

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

VSBLTY Groupe Technologies Corp.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in United States dollars)
(Unaudited)

		Three months ended March 31,	
	Notes	**2020**	**2019**
Revenue			
License fees		$ 31,822	$ 26,940
Connectivity		-	4,080
Professional services		7,000	-
Software license development		375,000	-
Hardware and other		3,663	34,247
		417,485	65,267
Cost of sales	13	(344,973)	(4,815)
Gross profit		72,512	60,452
Sales and marketing expenses	11, 12	(407,835)	(216,887)
General and administrative expenses	11, 12	(715,279)	(649,027)
Research and development expenses	11, 12	(233,175)	(285,570)
Share-based payments	10(c)	(96,554)	(350,026)
Loss on disposal of equipment		(28,609)	-
Operating loss		(1,408,940)	(1,441,058)
Listing expense	5	-	(491,568)
Finance costs	7, 10, 14	(183,313)	(25,572)
Change in fair value of derivative liability		-	60,162
Loss on settlement of debt		-	(12,063)
Interest income		-	2,280
Foreign exchange loss		(2,570)	(19,802)
Net loss for the period		(1,594,823)	(1,927,621)
Foreign currency translation		207,781	(14,160)
Comprehensive loss for the period		$ (1,387,042)	$ (1,941,781)
Loss per share – Basic and diluted		$ (0.02)	$ (0.03)
Weighted average shares outstanding – Basic and diluted		80,822,126	56,246,300

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

VSBLTY Groupe Technologies Corp.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN DEFICIENCY
(Expressed in United States dollars)
(Unaudited)

	Notes	Number of common shares	Share capital	Reserves	Obligation to issue warrants	Accumulated deficit	Accumulated other comprehensive income (loss)	Total shareholders' deficiency
Balance, December 31, 2018		37,307,078	$ 4,335,914	$ 87,996	$ -	$ (6,806,257)	$ -	$ (2,382,347)
Shares issued pursuant to reverse	10(a)	24,546,881	1,761,552	(87,996)		-	-	1,673,556
Conversion of special warrants	10(a)	14,600,000	2,751,370	-	-	-	-	2,751,370
Exercise of warrants	10(b)	495,000	148,863	(701)	-	-	-	148,162
Share-based payments	10(c)	-	-	350,026	-	-	-	350,026
Foreign currency translation		-	-	-	-	-	(14,160)	(14,160)
Loss for the period		-	-	-	-	(1,927,621)	-	(1,927,621)
Balance, March 31, 2019		76,948,959	$ 8,997,699	$ 349,325	$ -	$ (8,733,878)	$ (14,160)	$ 598,986
Balance, December 31, 2019		80,313,071	$ 9,948,497	$ 2,357,422	$ 19,127	$ (14,173,281)	$ (51,231)	$ (1,899,466)
Convertible debt issuance		-	-	152,572	-	-	-	152,572
Convertible debt issuance costs	10(a)	87,000	14,063	16,755	-	-	-	30,818
Convertible debt conversion	10(b)	928,567	176,047	(9,782)	-	-	-	166,265
Share-based payments	10(c)	-	-	96,554	-	-	-	96,554
Foreign currency translation		-	-	-		-	207,781	207,781
Loss for the period		-	-	-		(1,594,823)	-	(1,594,823)
Balance, March 31, 2020		81,328,638	$ 10,138,607	$ 2,613,521	$ 19,127	$ (15,768,104)	$ 156,550	$ (2,840,299)

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements .

VSBLTY Groupe Technologies Corp.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)
(Unaudited)

	Three months ended March 31 2020	2019
Cash flows from operating activities		
Loss for the period	$ (1,594,823)	$ (1,927,621)
Adjustments for non-cash items:		
Depreciation	14,493	9,569
Accretion expense	94,953	10,020
Share-based payments	96,554	350,026
Listing expense	-	491,568
Change in fair value of derivative liability	-	(60,162)
Loss on settlement of debt	-	12,063
Foreign exchange gain	(38,864)	1,928
Loss on disposal of equipment	28,609	-
Changes in non-cash working capital items:		
Trade and other receivables	(412,759)	(32,878)
Prepaid expenses and deposits	146,818	19,263
Accounts payable and accrued liabilities	421,888	(117,916)
Deferred revenue	(1,105)	(4,080)
Net cash used in operating activities	(1,244,236)	(1,248,220)
Cash flows from investing activities		
Acquisition of equipment	-	(26,682)
Cash acquired in reverse takeover	-	1,854,451
Net cash provided by investing activities	-	1,827,769
Cash flows from financing activities		
Principal portion of lease payments	(7,085)	1,194
Proceeds from issuance of convertible debt	1,225,767	-
Convertible debt transactions costs	(99,295)	-
Proceeds from exercise of warrants	-	148,162
Net cash provided by financing activities	1,119,387	149,356
Net increase (decrease) in cash	(124,849)	728,905
Cash and cash equivalents, beginning of period	499,435	832,827
Cash and cash equivalents, end of period	$ 374,586	$ 1,561,732
Supplemental cash flow disclosures:		
Interest paid	$ 99,436	$ 2,706
Income taxes paid	-	-
Promissory notes and accrued interest settled for shares	-	656,410
Convertible debt converted into shares	176,047	1,131,304
Non-cash exercise of warrants	-	87,996
Settlement of intercompany loans and advances on acquisition	-	948,590
Initial recognition of lease assets and liabilities	$ -	$ 107,838

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

VSBLTY Groupe Technologies Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on August 1, 2018. The Company’s head office is located at Suite 206, 595 Howe Street, Vancouver, British Columbia, V6C 2T5 and its registered office is located at The Corporation Trust Center, 1201 Orange Street, City of Wilmington, New Castle County, DE 19801. 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 shares trade on the Canadian Securities Exchange under the symbol “VSBY” and the Frankfurt stock exchange under the symbol “5VS”.

These condensed consolidated interim 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 March 31, 2020, the Company had not yet achieved profitable operations and has an accumulated deficit of $15,768,104 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 capital market equity financings. 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.

COVID-19
The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company’s business activities. The extent to which the coronavirus may impact the Company’s business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

Reverse takeover
On December 12, 2018, the Company, VSBLTY, Inc. and VSBLTY Merger Co., a wholly-owned subsidiary of the Company incorporated in Delaware, U.S. entered into a Merger Agreement (the “Agreement”) pursuant to which the Company acquired all of the issued and outstanding common shares of VSBLTY, Inc. (the “Acquisition” or the “RTO”) for 7.21228396 common shares of the Company for each VSBLTY, Inc. outstanding. The Acquisition closed on February 15, 2019 and VSBLTY, Inc. became a wholly-owned subsidiary.

2. BASIS OF PRESENTATION

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 28, 2020.

b) Basis of measurement

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

The preparation of these condensed consolidated interim 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 condensed consolidated interim financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates.

These condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout these condensed consolidated interim 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) Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, VSBLTY, Inc. All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an entity, when the Company is exposed, or has rights, to variable returns from the entity and when the Company has the ability to affect those returns through its power over the entity. Subsidiaries are included in the condensed consolidated interim financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. Where necessary, adjustments are made to the condensed consolidated interim financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited financial statements for the year ended December 31, 2019, except for those summarized below. These condensed consolidated interim statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2019.

a) 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 five revenue categories being, software license fees, software license development, 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. Software development is comprised of contracted software development services. 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, software license development, 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.

Revenue from software license development is evaluated to determine whether performance obligations are satisfied at point in time or over time based on whether the software does not have an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date:

- For software license development license where performance obligations are satisfied at a point in time, revenue is recognized when control of the software has transferred to the customer; and
- for software license development where performance obligations are satisfied over time, revenue is recognized using a method of transfer that depicts the Company's performance or using the "as-invoiced" practical expedient, when applicable.

During the three months ended March 31, 2020, the Company entered into a software license development arrangement which is being recognized over time using the as-invoiced practical expedient based on achievement of development milestones.

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.

b) 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 determined that there are no standards that are relevant to the Company.

4. USE OF JUDGMENTS AND ESTIMATES

In preparing these condensed consolidated interim 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. 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.

In preparing these condensed consolidated interim financial statements, the significant estimates and critical judgments were the same as those applied to the financial statements as at and for the year ended December 31, 2019, except for the following:

Revenue
The Company's software license development arrangements often include multiple goods and services. The Company exercises judgement in the determination of whether individual performance obligations related to software license development goods and services are distinct. 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.

The Company exercises judgment over whether software license development performance obligations are satisfied at a point in time or recognized over time. Software license development arrangements are reviewed for specific criteria, including whether the developed software will have an alternative use to the Company. It is the judgment of management that where the software is highly specialized and has no alternative use in its completed state due to practical limitations, revenue will be recognized over time.

5. REVERSE TAKEOVER

As described in note 1, on February 15, 2019, the Company completed the RTO with VSBLTY, Inc. whereby each share of VSBLTY, Inc. was exchanged, on a 7.21228396 for one basis, for the issued and outstanding common shares of the Company, with VSBLTY, Inc. becoming a wholly-owned subsidiary of the Company.

At the time of the RTO, the Company did not constitute a business as defined under IFRS 3; therefore, the RTO is accounted under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a listing expense to net loss. As VSBLTY, Inc. is deemed to be the accounting acquirer for accounting purposes, these consolidated financial statements present the historical financial information of VSBLTY, Inc. up to the date of the RTO.

(Expressed in United States dollars)

The fair value of the consideration issued for the net assets of the Company is as follows:

Consideration:		
Fair value of shares issued (14,600,001 shares at $0.19)	$	2,751,370
Fair value of share purchase warrants and special warrants		652,255
Settlement of debt		(948,590)
Total consideration		2,455,035
Fair value of net assets of the Company:		
Cash		1,854,451
Trade and other receivables		7,114
Prepaid expenses		118,685
Accounts payable		(16,783)
Total net assets		1,963,467
Listing expense	**$**	**491,568**

In connection with the completion of the RTO, the Company issued the following:

- 14,600,000 units. Each unit consist of one common share and one-half of a warrant. Each warrant is exercisable into one share at a price of CAD$0.40 per share for a period equal to the shorter of (i) one year after the date that the shares are listed on the Canadian Stock Exchange, and (ii) five years after the issue date of the special warrants.
- 760,426 warrants, each of which is exercisable to purchase one common share at a price of CAD$0.40 per share for a period of 12 months from October 17, 2018.

The fair value of warrants and special warrants assumed in the Acquisition was determined to be $652,255 and estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	2.50 - 2.55%
Expected volatility	150%
Dividend yield	0%
Expected life	0.67 - 1.03 years

6. EQUIPMENT

		Computer equipment		Equipment		Total
Cost						
Balance, December 31, 2018	$	9,998	$	37,214	$	47,212
Additions		12,960		37,070		49,760
Disposal		(1,511)		(10,000)		(11,511)
Balance, December 31, 2019		21,177		64,284		85,461
Disposal		(9,998)		(32,583)		(42,581)
Balance, March 31, 2020	$	11,179	$	31,701	$	42,880

	Computer equipment	Equipment	Total
Accumulated depreciation			
Balance, December 31, 2018	$ 8,164	$ 9,701	$ 17,865
Additions	5,790	15,119	20,909
Disposal	(484)	(12,279)	(12,763)
Balance, December 31, 2019	13,470	12,541	26,011
Additions	(571)	2,495	1,924
Disposal	(9,998)	(3,974)	(13,972)
Balance, March 31, 2020	$ 2,901	$ 11,062	$ 13,963

	Computer equipment	Equipment	Total
Net book value			
Balance, December 31, 2019	$ 7,707	$ 51,743	$ 59,450
Balance, March 31, 2020	$ 8,278	$ 20,639	$ 28,917

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2020	December 31, 2019
Accounts payable	$ 355,417	$ 307,994
Accrued liabilities	554,661	161,877
Accrued interest	77,991	96,309
	$ 988,069	$ 566,180

8. CONVERTIBLE DEBENTURES

2020 Debentures

On February 26, 2020, the Company closed a private placement offering of unsecured, brokered convertible debentures for gross proceeds of $613,989 (CAD$870,000) and unsecured, non-brokered convertible debentures for gross proceeds of $526,626 (CAD$760,380) (collectively, the “2020 Debentures”). Of the proceeds raised, $30,000 was paid to certain subscribers for consulting expenses.

The 2020 Debentures are denominated in Canadian dollars, bear interest at a rate of 10% per annum, payable semi-annually and will mature two years from the date of issuance. The principal amount of the debentures may be converted, in whole or in part, at any time before the maturity date, into units at CAD$0.30 per unit, if converted at any time before one year from the closing date, or otherwise convertible at CAD$0.60 per unit if converted after one year from the closing date but before the maturity date. Each unit issued upon conversion consists of one common share in the capital of the Company and one share purchase warrant. Each warrant will be exercisable at a price of CAD$0.60 per warrant share for a period of 24 months from the closing date, subject to certain acceleration rights of the Company.

The 2020 Debentures were determined to be a financial instrument comprising an equity classified conversion feature with a host debt component. On initial recognition, the Company used the residual value method to allocate the principal amount of the debentures between the two components. The host debt component was valued first, based on similar debt securities without an embedded conversion feature and the residual was allocated to the equity-classified conversion feature.
In connection with the issuance of the debentures the Company:

- Issued 232,000 broker warrants, valued at CAD$22,286 based on their grant date fair value determined using Black-Scholes Option Pricing Model with the following weighted average assumptions: expected dividend yield - 0%, expected volatility - 100%, risk-free interest rate – 1.32% and an expected life - 2 years. Each broker warrant issued in connection with the debentures entitles the holder to purchase one share at a price of CAD$0.30 per Share for a period of 24 months from the closing date;
- issued 87,000 broker shares, valued at CAD$18,705 based on their grant date fair value; and
- incurred CAD$124,474 in directly attributable cash transaction costs for consulting fees, agent commissions, legal fees and out-of-pocket expenses.

Transaction costs were allocated between the debt and equity components of the debentures on a relative fair value basis.

2019 Debentures
During the year ended December 31, 2019, the Company closed the following private placement offerings of convertible debentures:

- July 18, 2019 - unsecured convertible debentures for gross proceeds of $570,956 (CAD$745,500) (the "July 18, 2019 Debentures") of which $269,969 (CAD$352,500) was issued to related parties;
- August 29, 2019 - unsecured, brokered convertible debentures for $875,952 (CAD$1,165,000);
- September 19, 2019 - unsecured convertible debentures for gross proceeds of $1,398,777 (CAD$1,857,120); and
- October 22, 2019 unsecured convertible debentures for gross proceeds of $836,927 (CAD$1,095,598), of the proceeds received, $250,000 was paid to subscribers for consulting and marketing fees expenses and $204,500 is outstanding in prepaid expenses for service to be received.
  (collectively, the "2019 Debentures")

The 2019 Debentures are denominated in Canadian dollars, bear interest at a rate of 10% per annum, payable semi-annually and will mature two years from the date of issuance. The principal amount of the 2019 Debentures may be converted, in whole or in part, at any time before the maturity date, into units at CAD$0.35 per unit, except for the July 18, 2019 Debentures which can be converted at CAD$0.45 per unit, if converted at any time before one year from the closing date, or otherwise convertible at CAD$0.60 per unit if converted after one year from the closing date but before the maturity date. Each unit issued upon conversion consists of one common share in the capital of the Company and one-half of a share purchase warrant. Each whole warrant will be exercisable at a price of CAD$0.60 per warrant share for a period of 24 months from the closing date, subject to certain acceleration rights of the Company.

(Expressed in United States dollars)

The 2019 Debentures were determined to be a financial instrument comprising an equity classified conversion feature with a host debt component. On initial recognition, the Company used the residual value method to allocate the principal amount of the 2019 Debentures between the two components. The host debt component was valued first, based on similar debt securities without an embedded conversion feature and the residual was allocated to the equity-classified conversion feature.
In connection with the issuance of the 2019 Debentures the Company:

- Issued 748,342 broker warrants, valued at CAD$160,334 based on their grant date fair value determined using Black-Scholes Option Pricing Model with the following weighted average assumptions: expected dividend yield - 0%, expected volatility - 150%, risk-free interest rate – 1.51% and an expected life - 2 years. Each broker warrant issued in connection with the 2019 Debentures entitles the holder to purchase one share at a price of CAD$0.35 per Share for a period of 24 months from the closing date;
- issued 283,199 broker shares, valued at CAD$87,004 based on their grant date fair value; and
- incurred CAD$539,825 in directly attributable cash transaction costs for consulting fees, agent commissions, legal fees and out-of-pocket expenses.

Transaction costs were allocated between the debt and equity components of the 2019 Debentures on a relative fair value basis.

A continuity of the Company’s convertible debt is as follows:

	2020 Debentures	2019 Debentures	2018 Debentures	Total
Balance, December 31, 2018	$ -	$ -	$ 1,079,606	$ 1,079,606
Issued during the period	-	3,682,612	-	3,682,612
Allocated to conversion feature	-	(511,478)	-	(511,478)
Transaction costs	-	(510,836)	-	(510,836)
Accretion	-	111,653	6,526	118,179
Foreign exchange loss	-	32,060	14,430	46,490
Converted to common shares	-	(446,031)	(1,100,562)	(1,546,593)
Balance, December 31, 2019	$ -	2,357,980	$ -	$ 2,357,980
Issued during the period	1,225,767	-	-	1,225,767
Allocated to conversion feature	(170,247)	-	-	(170,247)
Transaction costs	(112,439)	-	-	(112,439)
Accretion	11,355	83,598	-	94,953
Foreign exchange loss	(58,421)	(187,255)	-	(245,676)
Converted to common shares	-	(167,234)	-	(167,234)
Balance, March 31, 2020	**$ 896,015**	**$ 2,087,089**	**$ -**	**$ 2,983,104**

(Expressed in United States dollars)

During the three months ended March 31, 2020, $242,130 (CAD$325,000) in principal of 2019 Debentures were converted in 928,567 common shares and 464,281 warrants of the Company. Upon conversion, the carrying value of debt and equity conversion feature were transferred to share capital and warrant reserves with no gain or loss recorded.

The following is a schedule of future minimum repayments of convertible debentures as of March 31, 2020:

2020	$	-
2021		2,585,257
2022		1,150,615
	$	**3,735,872**

9. LEASES

The Company leases certain assets under lease agreements. The lease liability consists of a single lease for office space. The leases have an imputed interest rate of 10% per annum and expire in 2024.

Lease assets		**Property**
At January 1, 2019	$	107,838
Additions		147,020
Depreciation expense		(25,773)
At December 31, 2019		229,085
Depreciation expense		(12,569)
At March 31, 2020	$	216,516

The Company's lease liability related to office leases is as follows:

Lease liability		**March 31, 2020**		**December 31, 2019**
Current portion	$	65,493	$	61,982
Long-term portion		170,477		181,073
Total lease liability	$	235,970	$	243,055

At March 31, 2019, the Company is committed to minimum lease payments as follows:

Maturity analysis		**March 31, 2019**
Less than one year	$	65,493
One to five years		227,151
Total undiscounted lease liabilities	$	292,644

(Expressed in United States dollars)

The adoption of IFRS 16 had the following impact for the three months ended March 31, 2019 and 2018:

Amounts recognized in profit or loss		March 31, 2019		March 31, 2019
Interest on lease liabilities	$	6,031	$	2,706

Amounts recognized in the statement of cash flows		March 31, 2019		March 31, 2019
Interest paid	$	6,031	$	2,706
Principal payments on lease liabilities		7,085		(1,194)
Total cash outflows for leases	$	13,116	$	1,512

10. SHAREHOLDERS' EQUITY

a) Share capital

Authorized share capital of the Company consists of an unlimited number of common shares with no par value.

During the three months ended March 31, 2020, the Company issued an aggregate of:

- 928,567 common shares on conversion of the Company's Debentures (see note 8); and
- 87,000 common shares granted to brokers as transaction costs for the Company's debentures (see note 8).

During the year ended December 31, 2019, the Company issued:

- 20,000,000 common shares on conversion of the Company's 2018 Debentures;
- 2,853,956 common shares for settlement of the Notes and related accrued interest (see note 10);
- 1,692,925 common shares pursuant to the exercise of warrants;
- 14,600,000 common shares, pursuant to the automatic conversion of special warrants to one share and one-half share purchase warrant upon receipt of a final prospectus qualifying the distribution of the shares and warrants;
- 900,917 common shares for cash proceeds of $269,605(CAD$360,367), pursuant to the exercise of warrants;
- 174,996 common shares granted to a non-employee in exchange for services with a fair value of $76,715 (CAD$$101,500);
- 283,199 common shares granted to brokers as transaction costs for the Company's 2019 Debentures (see note 9); and
- 2,500,000 common shares on conversion of the Company's 2019 Debentures (see note 9).

(Expressed in United States dollars)

b) Warrants

Continuity of the Company's U.S. dollar denominated warrants is as follows:

	Number of warrants		Weighted average exercise price
Outstanding, December 31, 2018	1,692,925	$	0.18
Exercised	(1,692,925)		0.18
Outstanding, December 31, 2019 and March 31, 2020	**-**	$	**-**

Continuity of the Company's Canadian dollar denominated warrants is as follows:

	Number of warrants		Weighted average exercise price ($CAD)		Weighted average exercise price ($USD)
Outstanding, December 31, 2018	-	$	-	$	-
Acquired upon Acquisition	8,060,426		0.40		0.31
Granted	1,998,342		0.51		0.39
Exercised	(900,917)		0.40		0.31
Expired	(752,426)		0.40		0.31
Outstanding, December 31, 2019	8,405,425	$	0.43	$	0.33
Granted	696,281		0.50		0.35
Expired	(6,407,083)		0.40		0.28
Outstanding, March 31, 2020	**2,694,623**	**$**	**0.50**	**$**	**0.36**

As at March 31, 2020, the following warrants were outstanding and exercisable:

Number of warrants outstanding		Exercise price ($CAD)	Exercise price ($USD)	Expiry date	Number of warrants exercisable
266,286		0.35	0.25	August 29, 2021	266,286
386,513		0.35	0.25	September 19, 2021	386,513
750,000		0.60	0.42	September 20, 2021	750,000
95,543		0.35	0.25	October 22,2022	95,543
500,000		0.60	0.42	October 22, 2022	500,000
232,000		0.30	0.21	February 26, 2022	232,000
464,281		0.60	0.42	September 20, 2021	464,281
2,694,623	**$**	**0.50**	**0.36**		**2,694,623**

As at March 31, 2020, the weighted average remaining contractual life of outstanding warrants is 1.77 years.

(Expressed in United States dollars)

c) Options

The Company has adopted an incentive stock option plan (the "Plan") under which the aggregate number of securities reserved for issuance will be 10% of the number of common shares of the Company issued and outstanding. The Plan is administered by the Board of Directors (the "Board"), which has full and final authority with respect to the granting of all options thereunder. Options may be granted under the Plan to such service providers of the Company and its affiliates, if any, as the Board may from time to time designate. The exercise prices will be determined by the Board, but will, in no event, be less than the closing market price of Common Shares on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options. All options granted under the Plan will expire not later than the date that is ten years from the date that such options are granted. Options granted under the Plan are not transferable or assignable other than by testamentary instrument or pursuant to the laws of succession.

Continuity of the Company's stock options is as follows:

	Number of options		Weighted average exercise price ($CAD)		Weighted average exercise price ($USD)
Outstanding, December 31, 2018	-	$	-	$	-
Granted	6,555,000		0.31		0.24
Forfeited	(500,000)		0.30		0.23
Outstanding, December 31, 2019	6,055,000	$	0.31	$	0.24
Granted	250,000		0.30		0.21
Outstanding, March 31, 2020	**6,305,000**	**$**	**0.31**	**$**	**0.22**
Exercisable, March 31, 2020	**5,811,250**	**$**	**0.31**	**$**	**0.22**

As at March 31, 2019, the following stock options were outstanding and exercisable:

Number of options outstanding		Exercise price ($CAD)		Exercise price ($USD)	Expiry date	Number of options exercisable
200,000	$	0.60	$	0.42	April 23, 2020	200,000
25,000		0.50		0.35	June 5, 2022	6,250
5,230,000		0.30		0.21	February 15, 2023	5,230,000
75,000		0.41		0.29	August 8, 2022	18,750
300,000		0.33		0.23	August 20, 2022	300,000
125,000		0.30		0.21	November 02, 2021	31,250
50,000		0.30		0.21	November 07, 2021	12,500
50,000		0.30		0.21	December 15, 2024	12,500
250,000		0.30		0.21	January 1, 2025	-
6,305,000	**$**	**0.31**	**$**	**0.22**		**5,811,250**

As at March 31, 2020, the weighted average remaining contractual life of outstanding options is 2.81 years.

(Expressed in United States dollars)

On January 12, 2020, the Company granted 250,000 options to purchase common shares to an advisory board member. The options are exercisable for five years from the grant date at an exercise price of CAD$0.30 per share. The options vest in tranches of 25% every three months until fully vested.

Employee options were measured at fair value on the grant date and recognized over the vesting period from the date of grant. Nonemployee options were measured indirectly with reference to the fair value of the equity instruments granted as the fair value of goods and services received cannot be measured reliably. Nonemployee options are measured at the end of each reporting period over the term that goods and services are received.

The fair value of stock options granted during the three months ended March 31, 2020 and the year ended December 31, 2019 was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	**March 31, 2020**	**December 31, 2019**
Risk-free interest rate	1.62%	1.38 - 2.50%
Expected volatility	100%	150%
Dividend yield	0%	0%
Expected life	5.00 years	1.00 - 5.00 years

d) Performance shares

On February 15, 2019, the Board agreed to issue to six executives, up to a total of 3,000,000 common shares of the Company with a grant date fair value of $0.23 per share (CAD$0.30 per share) upon the Company meeting certain bonus criteria.

The performance conditions are not related to the market price of the equity instruments of the Company and, as a result, they are non-market performance conditions. At March 31, 2020:

- Bonus criteria for 1,000,000 performance shares have been met but common shares have not yet been issued;
- 1,000,000 performance shares are no longer eligible for vesting as the as the bonus criteria timeline has expired; and
- Management does not anticipate achieving the established bonus criteria for the remaining 1,000,000 performance shares, therefore the instruments are not expected to vest and nothing has been recorded for their fair value. Management will re-evaluate its assessment every reporting period and changes, if any, will be reflected in future periods.

(Expressed in United States dollars)

On October 10, 2019, the Company executed a market software as a service agreement. Per the agreement, the Company shall issue 1,000,000 share purchase warrants when certain milestones are met:

- 100,000 warrants issued at execution
- 300,000 warrants issued upon the achievement of $250,000 of cumulative license revenue to VSBLTY, Inc.
- 300,000 warrants issued upon the achievement of $500,000 of cumulative license revenue to VSBLTY, Inc.
- 300,000 warrants issued upon the achievement of $1,000,000 of cumulative license revenue.

The performance conditions are not related to the market price of the equity instruments of the Company and, as a result, they are non-market performance conditions. At December 31, 2019, management estimates that certain bonus criteria will be met, and has an obligation to issue 100,000 warrants. Each warrant is exercisable at the lowest price permitted by the policies of the CSE at the time of issuance for a period of three years from issuance. As a result, $19,127 has been recorded to share-based payments expense. Management will re-evaluate its assessment every reporting period and changes, if any, will be reflected in future periods. As at March 31, 2020, there were no changes to the assessment.

11. EXPENSES BY NATURE

	Three months ended March 31, 2020	Three months ended March 31, 2019
Marketing expenses	245,292	92,548
Meals and entertainment	14,590	22,879
Tradeshow expenses	44,091	44,085
General and administrative expenses	93,650	44,587
Professional fees	58,067	80,738
Consulting fees	150,476	202,490
Management fees	169,634	117,000
Rent	5,414	6,657
Salaries and wages	246,015	174,322
Travel	48,164	67,207
Depreciation (note 6)	1,924	4,351
Lease-related depreciation (note 10)	12,569	5,218
Utilities	14,498	9,571
Investor relations	32,316	9,108
Transfer agent and filing fees	6,414	15,153
Research and development contract labour expense	213,175	255,570
Total sales and marketing, general and administrative expense, and research and development expenses	$ 1,356,289	$ 1,151,484

(Expressed in United States dollars)

12. RELATED PARTY TRANSACTIONS

Key management compensation
During the three months ended March 31, 2020, remuneration of the Company’s key management personnel consisted of management fees of $165,667 (2019 - $169,500) and share-based payments of $24,756 (2019 - $200,205). Management fees are included in general and administrative expenses and sales and marketing expense.

Other related party transactions
During the three months ended March 31, 2020 and 2019, other related party transactions consisted of the following:

		Three months ended March 31, 2020		**Three months ended March 31, 2019**
Marketing expenses paid to a related entity, included in sales and marketing expenses	$	84,189	$	75,529
Accounting and administrative fees paid to related entities, included in general and administrative expenses		7,256		68,082
Contract project development labour paid to a related entity, included in research and development expenses		15,000		156,488
Contract project development labour paid to a related entity, cost of sales		333,333		-
Interest expense for notes payable to related parties, excluding discount accretion	$	6,547	$	6,882

Related party balances
At March 31, 2020, $5,664 (December 31, 2019 - $4,768) was due from related parties and is included in trade and other receivables. The amounts were non-interest bearing and due on demand.

At March 31, 2020, $312,464 (December 31, 2019 - $53,030) 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 March 31, 2020, $248,771 (December 31, 2019 - $270,781) in convertible debentures were due to related parties, excluding discounts.

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. 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 March 31, 2020, the Company is primarily exposed to foreign exchange risk through its cash and cash equivalents denominated in Canadian dollars. The Company mitigates foreign exchange risk by monitoring foreign exchange rate trends and evaluating reinvestment opportunities when possible. The Company does not currently hedge its foreign exchange risk. Based on current exposures as at March 31, 2020 and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the United States dollar would result in a gain or loss of approximately $22,000 in the Company's condensed consolidated 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, cash equivalents and trade and other 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. Trade and other receivables also includes refundable goods and services tax which bears minimal credit risk as it is receivable from the Canadian government. The Company has been determined that no allowance is required, as all amounts outstanding are considered collectible. During the three months ended March 31, 2020, the Company incurred $nil in bad debt expense (2019 - $nil). 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 March 31, 2020, the Company is not exposed to significant interest rate risk.

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 and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, lease liabilities and convertible debentures. With the exception of lease liabilities and convertible debentures, the carrying value of the Company’s financial instruments approximate their fair values due to their short-term maturities. The fair value of lease liabilities and convertible debentures approximate their carrying value due to minimal changes in interest rates and the Company’s credit risk since initial recognition.

16. SUBSEQUENT EVENTS

On April 9, 2020, the Company closed the second tranche of its private placement of unsecured convertible debentures for gross proceeds of CAD$230,000. The principal amount of the debentures may be converted, in whole or in part, at any time before the maturity date, into units of the Company at CAD$0.30 per unit, if converted at any time before one year from the closing date, or otherwise convertible at CAD$0.60 per unit if converted after one year from the closing date but before the maturity date. Each unit issued upon conversion consists of one common share in the capital of the Company and one-half of a share purchase warrant. Each whole warrant will be exercisable into one Share at a price of CAD$0.60 per warrant share for a period of 24 months from the closing date, subject to certain acceleration rights of the Company. The Company paid a cash commission to the agent of $CAD $16,000, a finance fee of 20,000 Shares and issued 53,333 non-transferable broker warrants. Each broker warrant entitles the Agent to purchase one Share at the price of $0.30 per share for a period of 24 months from the closing date.

On May 1, 2020, the Company issued a promissory note for $100,000. The note is interest bearing at 36% per annum and due on July 31, 2020. The note is secured against the Company's trade accounts receivable.

In March 2020, the U.S. government passed the Coronavirus Aid, Relief, and Economic Security Act, ("CARES ACT") to provide financial assistance to individuals and businesses. A major component of the CARES ACT is the Paycheck Protection Program ("PPP"). The principal aim of the PPP is to provide loans to small businesses so that they have sufficient funds to keep employees on the payroll. The loans are available through the U.S. government's Small Business Administration, ("SBA"). PPP loans are obtained by applying through an SBA approved lender. Borrowers are required to certify that the current economic uncertainty necessitates the loan request.

The amount of a PPP loan is the lesser of $10.0 million or 2.5 times a company's average monthly payroll, including salaries, lease/mortgage interest and utilities, the Company received $203,509 in loan proceeds in May of 2020. The loan proceeds are only to be used for payroll and other allowable expenses. The loan term is for two years and has a fixed interest rate of 1%. There are no repayments of principal and interest required for the first six months of the loan. If employers maintain their payroll for eight weeks, then 100% of the loan can be forgiven. The amount forgiven depends upon the number of employees retained in the eight week period following loan funding

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