Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2020

Background

This management discussion and analysis ("**MD&A**") of the financial position of VSBLTY Groupe Technologies Corp. (the "**Company**" and "**us**," "**our**" or "**we**") and results of its operations for the three months ended March 31, 2020 is prepared as at May 28, 2020. This MD&A should be read in conjunction with the condensed consolidated interim financial statements for the three months ended March 31, 2020 and 2019 and the related notes thereto and the audited financial statements for the years ended December 31, 2019 and 2018. Those unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). All currency amounts are expressed in United States dollars, unless otherwise noted.

Forward-Looking Information

This discussion contains "forward-looking statements" that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. This MD&A may contain forward-looking statements that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Such statements reflect our management's current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and known or unknown risks and contingencies. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Please see the risk factors discussed under the heading "Risk Factors" in this Prospectus.

Company Overview

The "Company" was incorporated under the Business Corporations Act (British Columbia) on August 1, 2018. The corporate offices of VSBLTY Groupe Technologies, Corp are located at 595 Howe Street, Suite 206, Vancouver, BC, V6C 2T5. The US head office is located at 417 North 8th Street, Suite 300, Philadelphia, Pennsylvania 19123 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 computer vision and artificial intelligence company with applications in both retail and security 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.

Overall Performance

As a participant in retail solutions, the Company assists retailers in defining a digital growth and marketing strategy. While the Company brings specific solutions that help retailers take advantage of digital trends in retail often the team is called upon to provide comprehensive expertise and consulting to educate its customers on how to take advantage of the Company solutions. This can position the Company as a trusted resource, but also slows the selling process and lengthens the selling cycle. Over time, management of the Company believes that the pace of deployment will increase and sales cycles will shorten as retailers develop an understanding of the technology. However, this creates uncertainly for the management of the business and with respect to accurate projections and forecasting. the Company's goal is to establish a brand that is trusted by retailers and brands alike to guide them through the digital revolution in retail. the Company will focus its resources on leveraging this trust to generate revenue and continue to build its brand.

The digital-out-of-home ("**DOOH**") market refers to digital advertising that is targeted to consumers outside their homes. Management of the Company believes that as advertisers continue to look for alternative markets they will continue to seek media and channels that can deliver the same kind of measurability that the Internet can offer. DOOH is expected to grow to the extent that it can provide this measurability to major brands. Brands will pay for impressions delivered that have attribution, accountability and addressability. To date, DOOH has not been able to deliver this to the same extent as the Internet. The Company provides a platform and capability that is intended to deliver this measurability.

In the security category, the Company has a similar issue. Most camera and sensor systems have a human dependency. The guiding philosophy of machine vision with machine learning is that computers and software can be leveraged to interpret live video. Dissecting, understanding and contextualizing live video is an important capability of the Company. One of the goals of the Company, and others pioneering the category, is to augment human operators interpreting video and flagging security operators to anomalous or extraordinary activity.

While the key markets for the Company have been impacted by the global pandemic, the Company is well positioned to provide real and meaningful benefit to organizations as computer vision solutions (including thermal cameras for wellness assessment) are being implemented across many industries. From capacity and density (social distancing) management in retail to access control utilizing facial recognition and thermal detection in manufacturing and commercial buildings VSBLTY has core capabilities that will have a sustained benefit.

As a result of the changing economic and business conditions surrounding COVID-19 the Company has teamed with key partners to create and deliver a suite of products designed specifically to aid in the re-opening protocols mandated on a state by state basis in the USA and similarly all over the world.

Since inception, the Company has delivered software solutions that rely heavily upon cloud computing. However, there are many applications, particularly in DOOH and security, which will perform better and more reliably with edge processing. The consumption of algorithms in cloud computing is subject to licensing but the Company believes that it has developed technology that runs with equal reliability on the edge. This model also consumes less third party licensed algorithms. This migration from cloud to edge will allow the Company to provide solutions in both categories. The Company will support both consumption models and will have different pricing models for each. the Company expects that edge-based solutions will have an enormous impact within the next 12 months as this market further defines itself.

Developments during the three months ended March 31, 2020

In the first quarter of 2020 the Company added to its strategic partner strategy by signing a deal in January with News America Marketing, the largest in -store media company in the world. In addition, UST Global signed an alliance with the company in April. Both organizations maintain a leadership role in their chosen categories and will greatly enhance both scale and reach. The company continues to work on activations within the existing channels such as Sensormatic and News America Throughout the three months ended March 31, 2020, the Company continued to demonstrate its technology with key strategic partners. The company exhibited at the National Retail Federation in January and at Euroshop in Dusseldorf. In both cases the company was highlighted at the Sensormatic pavilion. Separately, the company exhibited at the ISE 2020 show in Amsterdam at the Intel Corporation booth.

For several months VSBLTY had been working with Mexico City based ENERGETIKA to design, test, and pilot an integrated “security kit” for residential, neighborhood and law enforcement applications in the various communities around and within Mexico City. The testing involved the development of a proprietary and patent-able innovation meant to address the unique architectural demands of a scaled security camera network..

In September, ENERGETIKA and VSBLTY announced a definitive contract for VSBLTY to provide DataCaptor (video analytics, crowd measurement) and VECTOR (Facial Recognition and weapons detection) to ENERGETIKA to satisfy the needs of the various municipal and law enforcement contracts that they were securing. Based upon the roll out plans of ENERGETIKA and its varied customer base, the Company estimates that the contract will generate $10M USD in SaaS revenue over a three-year period. Through the installation of security kits, the Company has aided Cuajimalpa County to become one of the safest counties in Mexico City. As the camera network gets deployed the analytics software is added to create a recurring revenue per camera per month. In January the revenue connected to the first phase of this network was booked at $100,000. This network is now deployed in more than 3,000 cameras in various Mexico City counties.

In March of 2020, the Company began testing crowd temperature scanning as a tool to help identify potential at risk individuals and ultimately reduce the spread of disease. The testing was launched at the urging of Mexico City officials who are investing in the safety kits and integrated security program that is already proving successful in reducing crime.

On March 24, 2020, the Company announced a partnership with KLA laboratories, in the KLArity Ecosystem Partners Platform, which was created to enable KLA to help their customers navigate the landscape of emerging technologies and the integration of those solutions in their respective environments and facilities.

In February of 2020, the Company began working on a product extension and licensing agreement with a very large international corporation with whom the Company has had a long standing commercial and strategic partnership. The agreement stipulates that the international partner will directly fund core development by VSBLTY in order to accelerate the creation of a new set of computer vision products which leverage unique VSBLTY intellectual property. This agreement accelerates the product roadmap of the Company while providing a baseline of revenue. Oriented around computer vision and the DataCaptor software module this agreement defines a specific initial customer but also stipulates how the companies will work together to offer the solution to other join customers in the sports and entertainment vertical. The Company views this agreement as the foundation to a highly collaborative commercial offering that has no technical peer. Revenue of $375,000 from this agreement has been recognized in during the three months ended March 31, 2020. The total anticipated revenue from this contract is $950,000, of which $550,000 is expected to be earned in fiscal 2020. For the Company and the partner this development initiative is enormously strategic and will result in the creation of a product that will be collaboratively sold by the parties into the sports and entertainment market. The parties expect license revenue over and above the development costs to be secured in the current fiscal year and, as the product is deployed at more locations, that revenue is expected to grow.

Off-Balance Sheet Arrangements

None.

Proposed Transactions

None.

Critical Accounting Estimates and Policies

The preparation of financial statements is in conformity with **IFRS** as issued by the **IASB** and interpretations issued by the International Financial Reporting Interpretations Committee ("**IFRIC**").

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

The consolidated 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.

The significant accounting policies applied in the preparation of the financial statements have been disclosed in Note 3 of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2020 and 2019.

Initial adoption of new accounting standards

Adoption of new accounting standards have been disclosed the Company's condensed consolidated interim financial statements for the three months ended March 31, 2020 and 2019.

Future accounting standards issued but not yet in effect

Pronouncements that may have a significant impact to the Company have been disclosed in the Company's condensed consolidated interim financial statements for the three months ended March 31, 2020 and 2019.

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; and
- 87,000 common shares granted to brokers as transaction costs for the Company's debentures.

Summary of Quarterly Results

The following table provides selected quarterly unaudited financial data for the eight most recently completed interim quarters:

	Three months ended							
	March 31, 2020	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**
Revenue	$417,485	$ 2,122	$ (2,499)	$ 27,816	$65,267	$ 13,205	$13,290	$35,627
Net loss for the period	$(1,594,823)	$ (1,821,249)	$ (1,444,018)	$(2,174,136)	$(1,927,621)	$ (861,139)	$(870,927)	$ (380,518)
Basic and diluted loss per share	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.24)	$(0.02)	$ (0.02)	$ (0.01)

Summary of Results During Prior Eight Quarters

Net loss decreased for the three months ended March 31, 2020 primarily due to an increase in revenue during the three months the Company had an increase in software license development revenue of $375,000. The Company also had a decrease in general and administrative expenses of $190,948, and a decrease in share-based payment expenses in the quarter of $253,472.

Net loss increased for the three months ended December 31, 2019, primarily due to an increase in share-based payments, general and administration expenses and sales and marketing expenses.

Net loss decreased for the three months ended September 30, 2019, primarily due to a decrease in sales and marketing expenses, general and administration, research and development and share-based payments.

Net loss decreased for the three months ended June 30, 2019, primarily due to a decrease in sales and marketing expenses, general and administration and share-based payments.

Net loss increased for the three months ended March 31, 2019, primarily due to increases in listing expense, share-based payments sales and marketing expense and research and development expense. This was partially offset by increases in revenue.

Net loss for the three months ended December 31, 2018, was consistent with the prior period. Increases in sales and marketing expense and research and development expenses were offset by decreases in general and administrative expenses.

Net loss decreased for the three months ended September 30, 2018, primarily due to an increase in general and administrative expenses related to preparing a prospectus.

Results of Operations – For the three months ended March 31, 2020

The results of operations for the three months ended March 31, 2020 and 2019 are summarized below:

	Notes		Three months ended March 31, 2019		2018
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 gain (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

Revenue

During the three months ended March 31, 2020 and 2019, the Company generated revenue of $417,485 and $65,267, respectively. There was in increase in professional service fees of $7,000 and an increase in software license development of $375,000. During February 2020, the Company began working on a product extension and licensing agreement with a large corporation. The Company will earn revenue over certain milestones based on project deliverables totaling $950,000 over two year, of which $375,000 has been earned during the period.

Cost of sales

During the three months ended March 31, 2020 and 2019, cost of sales was $51,640 and $4,815, respectively. The increase in cost of sales mainly relates to software license development costs of $333,333 related to the first phase of the product extension and licensing agreement.

Operating expenses

		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		1,924		4,351
Lease-related depreciation		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

The above table provides a breakdown of the various expense categories, by nature, for the three months ended March 31, 2020 and 2019. The increase in expenses of $204,805 is primarily a result of an increase in marketing expenses of $152,744 related to the promotion of the Company's software. Increases also related to salaries and wages of $71,693 and general and administrative fees of $40,063. Increases in salaries and wages relates to an increase in the number of staff to support growing operations. Increases in general and administrative fees increased due to insurance costs and general office expenses.

Share-based payments

Share-based payments for the three months ended March 31, 2020 and 2019 were $96,554 and $350,026, respectively. The decrease in share-based payments was a result of granting only 250,000 share purchase options to certain directors, officers, consultants and employees as compared to 5,730,000 share purchase options granted in the prior period the majority of the expense was recognized up-front in fiscal 2019.

Listing expense

Non-cash listing expense of $491,568 in the three months ended March 31, 2019 relates to the RTO whereby the former shareholders of VSBLTY, Inc. acquired control of the Company, thereby constituting a reverse takeover of the Company. The listing expense was determined based on the difference between the consideration paid for the acquisition, less the fair value of net assets of the Company acquired.

Finance costs

Finance costs for the three months ended March 31, 2020 and 2019 were $183,313 and $25,572 respectively. Finance costs increase significantly due to the interest and accretion of convertible debentures issued in 2020 and 2019.

Liquidity and Capital Resources

The accompanying financial statements have been prepared on a basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company anticipates that it will have sufficient resources to meet the working capital requirements of the Company for at least the next 12 months. This assessment is based on the Company's current cash, as well as the net proceeds of the capital market equity and debt financings the Company intends to consummate in 2020. Subsequent to the three months ended March 31, 2020, the Company closed a second tranche of convertible debt financing for gross proceeds of $230,000. The final tranche of convertible debt financing is expected to close in May 2020 for gross proceeds of at least $1.5 million. Based on the above, the Company anticipates operations and financing activities could result in net cash proceeds that will carry the Company until the end of the fiscal year with current expense volume.

During the three months ended March 31, 2020, working capital increased to $350,266 from $340,136 at December 31, 2019. The increase in working capital was primarily due to an increase in trade receivables, partially offset by negative movements in cash and cash equivalents, accounts payable and accrued liabilities and prepaid expense.

Cash flows

Historically and prospectively, our primary sources of liquidity and capital resources have been and will continue to be proceeds from the issuance of debt and common shares. Based on our current level of operations and our expected results of operations over the next 12 months, we believe that cash on hand and cash generated from operations and anticipated future capital raises, will be adequate to meet our anticipated liquidity requirements, capital expenditures and working capital needs for the next 12 months. However, we cannot be certain that our business will generate sufficient cash flow from operations, that our anticipated earnings from operations will be realized, or that future borrowings will be available or otherwise to enable us to service our indebtedness or to make anticipated capital expenditures. Our future operating performance and our ability to service our debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control. See "Financial Risk Management" of this MD&A for a discussion of the risks related to our liquidity and capital structure.

As at March 31, 2020, the Company had cash and cash equivalents of $374,586 (December 31, 2019 - $499,435). The decrease in cash and cash equivalents compared to the year ended December 31, 2019 was primarily due to cash used in operating activities. The Company raised $1,225,767 through the issuance of convertible debentures which was offset by operating activities of $1,244,236 in the period.

Net cash used in operating activities for the three months ended March 31, 2020 was $1,244,236 (2019 - $1,248,220). The Company continued to generate net losses and negative cash flows from operating activities due to the expenses we are incurring related to marketing and development as well as general and administrative expenses. We have had continuing net losses and negative cash flow from operating activities, including a loss from operations of $1,408,940 for the three months ended March 31, 2020 (2019 - $1,441,058).

Net cash provided by investing activities for the three months ended March 31, 2020 was $Nil (2019 - $1,827,769). The prior period cash provided by investing activities relates to cash acquitted in the RTO, partially offset by an additional acquisitions of equipment in the period. The Company did not acquire any equipment during the three months ended March 31, 2020.

Net cash provided by financing activities for the three months ended March 31, 2020 was $1,119,387 (2019 - $149,162). The increase was primarily a result of the issuance of the first tranche of 2020 convertible debt.

Principal Debt Arrangements

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.

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);
- 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) of which $1,273,656 (CAD$1,691,000) was brokered and $125,121 (CAD$166,120) was non-brokered; and
- October 22, 2019 unsecured convertible debentures for gross proceeds of $836,927 (CAD$1,095,598) of which $342,227 (CAD$448,000) was brokered and $494,700 (CAD$647,598) was non-brokered. (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 of the Company 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 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.

Other Factors Affecting Liquidity

The Company may also raise additional equity or debt capital or enter into arrangements to secure necessary financing to fund the completion of development projects, to meet obligations or for the general corporate purposes of the Company. Such arrangements may take the form of loans, strategic agreements, joint ventures or other agreements. The sale of additional equity could result in additional dilution to the Company's existing stockholders, and financing arrangements may not be available to us, or may not be available in sufficient amounts or on acceptable terms.

From time to time, we may pursue various strategic business opportunities. These opportunities may include proposed development and/or management of, investment in or ownership of additional businesses through direct investments, acquisitions, joint venture arrangements and other transactions. We are not currently exploring such opportunities. We can provide no assurance that we will successfully identify such opportunities or that, if we identify and pursue any of these opportunities, any of them will be consummated.

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.

Related Party Transactions

Key management compensation
During the three months ended March 31, 2020, remuneration of the Company's key management personnel[1] 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[2], included in sales and marketing expenses	$ 84,189	$ 75,529
Accounting and administrative fees paid to related entities[2, 3], included in general and administrative expenses	7,256	68,082
Contract project development labour paid to a related entity[4], included in research and development expenses	15,000	156,488
Contract project development labour paid to a related entity[4], cost of sales	333,333	-
Interest expense for convertible debt[5] and notes payable to related parties[6], 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, $19,131 (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.

[1] Key management personnel include Jay Hutton, Chief Executive Officer; Heather Sim, Chief Financial Officer; Fred Potok, Chief Sales Officer; Jan Talamo, Chief Creative Officer; Linda Rosanio, Chief Operating Officer; and Tim Huckaby, Chief Technology Officer.
[2] Traffic Marketing LLC (dba Think-Traffic LLC), a shareholder and entity controlled by Kate Talamo who is a close family member of Jan Talamo, Chief Creative Officer and Linda Rosanio, Chief Operating Officer of the Company.
[3] Quantum Advisory Partners LLP, an entity controlled by Alnesh Mohan, Director of the Company.
[4] InterKnowlogy, LLC, an entity controlled by Tim Huckaby, Chief Technology Officer of the Company.
[5] Related parties holding convertible debentures include Guy Lombardo and Jay Hutton.
[6] Related parties holding promissory notes included Kate Talamo, Jay Hutton, Nicholas Potok, Guy Lombardo and Fred Potok

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

VSBLTY, Inc. is party to a contract with Think-Traffic, LLC and InterKnowlogy, LCC and for the provision marketing and support services and project development contract labor respectively. VSBLTY, Inc. can terminate these contracts at any time. VSBLTY, Inc. expects to continue making payments to Interknowlogy, Think-Traffic, LLC in the normal course of business.

Except as disclosed above, VSBLTY, Inc. does not have any ongoing contractual or other commitments resulting from transactions with related parties.

Additional Disclosure for IPO Venture Issuers Without Significant Revenue

During the years ended March, 31, 2020 and 2019, the Company incurred the following research and development and general and administrative expenses:

	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

Following the Company’s listing on the Canadian Securities Exchange, management plans to raise funds to provide the cash infusion necessary to continue operations through year end 2020. Management anticipates products to be complete with research and development which allows the Company to sell the products on the open market worldwide resulting in cash revenue to fund anticipated operating expenses.

Management anticipates operating expenses for the year ending December 31, 2020 to be approximately $5,200,000.

The Company does not anticipate paying dividends during this time period.

Disclosure of Outstanding Share Data

The total number of outstanding common shares, warrants and stock options as of the date of this MD&A are 81,348,638, 2,747,956, and 6,305,000, respectively.

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