



## **VSBLTY GROUPE TECHNOLOGIES CORP.**

### **ANNUAL INFORMATION FORM**

For the Financial Year Ended December 31, 2019

Dated June 12, 2020

Suite 206, 595 Howe Street  
Vancouver, British Columbia  
V6C 2T5

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## INTRODUCTORY NOTES

### Date of Information

All information contained in this Annual Information Form (“AIF”) is current as of December 31, 2019 with subsequent events disclosed to June 12, 2020.

### Meaning of Certain References

In this AIF, unless the context otherwise dictates, references to the “Company”, “VSBLTY”, “we” and “our” refer to VSBLTY Groupe Technologies Corp.

### Currency and Exchange Rates

In this AIF, references to "\$", "dollars" or "Canadian dollars" are to Canadian dollars and references to "US\$" are to United States dollars.

### Financial Information

This AIF should be read in conjunction with the Company’s audited annual financial statements and accompanying notes for the year ended December 31, 2019, and the related management’s discussion and analysis thereon, which are available under the Company’s issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com). The Company presents its financial statements and management’s discussion and analysis in accordance with International Financial Reporting Standards (IFRS).

### Forward-Looking Information and Financial Outlook

This AIF contains certain statements, which may constitute “forward-looking information” within the meaning of Canadian securities law requirements (“**forward-looking statements**”). These forward-looking statements are made as of the date of this AIF and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management’s expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “pipeline”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including “may”, “future”, “expected”, “intends” and “estimates”. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Certain forward-looking statements in this AIF include, but are not limited to the following:

- the Company’s strategies and objectives, both generally and in respect of its existing business and planned business operations;
- the Company’s plans to grow sales and offer new products;

- conditions in the financial markets generally, and with respect to the prospects for small capitalization commercial/technologies companies specifically;
- the expected demand for the Company's services;
- the Company's future cash requirements; and
- the timing, pricing, completion, and regulatory approval of proposed financings.

The above and other aspects of the Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to:

- the Company's ability to obtain the necessary financing and the general impact of financial market conditions;
- the demand for the Company's services;
- the Company's ability to attract new customers;
- the Company's ability to attract and retain personnel;
- reliance on strategic partnerships;
- the success of the Company's current and future development efforts;
- competition; and
- other risks as set out under "Risk Factors" below.

This AIF also contains future-oriented financial information and financial outlook information (collectively, "**FOFI**") regarding the Company's prospective revenue, which are subject to the same assumptions, risk factors, limitations and qualifications as set forth above. FOFI contained in this AIF was made as of the date of this AIF and was provided for the purpose of describing anticipated changes in revenue, and are not an estimate of profitability or any other measure of financial performance. VSBLTY disclaims any intention or obligation to update or revise any FOFI contained in this AIF, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. FOFI contained in this AIF should not be used for purposes other than for which it is disclosed herein.

An investor should read this AIF with the understanding that the Company's actual future results may be materially different from what is expected.

#### **Use of Market and Industry Data**

This AIF includes market and industry data that has been obtained from third party sources, including industry publications, as well as industry data prepared by the Company's management on the bases of its knowledge of and experience in the industry in which the Company operates (including management's estimates and assumptions relating to the industry based on that knowledge). Management's knowledge of

the industry has been developed through its experience and lengthy participation in the industry. Management believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the Company's management believes it to be reliable, it has not independently verified any of the data from third party sources referred to in this AIF or ascertained the underlying economic assumptions relied upon by such sources.

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this AIF:

“**Acquisition**” means the acquisition of VSBLTY, Inc. by the Company pursuant to the Merger Agreement, which was completed on February 15, 2019;

“**AIF**” means this annual information form of the Company dated June 12, 2020 for the year ended December 31, 2019;

“**Audit Committee**” means a committee established by and among the Board for the purpose of assisting the Board in fulfilling its financial oversight responsibilities;

“**Audit Committee Charter**” has the meaning set forth under the heading “*Audit Committee – Audit Committee Charter*”;

“**Auditor**” has the meaning set forth under the heading “*Interests of Experts – Names of Experts*”;

“**BCBCA**” means the *Business Corporations Act* (British Columbia);

“**BCSC**” means the British Columbia Securities Commission;

“**Board**” or “**Board of Directors**” means the board of directors of the Company;

“**CEO**” means Chief Executive Officer;

“**CFO**” means Chief Financial Officer;

“**CCO**” means Chief Compliance Officer;

“**Commissions**” has the meaning set forth under the heading “*Directors and Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions*”;

“**company**” means unless specifically indicated otherwise, a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

“**Common Shares**” means common shares in the capital of the Company;

“**Company**” or “**VSBLTY**” means VSBLTY Groupe Technologies Corp., a company organized under the laws of British Columbia;

“**CTO**” means cease trade order;

“**Delaware General Corporation Law**” means the Delaware General Corporation Law (Title 8, Chapter 1);

“**Escrow Agreement**” means the NP 46-201 escrow agreement entered among the Company, Odyssey Trust Company (as escrow agent) and certain shareholders of the Company;

“**Exchange**” means the Canadian Securities Exchange;

“**IFRS**” means the International Financial Reporting Standards as issued by the International Accounting Standards Board from time to time that are applicable to public issuers in Canada;

“**Materials**” has the meaning set forth under the heading “*Directors and Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions*”;

“**MD&A**” means Management Discussion and Analysis;

“**Merger Agreement**” means the merger agreement dated December 12, 2018 among VSBLTY Groupe Technologies Corp., U.S. Subco and VSBLTY, Inc.;

“**NI 52-110**” has the meaning set forth under the heading “*Audit Committee*”;

“**Option Plan**” has the meaning set forth under the heading “*Description of Capital Structure – Options*”;

“**Options**” means incentive stock options to purchase Common Shares issued pursuant to the Option Plan;

“**Performance Shares**” means 3,000,000 Common Shares issuable to certain officers and senior management of the Company, subject to the achievement of the following performance milestones: (i) 1,000,000 Common Shares upon the Company achieving \$2,000,000 in revenue in the 2019 fiscal year based on audited financial statements; (ii) 1,000,000 Common Shares upon the Company achieving \$4,000,000 in revenue in the 2020 fiscal year based on audited financial statements; and (iii) 1,000,000 Common Shares upon the Company’s release of the OPENVINO software to the general public;

“**Receiver**” has the meaning set forth under the heading “*Directors and Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions*”;

“**SaaS**” means software as a service;

“**Shareholders**” means the holders of the Common Shares;

“**Special Warrant Private Placement**” means the non-brokered private placement of the Company of 14,600,000 Special Warrants for gross proceeds of \$4,380,000, which was completed on October 17, 2018 and which resulted in the deemed exercise of Special Warrants for 14,600,000 Common Shares and 7,300,000 Warrants;

“**Special Warrants**” means the special warrants issued by the Company at a price of \$0.30 per Special Warrant, pursuant to the Special Warrant Private Placement entitling the holder thereof to acquire, for no additional consideration, one Common Share and one-half of one Warrant pursuant to the terms and conditions in the Special Warrant Certificates;

“**Special Warrant Certificate**” means a certificate representing Special Warrants;

“**United States**” or “**U.S.**” means the United States of America, its territories or its possessions, any state of the United States or the District of Columbia;

“**U.S. Subco**” means VSBLTY Merger Co., a corporation organized under the laws of Delaware and wholly-owned by the Company which was merged into VSBLTY, Inc.;

“**Warrants**” means Common Share purchase warrants in the capital of the Company;

“**VSBLTY, Inc.**” means VSBLTY, Inc., a corporation organized under the laws of Delaware; and

“**VSBLTY, L.P.**” means VSBLTY, L.P., a limited partnership existing under the laws of Delaware which is the predecessor entity of VSBLTY, Inc.



## CORPORATE STRUCTURE

### Name, Address and Incorporation

The Company was incorporated under the BCBCA on August 1, 2018 under the name “1174237 B.C. Ltd.” On September 21, 2018, the Company changed its name to “VSBLTY Groupe Technologies Corp.” On December 12, 2018, the Company, VSBLTY, Inc. and VSBLTY Merger Co., a wholly-owned subsidiary of the Company incorporated in Delaware, U.S. (“**U.S. Subco**”), entered into a Merger Agreement (the “**Merger Agreement**”) pursuant to which the Company acquired all of the issued and outstanding common shares of VSBLTY, Inc. (the “**Acquisition**”). The Acquisition closed on February 15, 2019 and VSBLTY, Inc. became a wholly-owned subsidiary of the Company.

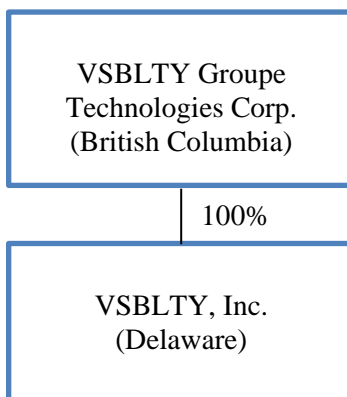
The Company’s head office is located at Suite 206, 595 Howe Street, Vancouver, British Columbia, V6C 2T5 and its registered office is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7. The Company is a retail technology and marketing company with a variety of applications to drive brand engagement and puts insights in motion to drive sales.

The Company’s shares trade on the Canadian Securities Exchange (the “**Exchange**”) under the symbol “**VSBY**” and the Frankfurt stock exchange under the symbol “**5VS**”. The Company is a reporting issuer in Canada in the Provinces of British Columbia, Alberta, Saskatchewan and Ontario.

### Intercorporate Relationships

The Company has one wholly-owned subsidiary, VSBLTY, Inc., a corporation formed under the Delaware General Corporation Law on December 12, 2018 in the State of Delaware under the name “VSBLTY, Inc.” Prior to entering into the Merger Agreement, VSBLTY, L.P. was converted into a C corporation, VSBLTY, Inc., under Delaware law which was accomplished through the formless conversion statute (DE conversion from unincorporated entity to DE Corp – DGCL 265), thereby converting all partnership units in VSBLTY, L.P. to common stock in VSBLTY, Inc. VSBLTY, L.P. was then merged into VSBLTY, Inc. by filing a certificate of merger and distributing the common stock held by VSBLTY L.P. proportionately to the other common stock holders of VSBLTY, Inc. so that ownership interests remained substantially intact after such distribution. On February 15, 2019, VSBLTY, Inc. merged with U.S. Subco, with VSBLTY, Inc. being the surviving entity.

After the completion of the Acquisition, the principal business of the Company became the business of VSBLTY, Inc. The organizational chart for the Company is as follows:



## GENERAL DEVELOPMENT OF THE BUSINESS

### Three-Year History

#### 2017

In and around February 2017, VSBLTY L.P. raised approximately \$500,000 pursuant to certain loan agreements with unit holders at the time. In accordance with the loan agreements, each holder also received certain warrants exercisable at a strike price of \$1.31 per unit.

#### 2018

The Company was incorporated on August 1, 2018 and, prior the Acquisition, did not carry on any active business or operations. The principal business of the Company had been to identify and evaluate businesses and assets with a view to completing a going public transaction and, having identified and evaluated such opportunities, to negotiate an acquisition or participation subject to acceptance by the Exchange.

On August 24, 2018, VSBLTY, L.P. issued secured debentures (“**Debentures**”) in the aggregate principal amount of \$500,000. In accordance with their terms, such Debentures converted into VSBLTY Inc. common shares immediately prior to the closing of the Acquisition, and were then exchanged for an aggregate of 10,000,000 Common Shares pursuant to the Acquisition based on each holder of Debentures receiving a number of VSBLTY Inc. common shares equal to the number of VSBLTY Inc. common shares that would be required for the holders of the Debentures to receive one Common Share for each \$0.05 of principal amount outstanding under the Debentures.

On September 17, 2018, VSBLTY, L.P. issued additional Debentures in the aggregate principal amount of \$1,000,000. In accordance with their terms, such Debentures converted into VSBLTY Inc. common shares immediately prior to closing of the Acquisition, and were then exchanged for an aggregate of 10,000,000 Common Shares pursuant to the Acquisition based on each holder of Debentures receiving a number of VSBLTY Inc. common shares equal to the number of VSBLTY Inc. common shares that would be required for the holders of the Debentures to receive one Common Share for each \$0.10 of principal amount outstanding under the Debentures.

Upon conversion of the Debentures, accrued interest on the Debentures was forfeited in accordance with the terms of the Debentures.

On October 17, 2018, the Company completed the Special Warrant Private Placement of an aggregate 14,600,000 Special Warrants at a purchase price of \$0.30 per Special Warrant for aggregate gross proceeds of \$4,380,000. In connection with the Special Warrant Private Placement, the Company paid aggregate finder’s fees of \$228,128 and issued 760,426 common share purchase warrants to finders, each of which is exercisable to purchase one Common Share at a price of \$0.40 per share for a period of 12 months from the closing date of the Special Warrant Private Placement. On February 18, 2019, the Special Warrants were automatically converted into 14,600,000 Common Shares and 7,300,000 Warrants.

The Company entered into Merger the Agreement effective December 12, 2018 with respect to the Acquisition of VSBLTY, Inc. by the Company.

On December 12, 2018 and December 13, 2018, the Company advanced US\$600,000 and US\$400,000, respectively, to VSBLTY, Inc. pursuant to a promissory note. The loan is non-interest bearing, except upon termination of the Merger Agreement or an event of default, upon which the loan would bear interest at a

rate of 10% per annum. The loan will mature on the earlier of the date that is 24 months from the date of the loan or three months from any termination of the Merger Agreement.

## **2019**

On February 15, 2019, the Company completed the Acquisition 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.

Prior to the Closing of the Acquisition, all of the Debentures were converted into VSBLTY, Inc. common shares in accordance with their terms and all of the outstanding VSBLTY, Inc. common share purchase warrants were exercised for VSBLTY, Inc. common shares for no additional consideration. The VSBLTY, Inc. common shares issued upon conversion of the Debentures and exercise of the VSBLTY, Inc. common share purchase warrants were exchanged for Common Shares pursuant to the Acquisition. The holders of VSBLTY, Inc. common shares as of the effective time of the Acquisition received an aggregate of 61,853,958 Common Shares.

In connection with and prior to the effective time of the Acquisition, debts of VSBLTY, Inc. in the aggregate amount of US\$656,409.77 (the “**VSBLTY Converting Debt**”) were settled in consideration for an aggregate of 395,708 VSBLTY, Inc. common shares, resulting in each of the holders of the VSBLTY Converting Debt receiving one Common Share in the Acquisition for each US\$0.23 of VSBLTY Converting Debt for a total of 2,853,956 Common Shares.

Following the completion of the Acquisition, the Company operates its business through its wholly-owned subsidiary, VSBLTY, Inc.

On February 15, 2019, the Company issued to six executives, up to a total of 3,000,000 Common Shares with a grant date fair value of US\$0.23 per share (\$0.30 per share) subject to the achievement of the following performance milestones (the “**Performance Shares**”):

- 166,666 Common Shares to be issued to each recipient (for a total of 1,000,000 Common Shares) upon the Company achieving \$2,000,000 in revenue in the 2019 fiscal year based on audited financial statements;
- 166,666 Common Shares to be issued to each recipient (for a total of 1,000,000 Common Shares) upon the Company achieving \$4,000,000 in revenue in the 2020 fiscal year based on audited financial statements; and
- 166,666 Common Shares to be issued to each recipient (for a total of 1,000,000 Common Shares) upon the Company’s release of the OPENVINO software to general availability.

On February 27, 2019, the Common Shares were listed for trading on the Exchange under the symbol “**VSBY**”.

On March 7, 2019, Jeffrey S. Muller, Jim DiOrio C. Patrick Kroc were appointed to the Company’s advisory board.

On July 18, 2019, the Company closed a private placement of unsecured convertible debentures for gross proceeds of \$745,500. The debentures 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 of the Company at \$0.45 per unit if

converted at any time before one year from the closing date, or otherwise convertible at \$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 Common Share at a price of \$0.60 per warrant share for a period of 24 months from the closing date, subject to certain acceleration rights of the Company.

On August 15, 2019, the Company entered into an exclusive global reseller agreement with Sensormatic Solutions, the lead global retail solutions portfolio of Johnson Controls, Inc. (“**JCI**”). The nature of the contract with JCI is a strategic global reseller and original equipment manufacturer relationship for all of the software products developed by VSBLTY. Subsequent to the signing of the contract in September, both organizations have been investing resources to train both technical and salespeople with product, installation and support knowledge.

On August 29, 2019, the Company closed the first tranche of a private placement of unsecured convertible debentures for gross proceeds of \$1,165,000. The debentures 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 of the Company at \$0.35 per unit if converted at any time before one year from the closing date, or otherwise convertible at \$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 \$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 \$93,200, a finance fee of 99,857 Common Shares and issued 266,286 non-transferable broker warrants. Each broker warrant entitles the agent to purchase one Share at the price of \$0.35 per share for a period of 24 months from the closing date.

On September 19, 2019, the Company closed the second tranche of a private placement of unsecured convertible debentures for gross proceeds of \$1,857,120, of which \$1,691,000 was brokered and \$166,120 was non-brokered. The debentures 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 of the Company at \$0.35 per unit if converted at any time before one year from the closing date, or otherwise convertible at \$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 Common Share at a price of \$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 \$135,280, a finance fee of 144,942 Common Shares and issued 652,799 non-transferable broker warrants. Each broker warrant entitles the agent to purchase one Common Share at the price of \$0.35 per share for a period of 24 months from the closing date.

In September 2019, the Company and Energetika Sustentable y Ecologica SA de CV (“**Energetika**”) entered into a definitive contract, pursuant to which the Company agreed to provide DataCaptor (video analytics, crowd measurement) and VECTOR (Facial Recognition and weapons detection) to Energetika to provide real time crowd analytics and audience measurement for Latin American communities. For several months the Company 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. Based upon the roll out plans of Energetika and its varied customer base, the Company estimates that the contract will generate US\$10,000,000 in SaaS revenue over a three-year period. The contract, which expires August

30, 2022, is renewable for successive terms. The Energetika project is executing consistent with the planned roll-out schedule and expected to accelerate in 2020.

In October 2019, the Company received approval from the Depository Trust Company (“**DTC**”), making its shares DTC eligible. DTC provides depository and book entry services, along with a settlement system for equities in the United States and across the globe. The organization is a member of the U.S. Federal Reserve System and a registered clearing agency with the U.S. Securities and Exchange Commission.

On October 10, 2019, the Company and News America Marketing In-Store Services L.L.C. (“**NAM**”) entered into a market software as a service (“**SaaS**”) agreement, pursuant to which the parties agreed to jointly deliver advanced digital in-store media analytics to retailers and brand marketers. Per the agreement, the Company agreed to issue to NAM up to 1,000,000 Warrants upon achievement of the following milestones:

- 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.; and
- 300,000 Warrants issued upon the achievement of \$1,000,000 of cumulative license revenue.

On October 11, 2019, the Company entered into a service agreement with CHF Capital Markets (“**CHF**”), pursuant to which CHF agreed to provide certain investor relations services to the Company. The service agreement, which includes investment community outreach, corporate communications, strategic counseling and content creation is priced at \$5,700 plus GST per month and is for a fixed term of 12 months. Thereafter, the contract may be extended month-to-month with a two-month cancellation notice. The Company also agreed to grant to CHF, under its shareholder-approved stock option plan, incentive stock options to purchase up to 125,000 common shares of the Company exercisable at the price of \$0.35 per share for a period of two years.

On October 22, 2019, the Company closed the third and final tranche of a private placement of unsecured convertible debentures for gross proceeds of \$1,095,598, of which \$448,000 was brokered and \$647,598 was non-brokered. The debentures 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 of the Company at \$0.35 per unit if converted at any time before one year from the closing date, or otherwise convertible at \$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 Common Share at a price of \$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 \$33,440, a finance fee of 38,400 Common Shares and issued 95,543 non-transferable broker warrants. Each broker warrant entitles the agent to purchase one Common Share at the price of \$0.35 per share for a period of 24 months from the closing date.

### **Subsequent Events**

On February 13, 2020, the Company entered into a memorandum of understanding with with KLA Laboratories, Inc. (“**KLA**”), pursuant to which the parties agreed to partner in the KLAarity 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.

On February 26, 2020, the Company closed the first tranche of a private placement of unsecured convertible debentures for gross proceeds of \$1,630,380, of which \$870,000 was brokered and \$760,380 was non-brokered. 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 \$0.30 per unit, if converted at any time before one year from the closing date, or otherwise convertible at \$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 into one Common Share at a price of \$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 \$69,600, a finance fee of 87,000 Common Shares and issued 232,000 non-transferable broker warrants. Each broker warrant entitles the agent to purchase one Common Share at the price of \$0.30 per share for a period of 24 months from the closing date.

On March 23, 2020, Laurette Pitts resigned as the Company's CFO and Heather Sim was appointed as the Company's new CFO.

On April 3, 2020, the Company and Cognivas Pty. ("**Onyx**") entered into a partnership agreement, pursuant to which Onyx agreed to deploy the Company's software on vending machines and in coolers across South Africa and Australia over a staged deployment for leading international beverage companies.

On April 9, 2020, the Company closed the second tranche of a private placement of unsecured convertible debentures for gross proceeds of \$230,000, of which \$200,000 was brokered and \$30,000 was non-brokered. 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 \$0.30 per unit, if converted at any time before one year from the closing date, or otherwise convertible at \$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 into one Common Share at a price of \$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 \$16,000, a finance fee of 20,000 Common Shares and issued 53,333 non-transferable broker warrants. Each broker warrant entitles the agent to purchase one Common Share at the price of \$0.30 per share for a period of 24 months from the closing date.

On April 21, 2020, the Company and Photon-X, Inc. ("**Photon-X**") entered into a partnership agreement to develop and advance camera applications to help screen for persons who may be infected by COVID-19 as they enter buildings. The two firms are collaborating to develop a multi-sensor camera capability specifically for security and smart buildings applications. Photon-X object recognition and analytics combined with VSBLTY facial recognition will provide an advanced screening tool for facilities to identify and validate that someone with a high temperature is about to enter a building.

On April 23, 2020, the Company entered into a global, multi-product strategic teaming agreement with UST Global Inc., pursuant to which the parties will collaborate to bring advanced digital display software solutions to retail clients.

On April 27, 2020 the Company entered in a strategic multi-product agreement with Digitalware Inc., pursuant to which the parties have agreed to collaborate on product development and commercial engagements. This agreement is specific to the commercial collaboration to define and pursue several smart buildings opportunities within the United States and international markets.

On May 27, 2020 the Company entered into an agreement with Prevenitas Inc to collaborate on several security-based opportunities. The parties will collaborate on a range of solutions that are designed to assist private companies and governments to safely return to work after the global pandemic.

## DESCRIPTION OF BUSINESS

### General

VSBLTY is a software company in the business of commercializing various technologies relating to digital display platforms by combining interactive touch-screens and data-capture cameras, with cloud- and edge-based facial analytics. VSBLTY employs its pro-active digital display (“**Pro-Active Digital Display**”) software as a service-based model for its subscription-based customers. Pro-Active Digital Display actively involves the consumer at the point of its purchase decision through its interactive touch-screen display, while capturing key performance indicators including data regarding (i) total brand impressions, engagements and interactions, (ii) unique and returning viewers, (iii) gender, and age of viewers, (iv) opt ins, (v) dwell time, and (vi) emotional engagement. VSBLTY derives periodic and rateably recurring revenue from its subscription-based product licenses, which are intended to have 12- to 36-month terms.

The Company has three primary software modules. They can be licensed separately or in conjunction with one another as an integrated suite of software. The three modules are:

1. VisionCaptor, an integrated software suite that provides content management capability to a customer. A customer will utilize digital assets (photos, video, multimedia content) to provide a customer experience for a digital display. VisionCaptor is software deployed partly on the edge and partly in the cloud but is consumed using a cloud licensing model. VisionCaptor is optimized to run on multiple form factors.
2. DataCaptor, a software module that leverages camera and sensor technology along with artificial intelligence (machine learning and machine vision) to provide real time analytics and audience measurement. Some of the key measurement components include gender, age range, sentiment, dwell time, engagement level, and proximity. DataCaptor has the unique ability to drive content based upon what the cameras are seeing. The DataCaptor software informs VisionCaptor on the demographic content of the audience and instructs the Content Management System (“**CMS**”) to play relevant content. An example would be content designed for a 25-year-old female as opposed to content designed for a 50-year-old male. The objective is to drive meaningful messaging demographically triggered by the machine vision. DataCaptor can be used in conjunction with the Vision Captor CMS or, in some cases, it is used as the analytics and measurement component that interfaces into foreign CMS software platforms.
3. Vector, a software module that interfaces with a comprehensive database to detect persons of interest within the camera’s field of view. This can be used as a loyalty extension in retail (faces enrolled by identity) or, in a security context, looking for persons or objects of interest, at scale, in public areas or congested locations where public safety is a primary concern. Facial recognition and object recognition are the primary applications of this module.

These three independent modules give VSBLTY a differentiated suite of software services that allow venues, retailers, or digital out-of-home (“**DOOH**”) network providers to deploy sophisticated digital content solutions, coupled with in-depth measurement and analytics as well as a security solution.

As a participant in retail solutions, VSBLTY assists retailers in defining a digital growth and marketing strategy. VSBLTY brings solutions that help retailers take advantage of digital trends in retail and provides comprehensive expertise and consulting to educate its customers on how to take advantage of VSBLTY's products. VSBLTY's provision of product-education services to its customers helps position VSBLTY as a trusted resource. However, due to the time it takes customers to develop an understanding of VSBLTY's technology, the selling process is slowed down and the selling cycle is lengthened. Over time, management of VSBLTY believes that the pace of deployment will increase and sales cycles will shorten as retailers develop an understanding of the technology. However, this creates uncertainty for the management of the business and with respect to accurate projections and forecasting. VSBLTY's goal is to establish a brand that is trusted by retailers and brands alike to guide them through technological changes in retail. The Company will focus its resources on leveraging this trust to generate revenue and continue to build its brand.

As defined above the core capabilities of the Company range from integrated and interactive display through to computer vision and facial recognition. Through an extensive partner network both domestically and internationally, the Company has discovered some of the pre-existing core technology can be applied in a meaningful way to address many of the concerns of organizations returning to work after the global COVID-19 pandemic. Some of the capabilities that are being leveraged in the market and by the Company's partners include:

- Capacity management – Computer vision used to determine real time capacity (persons) in retail;
- Density management – Computer vision used to provide an alert or notification when physical distancing guidelines are not adhered to (retail and smart cities);
- Access control – Facial Recognition technology embedded into kiosk applications to assure safe and secure buildings and commercial locations;
- Thermal scanning (wellness perimeter) – Thermal scanning utilized to assess a person entering a facility of any kind to identify people that are symptomatic (coupled with facial recognition this provides audit trail along with track and trace capability); and
- Object recognition (mask detection) – Mask detection technology (utilizing object recognition computer vision) to ensure compliance in locations where masks are mandatory.

### *Market*

The DOOH market refers to digital advertising that is targeted to consumers outside their homes. Management of VSBLTY 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. VSBLTY believes that DOOH is expected to grow to the extent that it can provide this measurability to major brands. It is the experience of the management of VSBLTY that 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. VSBLTY provides a platform and capability that is intended to deliver this measurability.

In the security category, VSBLTY has a similar issue. Management of VSBLTY believes that most camera and sensor systems are too reliant on 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 VSBLTY. One of the goals of



VSBLTY, and others pioneering the category, is to augment human operators interpreting video and flagging security operators to anomalous or extraordinary activity.

Since inception, VSBLTY 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 VSBLTY 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 VSBLTY to provide solutions in both categories. VSBLTY will support both consumption models and will have different pricing models for each. VSBLTY expects that edge-based solutions will have an enormous impact within the next 12 months as this market further defines itself. A report published on October 3, 2017 by industry analyst Gartner, Inc. titled “Top 10 Strategic Technology Trends for 2018” (the “**Gartner Report**”) identified the migration of cloud computing to the edge modality as an important trend in the technology industry.

### *Digital Out-of-Home Advertising*

DOOH signage and information advertising has historically been associated with media such as back-lit poster boards and large-form billboards situated proximate to high-traffic thoroughfares and areas where people congregate, such as transit hubs, airports, malls, sports stadiums and so on. The DOOH advertising industry is mature, is based upon well-understood revenue models, and has long-established market participants, but its effectiveness has never been reliably measurable. The revenue model for DOOH advertising is dependent upon an estimation of the numbers of eyeballs that see, or are able to see, any particular DOOH advertising displays on a daily basis. In attempting to measure this crucial eyeball-metric, advertisers use inferences to predict the likely number of eyeballs in question, based upon empirical data on situate-traffic flow. VSBLTY believes that the eyeball metric calculation is not sufficiently reliable. As this industry matures, more industry participants view measurement (accountability and objective, auditable results) to be the next important evolution of the category. The Gartner Report suggests that better decision making will be informed by applications with an artificial intelligence foundation.

VSBLTY’s competitive advantage in the DOOH advertising media channel is its ability, through its proprietary technological algorithms, to exploit the new promotional, analytic, and bi-directional capabilities of digital capture, display and response. The advent and proliferation of lower cost, high-bright digital-screen technology can be leveraged through the company’s cloud and edge-based technology from the ability of rotating advertising images on a single physical platform.

Management of VSBLTY believes that VSBLTY’s products resolve the historical eyeball metric limitation inherent in the DOOH advertising industry. With the forward-facing data-collection capability of its proprietary software, VSBLTY provides not only accurate eyeball metrics or impression counts, but also more in-depth data captured through facial analytics, such as gender, age ranges, engagement level, emotional reaction and dwell time.

Key to VSBLTY’s business strategy is its participation in the process of new-product adoption in the digital-media messaging category. In 2014 and 2015, digital display innovation was introduced to the marketplace and it represented a breakthrough that VSBLTY identified as a means of leverage for entry into the grocery industry. There is demand for more promotional space at retail. Impressions delivered at retail have high value because of their influence upon consumers at point of decision. As digital solutions become less expensive, the opportunity to drive innovative retail campaigns that are delivered at comparatively low cost, is a compelling proposition for a consumer-packaged goods brand.

### *Products and Services*



a commercial relationship with Lenovo Group Limited, one of the world's largest manufacturers of computer platforms and ancillary technology.

- LG/MRI – LG/MRI is one of the world's leading sources for outdoor, high bright screens as well as digital coolers and freezers.
- Seneca – One of the world largest sourcing and distribution entities of technology and integrated systems. VSBLTY has had long standing ties with Seneca and in 2019 extended that relationship so that Seneca could install VSBLTY software and systems at factory for later enablement by Seneca customers.

### ***Research and Development***

VSBLTY has developed and released multiple versions of the three software modules developed by the Company. Because of competitive forces, customer requests, or the simple need to maintain a leadership position, the Company continues to invest in research and development not only to manage the deployments in the field but also to enhance the product offerings.

VSBLTY has sub-contracted development to two primary sources. InterKnowlogy LLC (“**InterKnowlogy**”), a Carlsbad-based custom application developer, is an entity controlled by Tim Huckaby. Mr. Huckaby is a well-known technology leader and a founder of VSBLTY, L.P. InterKnowlogy has provided critical research and proof of concept development expertise to VSBLTY Logic Studio, based in Quito, Ecuador is a contract development entity that has been engaged by VSBLTY for three years to build its production code.

### ***Specialized Skill and Knowledge***

The nature of the Company's business requires specialized skills and knowledge, including expertise in machine learning, computer vision, artificial intelligence, finance, software development and programming, application security, marketing, design and content creation. Increased competition for technology personnel may make it more difficult to hire and retain competent employees and consultants and may affect the Company's ability to grow at the pace it desires. However, the Company does not currently anticipate any significant difficulties in locating and retaining appropriate personnel as the employees and consultants that possess the skill and knowledge required to carry on its business.

### ***Marketing Plan and Strategy***

The primary goal of VSBLTY's 2020 marketing program is to continue to build awareness of VSBLTY as the market leader in Proactive Digital Display for retail and security among key constituents including decision makers at key retailers, consumer-packaged good companies, stadiums, public transit hubs, and other important public spaces. Targeting influential writers within the news media and the investor community as well as individual investors will be a key focus in 2020.

The key objective of VSBLTY is to develop meaningful deployments with national or international retailers, consumer-packaged goods or other significant partners that can, by association, establish VSBLTY as being a leader in this quickly emerging market.

VSBLTY's marketing team will deploy a tactical plan across various marketing channels both on-line and off-line. Business and technology print and digital media will continue to be targeted to generate news and information about key milestones as VSBLTY signs important and relevant service agreements in each market sector. Social media posts will support this news to provide greater reach among key constituents

that follow or may become interested in following the company's story.

Participation at select industry trade shows will also continue to be a major focus for generating leads and building VSBLTY's market position. VSBLTY intends to continue to leverage major strategic partners such as Intel Corporation to partner with at these shows to establish credibility, as well as realize the expense savings by being included within their footprint on the floor at international trade shows. This has been an effective tactic in the past, as VSBLTY has been invited to numerous trade shows by its strategic partners and significant manufacturing partners.

VSBLTY also intends to develop an updated website during 2020 to enable the company to feature more case studies and provide more information to support the growing security segment of the business. Search engine optimization and paid search will become a more important aspect of VSBLTY's marketing plan as VSBLTY builds its use cases and closes larger scale contracts.

### ***Competitive Conditions***

VSBLTY has a broad product spectrum and participates in a marketplace that is still in the process of defining itself. The three critical components of the business of the company and the competitive landscape for each is described below.

#### *Digital Signage Content Management System (VisionCaptor)*

There are several hundred vendors that develop content management systems for digital platforms making this is a crowded segment of the market. Many of these software solutions only provide the ability to provide passive display (non-interactive) content. VSBLTY, with its VisionCaptor module, can provide comprehensive and scalable solutions for various digital display applications including those that require interactivity and remote management. The market leaders in the segment of the market include Scala, Broadsign and Brightsign.

#### *DataCaptor*

Leveraging proprietary software, VSBLTY uses machine learning along with computer vision to define the nature of the audience, in real time and according to several measurement criteria. As the various markets trend toward more accountability and measurement, VSBLTY is in an excellent position to be among the pioneers in this category. There are two primary competitors to VSBLTY in this specific area: (i) Quividi (based in Paris, France), and (ii) Admobilize (based in Miami Beach, Florida). Both competitors concentrate their business primarily in the measurement market with minimal solutions for CMS and security. VSBLTY's breadth of product and service offerings is its primary differentiator.

#### *VSBLTY Vector*

VSBLTY Vector is the security module that is capable of detecting the presence of persons of interest within a crowd of people. It does this at scale and in real time as an adjunct to existing security infrastructure and with the ability to interface with existing CCTV apparatus. The uniqueness of the VSBLTY approach is that it couples digital display with security (facial recognition and object recognition). The philosophy is driven by the belief that facial recognition, as a technology, is more effective when connected to or delivered alongside digital display. When there is compelling content to look at, people will look. When they look, the identification of the face happens instantly and supports the immediate security cross reference.

While this combination is an innovation of VSBLTY there is nothing proprietary about this approach (although this is the basis of a patent application by VSBLTY which, if granted, could provide the basis of

a strong defense). There are several companies that offer digital display or facial recognition as a discrete category, but VSBLTY is not aware of any that have mature offerings in both categories. The security capability is a natural extension of measurement and since measurement (precise analytics for DOOH) has become an expectation in DOOH there are several companies aggressively developing products to allow for artificial intelligence-powered machine learning and machine vision for real time DOOH measurement. If and when this happens there will be more competition for VSBLTY As an example, Nippon Electronics Corporation, a leading facial recognition vendor, has made announcements about merging the capabilities of their new digital signage product with security. In addition, Stratacache (based in Dayton, OH), has begun to offer commercial solutions for real time video analytics. This is further evidence that the markets are merging and growing in real terms.

### ***Intellectual Property***

The Company's success depends in part on its ability to create unique intellectual property that improves the Company's ability to create and deliver customer value in the principal markets where it does business. The Company's intangible assets are comprised of brand recognition, technology platforms and customer relationships.

#### ***Patents***

To the knowledge of VSBLTY management, the method of triggering content based on how a computer and camera interpret a scene is proprietary to VSBLTY More specifically, the use of computer vision to govern and instruct software behaviour was pioneered by VSBLTY It started with the simple notion that a digital sign would be able to tell if a man or a woman were present in front of the display and drive specific custom content to that audience. The idea is that the cue is taken from the environment. What is unique about the way VSBLTY applies this concept is that the software is instructed ahead of time what parameters will be used to govern content. It can be a simple set of parameters or a more complex set, but the decision making is autonomous, and, after the fact, the software reports its performance and what it has done.

Two related patent applications have been filed by VSBLTY to cover this innovation: (i) Patent application 15/731,334, which is related to driving content based upon a scene analysis; and (ii) Patent application 15/731,333, which is Continuation in Part related to using the innovation in conjunction with vending machine technology. Neither application has resulted in the issuance of a patent.

In addition, VSBLTY has released multiple versions of software that constitute a comprehensive body of work and proprietary methods and capabilities. VSBLTY expects to file additional patent applications as it continues to develop its technology.

#### ***Trademarks***

VSBLTY has applied for and received trademarks for the way it represents the various branding elements of its software. Two trademarks related to the product have been granted: (i) Trademark 87450202 – the mark consists of the letter "V" in gray to white gradient. There is an inverted red triangle in the center of the "V"; and (ii) Trademark 87450210 – an additional mark that consist of the V for VSBLTY with gradient.

#### ***Uniqueness of VSBLTY Software***

VSBLTY believes that several software elements developed by VSBLTY are unique and may be separately patentable from any of the other VSBLTY products, including the following:

- complex and proprietary machine learning that occurs not in the cloud where there is unlimited processing power but on the edge with local, lightweight processors. Artificial intelligence that utilized machine learning was pioneered in the cloud where processing power was essentially unlimited and accessible only through high-speed network connections. The weakest link is the network connectivity and the cost of the processing. VSBLTY has developed superior technology that runs off low cost local processors that achieve higher performance because they need not traverse a network link that introduces latency and cost. These complex algorithms, deployed initially on the cloud infrastructure, can now be deployed on the edge (closer to where the services are consumed and without need for a network connection). This algorithm dependent, heavy lifting is essential to the proper functioning of artificial intelligence and machine learning to identify, see and track the humans within range of the camera. This is the technology which identifies and tracks humans (only limited by the capability of the camera) while performing facial recognition and measuring engagement, emotion, demographic profiles (age, race, gender);
- comprehensive SDKs (Software Development Kits) and APIs (Application Programming Interfaces) built and documented by VSBLTY In the world of artificial intelligence, this is difficult to do and involves very complex engineering. This gives VSBLTY the ability to rapidly develop new machine learning algorithms for as yet unanticipated applications. These capabilities are unique to VSBLTY and provide a platform for rapid development of new machine learning models;
- proprietary technology that can conduct real time computer processing on people within the field of view at scale. This includes demographic tracking of users (age and gender), facial identification, facial recognition (in loyalty scenarios the user opts-in to be recognized), emotional satisfaction/dissatisfaction tracking (user is happy, sad, surprised, contempt, etc.), engagement tracking (user's eyes are engaged with the content or looking away), number of viewers and the level of engagement that they have with the platform in seconds and percentage of dwell, counting of people that come within "site" of the system (body counting), targeted content or advertising based on any of the audience measurement systems above, audience measurement analytics and usage analytics stored in a cloud-based database that can run sophisticated reporting for analysis;
- the web-based content manager and content designer for interactive and non-interactive content groups;
- multi-screen spanning (allowing the content and touch to span unlimited large form factor screen devices);
- edge-based body counting, the technology which tracks and counts humans within view of the camera and runs "on the edge" without the need for an internet connection to call cloud services;
- an innovative object recognition software system based on computer vision and machine learning technology that enables the recognition of objects with a confidence level and the technology that allows the VSBLTY software to react to recognized objects whether it be in terms or changing content or firing an event that triggers an alert. This is used in conjunction with facial recognition and digital signage to provide for weapons detection at a stadium or a school. In the retail context the object recognition can be used to analyze what objects (products) are pulled from the shelf by a shopper because of the successful delivery of a message from a digital sign; and
- a comprehensive new platform is under development now and will be released in the 3<sup>rd</sup> quarter of 2020. This platform will place VSBLTY in a leadership position as it creates a new methodology of interconnectivity and "internet of things" infrastructure. In addition, it gives the Company a great

deal of agility as we look to respond to unknown or, as yet, undefined market and product development opportunities.

The Company intends to continue to develop its intellectual property portfolio and pursue additional patents.

### ***Employees***

As at the end of the Company's most recently completed financial year, December 31, 2019, the Company had 13 employees. As of the date of this AIF, the Company has 11 employees.

### **Risk Factors**

The following are certain risk factors relating to the business and securities of the Company. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition and/or liquidity and results of operations of the Company could be materially adversely affected.

#### *Failure to Manage Growth*

If the Company is unable to manage its continued growth successfully, its business and results of operations could suffer. The Company's ability to manage growth will require it to continue to build its operational, financial and management controls, contracting relationships, marketing and business development plans and controls and reporting systems and procedures. The Company's ability to manage its growth will also depend in large part upon a number of factors, including the ability for it to rapidly:

- increase sales or attract new customers;
- develop new products;
- expand its internal and operational and financial controls significantly so that it can maintain control over operations;
- attract and retain qualified technical personnel in order to continue to develop reliable and flexible products and provide services that respond to evolving customer needs;
- build a sales team to keep customers and partners informed regarding the technical features issues and key selling points of its products and services;
- develop support capacity for customers as sales increase; and
- build a channel network to create an expanding presence in the evolving marketplace for its products and services.

An inability to achieve any of these objectives could harm the business, financial condition and results of operations of the Company.

#### *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.

The retail segment of the Company's customer base has already been impacted by the COVID-19 virus. While we expect that market to fully recover, we cannot accurately predict at what pace it will do so. This represents revenue and cash flow risk to the Company.

In addition, since the outbreak of the virus and as a result of its impact on our business partners, there have been delays in accounts receivable. While none of the receivables currently represent a non-payment risk, we do see an ongoing impact to payment cadence.

#### *Failure to Expand the Company's Sales and Marketing Capabilities*

Increasing the Company's customer base and achieving broader market acceptance of its products will depend to a significant extent on the Company's ability to expand its sales and marketing operations. The Company's business will be seriously harmed if the efforts to expand its sales and marketing capabilities are not successful or if they do not generate a sufficient increase in revenue.

#### *Revenue Risk*

To increase its revenue and maintain profitability, the Company must add new customers or increase revenue from its existing customers. Numerous factors, however, may impede its ability to add new customers and increase revenue from its existing customers, including the Company's inability to convert new organizations into paying customers, failure to attract and effectively retain new sales and marketing personnel, failure to retain and motivate the Company's current sales and marketing personnel, failure to develop or expand relationships with channel partners, failure to successfully deploy products for new customers and provide quality customer support once deployed, or failure to ensure the effectiveness of its marketing programs. In addition, if prospective customers do not perceive the Company's products to be of sufficiently high value and quality, the Company will not be able to attract the number and types of new customers that it is seeking.

In addition, the Company's ability to attract new customers and increase revenue from existing customers depends in large part on its ability to enhance and improve its existing products and to introduce compelling new products that reflect the changing nature of its market. The success of any enhancement to its products depends on several factors, including timely completion and delivery, competitive pricing, adequate quality testing, integration with existing technologies and its products, and overall market acceptance. If the Company is unable to successfully develop new products, enhance its existing products to meet customer requirements, or otherwise gain market acceptance, its business, results of operations and financial condition would be harmed.

#### *Liquidity and Negative Cash Flow*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company reported negative cash flow from operating activities for the financial year ended



December 31, 2019 and VSBLTY Inc. has historically reported negative cash flow from operating activities for prior fiscal years. As a result of its negative cash flow, the Company may need to rely on the issuance of securities or other sources of financing to generate sufficient funds to fund its working capital requirements and for corporate expenditures. The Company may continue to have negative cash flow from operating activities until sufficient levels of sales are achieved. To the extent that the Company has negative cash flow from operating activities in future periods, the Company may need to use a portion of proceeds from any offering to fund such negative cash flow.

*Dependence on a Small Number of Customers*

VSBLTY derives a significant percentage of its total revenues from a small group of customers, and, in particular, has been dependent on one particular customer for a large percentage of its revenues. Any change in VSBLTY's relationship with this key customer or any other customers that may represent a significant portion of VSBLTY's revenue in the future could have a material adverse effect on its business, financial condition and results of operations. VSBLTY's dependence on a small number of key customers also exposes it to credit risk in respect of those customers. The failure of VSBLTY's customers to pay amounts owing, or their failure to pay promptly, may have a material adverse effect on VSBLTY's business, financial condition and results of operations and, in turn, the business, financial condition and results of operations of the Company.

*Reliance on Key Personnel*

The Company's success depends largely on the continued services of its executive officers and other key employees. The Company relies on its leadership team in the areas of research and development, operations, security, marketing, sales, customer support, general and administrative functions, and on individual contributors in its research and development and operations. From time to time, there may be changes in the Company's executive management team resulting from the hiring or departure of executives, which could disrupt, and harm, its ability to implement its business plan. The loss of one or more of the Company's executive officers or key employees could harm the Company's business.

In addition, to execute its growth plan, the Company must attract and retain highly qualified personnel. Competition for these personnel is intense and there can be no assurances that the Company will be able to continue to attract and retain the personnel necessary for the development and operation of the Company's business. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the perceived value of the Company's equity awards declines, it may harm the Company's ability to recruit and retain highly skilled employees. If the Company fails to attract new personnel or fails to retain and motivate current personnel, its business and future growth prospects could be harmed.

*Business may Suffer from Failure to Develop Brand*

Building and maintaining awareness of the Company and its portfolio of products in a cost-effective manner is important to achieving widespread acceptance of its current and future products and is an important element in attracting new customers. Brand recognition will become more important for the Company as competition in the market increases. The Company's brand success will depend on the effectiveness of its marketing efforts and on its ability to provide reliable and valuable products to its customers at competitive prices. The Company's brand marketing activities may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses the Company may incur in attempting to build its brand. If the Company fails to successfully market its brand, the Company may fail to attract new customers, retain existing customers or attract media coverage to the extent necessary to realize a sufficient return on its brand-building efforts, and its business and results of operations could suffer.

### *Inability to Leverage Technology*

The Company's future growth depends, in part, on its ability to leverage its technology to offer new solutions. Development of new solutions is complex and subject to a number of risks present in the industry. The Company may not be able to successfully launch new solutions, and there can be no assurances the Company's engineering and development efforts will be successful in competing and launching such solutions. There can be no assurances that the Company will successfully develop or commercialize new solutions in a timely manner or at all, or that such solutions will achieve market acceptance. Any failure to design and implement new solutions on a timely basis and at a price acceptable to the Company's target markets may have a material adverse effect on the Company's business, growth, operating results and financial condition.

### *Competition*

The industry in which the Company operates, is highly competitive, is evolving and is characterized by technological change. Current or future competitors may have longer operating histories, larger customer bases, greater brand recognition and more extensive commercial relationships in certain jurisdictions, and greater financial, technical, marketing and other resources than the Company. As a result, the Company's competitors may be able to develop products and services better received by customers or may be able to respond more quickly and effectively than the Company can to new or changing opportunities, technologies, regulations or customer requirements. In addition, larger competitors may be able to leverage a larger installed customer base and distribution network to adopt more aggressive pricing policies and offer more attractive sales terms, which could cause the Company to lose potential sales or to sell its solutions at lower prices.

Competition may intensify as the Company's competitors enter into business combinations or alliances or raise additional capital, or as established companies in other market segments or geographic markets expand into the Company's market segments or geographic markets. The Company also expects to face additional competition from new entrants. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. If the Company cannot compete against existing and future competitors, its business, results of operations and financial condition could be materially and adversely affected.

The Company's success will be dependent on its ability to market its products and services. There is no guarantee that the Company's products and services will remain competitive. Unforeseen competition, and the inability of the Company to effectively develop and expand the market for its products and services, could have a significant adverse effect on the growth potential of the Company. The Company cannot assure that it will be able to compete effectively against existing and future competitors. In addition, competition or other competitive pressures may result in price reductions, reduced margins or loss of market share, any of which could have a material adverse effect on the Company's business, financial condition or results of operations.

### *Cybersecurity Risks*

Increasingly, companies are subject to a wide variety of attacks on their networks and systems on an ongoing basis. In addition to traditional computer "hackers", malicious code (such as viruses and worms), employee theft or misuse, and denial-of-service attacks, sophisticated nation-state and nation-state supported actors now engage in cybersecurity attacks (including advanced persistent threat intrusions). Despite significant efforts to create security barriers to such threats, it is virtually impossible for the Company to entirely mitigate these risks. The security measures the Company has integrated into its internal network and platform, which are designed to detect unauthorized activity and prevent or minimize security breaches,

may not function as expected or may not be sufficient to protect its internal networks and platform against certain attacks. In addition, techniques used to sabotage or to obtain unauthorized access to networks in which data is stored or through which data is transmitted change frequently and generally are not recognized until launched against a target. As a result, the Company may be unable to anticipate these techniques or implement adequate preventative measures to prevent an electronic intrusion into its networks.

If a breach of customer data security were to occur, as a result of third-party action, employee error, malfeasance or others, and the confidentiality, integrity or availability of the customers' data was disrupted, the Company could incur significant liability to its customers and to individuals or business whose information was being stored by its customers, and its products may be perceived as less desirable, which could negatively affect the Company's business and damage its reputation. Security breaches impacting the Company's products could result in a risk of loss or unauthorized disclosure of customers' information, which, in turn, could lead to litigation, governmental audits and investigations, and possible liability. In addition, a network or security breach could damage the Company's relationships with its existing customers, resulting in the loss of customers, and have a negative impact on its ability to attract and retain new customers.

These breaches, or any perceived breach, of the Company's network, its customers' networks, or other networks, whether or not any such breach is due to a vulnerability in the Company's products, may also undermine confidence in its products and result in damage to its reputation, negative publicity, loss of customers and sales, increased costs to remedy any problem, and costly litigation. Third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information, or otherwise compromise the security of the Company's internal networks, electronic systems and/or physical facilities in order to gain access to its data or its customers' data, which could result in significant legal and financial exposure, loss of confidence in the security of its products, interruptions or malfunctions in its operations, and, ultimately, harm to its future business prospects and revenue. The Company may be required to expend significant capital and financial resources to protect against such threats or to alleviate problems caused by breaches in security.

#### *Reliance on Strategic Partnerships*

To grow its business, the Company anticipates that it will continue to depend on relationships with third parties, such as information technology vendors and channel partners. Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. The Company's competitors may be effective in providing incentives to third parties to favour their products or services over the Company's. In addition, acquisitions of the Company's partners by its competitors could result in a decrease in the number of its current and potential customers, as its partners may no longer facilitate the adoption of its applications by potential customers. If the Company is unsuccessful in establishing and maintaining its relationships with third parties, or if these third parties are unable or unwilling to provide services to the Company, the Company's ability to compete in the marketplace or to grow its revenue could be impaired, and its results of operations may suffer. Even if the Company is successful, it cannot be sure that these relationships will result in increased customer usage of its products or increased revenue.

#### *Changes in Technology*

The Company operates in a competitive industry characterized by rapid technological change and evolving industry standards. The Company's ability to attract new customers and increase revenue from existing customers will depend largely on its ability to anticipate industry standards and trends, respond to technological advances in its industry, and to continue to enhance existing products or to design and introduce new products on a timely basis to keep pace with technological developments and its customers' increasingly sophisticated needs. The success of any enhancement or new product depends on several

factors, including the timely completion and market acceptance of the enhancement or new product. Any new product the Company develops or acquires might not be introduced in a timely or cost-effective manner and might not achieve the broad market acceptance necessary to generate significant revenue. If any of the Company's competitors implements new technologies before the Company is able to implement them, those competitors may be able to provide more effective products than the Company at lower prices. Any delay or failure in the introduction of new or enhanced products could harm the Company's business, results of operations and financial condition.

The Company's products are expected to embody complex technology that may not meet those standards, changes and preferences. The Company's ability to design, develop and commercially launch new products depends on a number of factors, including, but not limited to, its ability to design and implement solutions and services at an acceptable cost and quality, its ability to attract and retain skilled technical employees, the availability of critical components from third parties, and its ability to successfully complete the development of products in a timely manner. There is no guarantee that the Company will be able to respond to market demands. If the Company is unable to effectively respond to technological changes, or fails or delays to develop products in a timely and cost-effective manner, its products and services may become obsolete, and the Company may be unable to recover its research and development expenses which could negatively impact sales, profitability and the continued viability of its business.

#### *System Failures or Delays in Network Operations*

The Company's ability to collect and report accurate data may be interrupted by a number of factors, including inability to access the Web, failure of the Company's network or software systems, computer viruses, security breaches or variability in user volume on customer Websites. A failure of network or data gathering procedures could impede the processing of data, cause the corruption or loss of data or prevent the timely delivery of products.

In the future, the Company may need to expand its network and systems at a more rapid pace than it has in the past. The Company's network or systems may not be capable of meeting the demand for increased capacity, or it may incur additional unanticipated expenses to accommodate these capacity demands. In addition, the Company may lose valuable data, be unable to obtain or provide data on a timely basis or its network may temporarily shut down if it fails to adequately expand or maintain its network capabilities to meet future requirements. Any lapse in the Company's ability to collect or transmit data may decrease the value of its products and prevent it from providing data requested by customers. Any disruption in the Company's network processing or loss of Web user data may damage its reputation and result in the loss of customers, business, and results of operations could be adversely affected.

#### *Security Breaches*

VSBLTY's services involve the storage, analysis and transmission of customers' proprietary information, and security breaches could expose the Company to a risk of loss of this information, litigation and possible liability. While VSBLTY has security measures in place, they may be breached as a result of third-party action, including intentional misconduct by computer hackers, employee error, malfeasance or otherwise and result in someone obtaining unauthorized access to the Company's information technology ("IT") data, the Company's customers' data or the Company's data, including the Company's intellectual property and other confidential business information. Additionally, third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information in order to gain access to the Company's customers' data, the Company's data or the Company's IT systems. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, the Company may be unable to anticipate these techniques or to implement adequate preventative measures. Because the Company does

not control the Company's customers or third-party technology providers, or the processing of such data by third-party technology providers, the Company cannot ensure the integrity or security of such transmissions or processing. Malicious third parties may also conduct attacks designed to temporarily deny customers access to the Company's services. Any security breach could result in a loss of confidence in the security of the Company's services, damage the Company's reputation, negatively impact the Company's future sales, disrupt the Company's business and lead to legal liability.

#### *Defects or Disruptions in the Company's Services*

Because the Company's services are complex and incorporate a variety of hardware and proprietary and third-party software, the Company's services may have errors or defects that could result in unanticipated downtime for the Company's subscribers and harm to the Company's reputation and the Company's business. Cloud services frequently contain undetected errors when first introduced or when new versions or enhancements are released. VSBLTY has from time to time found defects in, and experienced disruptions to, VSBLTY's services and new defects or disruptions may occur in the future. Since VSBLTY's customers use the VSBLTY's services for important aspects of their business, any errors, defects, disruptions in service or other performance problems could hurt the Company's reputation and may damage the Company's customers' businesses. As a result, customers could elect to not renew the Company's services or delay or withhold payment to the Company. The Company could also lose future sales or customers may make warranty or other claims against the Company, which could result in an increase in the Company's provision for doubtful accounts, an increase in collection cycles for accounts receivable or the expense and risk of litigation.

#### *Potential Loss of Customers Resulting from Data Errors*

Errors in the Company's systems resulting from the large amount of data that it collects, stores and manages could cause the information that it collects to be incomplete or to contain inaccuracies that customers regard as significant. The failure or inability of the Company's systems, networks and processes to adequately handle the data in a high quality and consistent manner could result in the loss of customers. In addition, the Company may be liable to certain of its customers for damages they may incur resulting from these events, such as loss of business, loss of future revenues, breach of contract or loss of goodwill to their business.

#### *Actual or Perceived Violations of Privacy Laws or Perceived Misuse of Personal Information*

Any perception of the Company's practices as an invasion of privacy, whether legal or illegal, may subject it to public criticism. Existing and future privacy laws and increasing sensitivity of consumers to unauthorized disclosures and use of personal information may create negative public reaction related to the Company's business practices. Any resulting reputational harm, potential claims asserted against the Company or decrease in user response could reduce the demand for its products, increase the cost of obtaining user responses, the Company's need for public relations and communications, and adversely affect the Company's ability to provide products to its customers. Any of these effects could harm the Company's business.

#### *Unauthorized Disclosure or Theft of Private Information*

Unauthorized disclosure of personally identifiable information in the possession of the Company whether through breach of the Company's secure network by an unauthorized party, employee theft or misuse, or otherwise, could harm its business. If there was an inadvertent disclosure of personally identifiable information that the Company gathers, or, if a third party were to gain unauthorized access to the personally identifiable information the Company may possess, the Company's operations could be seriously disrupted and it could be subject to claims or litigation arising from damages to affected parties or pursuant to the

agreements with its customers. In addition, the Company could incur significant costs in complying with the multitude of provincial, U.S. state, federal and international laws regarding the unauthorized disclosure of personal information. Finally, any perceived or actual unauthorized disclosure of the information the Company collects could harm its reputation and have an adverse impact on its business.

#### *Interruptions or Delays in Services from Third-Party Data Center Hosting Facilities or Cloud Computing Platform Providers*

VSBLTY currently serves customers from third-party data center hosting facilities and cloud computing platform providers. Any damage to, or failure of, the Company's systems generally could result in interruptions in the Company's services. VSBLTY has from time to time experienced interruptions in VSBLTY's services and such interruptions may occur in the future. Interruptions in the Company's services may reduce the Company's revenue, cause the Company to issue credits or pay penalties, cause customers to terminate their subscriptions and adversely affect the Company's attrition rates and the Company's ability to attract new customers, all of which would reduce the Company's revenue. The Company's business would also be harmed if customers and potential customers believe the Company's services are unreliable. VSBLTY does not control the operation of any of these facilities, and they may be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. Facilities may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct, as well as local administrative actions, changes to legal or permitting requirements and litigation to stop, limit or delay operation. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in the Company's services. Even with disaster recovery and business continuity arrangements, the Company's services could be interrupted. When the Company adds data centers and adds capacity, the Company may move or transfer the Company's data and the Company's customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of the Company's services, which may damage the Company's business.

#### *General Risk of Foreign Operations*

The Company's operations may be adversely affected by changes in foreign policies, legislation, or social instability and other factors that are not within the control of the Company. The Company's operations may also be adversely affected by laws and policies of such jurisdictions affecting foreign trade, taxation and investment. If the Company's operations are disrupted, its business may be harmed.

In the event of a dispute arising in connection with the Company's operations in a foreign jurisdiction where the Company conducts its business, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions.

#### *Acquisitions and Integration of New Businesses*

The Company may acquire additional businesses. The Company's M&A strategy involves a number of risks related to the realization of synergies and overall integration of the Company's operations including but not limited to human resources, company culture, information technology, data integrity, information systems, business processes and financial management. If a strategy of growth through acquisition is pursued, the failure of the Company to successfully manage this strategy could have a material adverse effect on the Company's business, results of operations and financial condition. Furthermore, if acquired businesses and assets are not successfully integrated, the Company may not achieve the anticipated benefits or growth opportunities.

### *Difficulty in Forecasting*

Market opportunity estimates and growth forecasts, whether obtained from third-party sources or developed internally, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The Company's estimates and forecasts relating to the size and expected growth of its target market, market demand and adoption, capacity to address this demand, and pricing may prove to be inaccurate. The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

### *Reputational Risk*

Reputational damage can result from the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views, whether true or not. Reputation loss may result in decreased customer confidence and an impediment to the Company's overall ability to advance its products and services with customers, thereby having a material adverse impact on its financial performance, financial condition, cash flows and growth prospects.

### *Protection of Intellectual Property*

The Company's commercial success depends to a significant degree upon its ability to develop new or improved technologies, instruments and products, and to obtain patents, where appropriate, or other intellectual property rights or statutory protection for these technologies and products in Canada and the United States. Despite devoting resources to the research and development of proprietary technology, the Company may not be able to develop new technology that is patentable or protectable. Further, patents issued to the Company, if any, could be challenged, held invalid or unenforceable, or be circumvented and may not provide the Company with necessary or sufficient protection or a competitive advantage. Competitors and other third parties may be able to design around the Company's intellectual property or develop products similar to its products that are not within the scope of such intellectual property. The Company's inability to secure its intellectual property rights may have a materially adverse effect on its business and results of operations.

Prosecution and protection of the intellectual property rights sought can be costly and uncertain, often involve complex legal and factual issues and consume significant time and resources. The laws of certain countries may not protect intellectual property rights to the same extent as the laws of Canada or the United States.

### *Litigation*

The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and the Company could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages. Substantial litigation costs or an adverse result in any litigation may adversely impact the Company's business, operating results or financial condition.

### *Conflicts of Interest*

Certain of the Company's directors and/or officers may also serve as directors and/or officers of other companies and consequently there exists the possibility for such directors and officers to be in a position of conflict requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the BCBCA and any decisions made any of such directors and officers involving the Company are subject to the duties and obligations to deal fairly and in good faith with a view to the best interests of the Company.

#### *Volatile Market Price for Common Shares*

The market price for the Common Shares may be highly volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company control, including, but not limited to: (i) actual or anticipated fluctuations in the Company's operating results; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of companies in the industry in which the Company operates; (iv) addition or departure of the Company's executive officers and other key personnel; (v) sales or anticipated sales of additional Common Shares; (vi) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; (vii) announcements of technological innovations, patents or new commercial products by the Company or its competitors; (viii) regulatory changes affecting the Company's industry generally and its business and operations; (ix) news reports relating to trends, concerns, technological or competitive developments and other related issues in the Company's industry or target markets; and (x) changes in global financial markets, global economies and general market conditions.

The Common Shares have been subject to significant price and volume fluctuations historically and may continue to be subject to significant price and volume fluctuations in the future. Significant market price and volume fluctuations can affect the market prices of equity securities of companies and have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Common Shares may be materially adversely affected.

#### *Additional Financing*

In order to execute its anticipated growth strategy, the Company may require additional equity and/or debt financing to support on-going operations, to undertake capital expenditures, or to undertake business combination transactions or other initiatives. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise additional financing could limit the Company's growth and may have a material adverse effect upon its business, operations, results, financial condition or prospects.

If additional funds are raised through further issuances of equity or securities convertible into equity, existing Shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of the existing Shareholders. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities.

#### *Internal Controls*



Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. However, internal controls over financial reporting are not guaranteed to provide absolute assurance with regard to the reliability of financial reporting and financial statements.

Any failure to develop or maintain effective controls or any difficulties encountered in their implementation could harm the Company's results of operations or cause the Company to fail to meet its reporting obligations and may result in a restatement of its financial statements for prior periods. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in the Company's reported financial and other information, which would likely have a negative effect on the trading price of the Common Shares.

#### *Dividend Risk*

The Company has not paid dividends in the past and does not anticipate paying dividends in the foreseeable future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire debt.

#### *Global Economy Risk*

Global financial conditions have always been subject to volatility. This volatility may impact the Company's ability to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. Increased levels of volatility and market turmoil can adversely impact the Company's operations and the value and price of the Common Shares could be adversely affected.

#### *Disruption due to Acts of God*

Disruptions in the activities of the Company may be caused by natural disasters, effects of climate change and man-made activities, pandemics, trade disputes and disruptions, war, terrorism, and any other forms of economic, health, or political disruptions. The Company's financial conditions are reliant on continued operations, and in circumstances where continued operations are not possible, the Company is likely to experience a decline in its revenue, and may suffer additional disruptions in the form of lack of access to its workforce, customers, technology, or other assets. The extent of the impact on the Company will vary with the extent of the disruption and cannot be adequately predicted in advance.

### **DIVIDENDS AND DISTRIBUTIONS**

The Company has not declared nor paid any cash dividends on any of its issued equity securities since its inception. Other than requirements imposed under applicable corporate law, there are no other restrictions on the Company's ability to pay dividends under the Company's constating documents. The Company has not paid any dividends on the Common Shares since its incorporation. The Company has no present intention of paying dividends on the Common Shares, as it anticipates that all available funds will be invested to finance the growth of its business and, when appropriate, retire debt.

### **DESCRIPTION OF CAPITAL STRUCTURE**

The Company's authorized share capital consists of an unlimited number of Common Shares without par value.

As of the date of this AIF, there are 81,348,638 Common Shares issued and outstanding as fully paid and non-assessable. In addition, 6,305,000 Common Shares are reserved for issuance under Options and 2,747,956 Common Shares are reserved for issuance under Warrants.

### Common Shares

All of the Common Shares are of the same class and, once issued, rank equally as to entitlement to dividends, voting powers (one vote per share) and participation in assets upon dissolution or winding up. No Common Shares have been issued subject to call or assessment. There are no pre-emptive rights, no conversion or exchange rights, no redemption, retraction, purchase for cancellation or surrender provisions applicable thereto; nor are there any sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities or any other material restrictions, and there are no provisions which are capable of requiring Shareholders to contribute additional capital.

### Warrants

The following table sets forth all Warrants of the Company that are outstanding as of the date of this AIF:

Number of Warrants	Exercise Price (CAD\$)	Expiry Date
266,286	\$0.35	August 29, 2021
386,513	\$0.35	September 19, 2021
1,214,281	\$0.60	September 19, 2021
95,543	\$0.35	October 22, 2021
500,000	\$0.60	October 22, 2021
232,000	\$0.30	February 26, 2022
53,333	\$0.30	April 9, 2022
232,000	\$0.30	February 26, 2022
53,333	\$0.30	April 9, 2022

### Options

On December 17, 2018, the Board implemented a 10% rolling share option plan (the “**Option Plan**”) in order to provide the Company with the flexibility necessary to attract and maintain the services of senior executives and other employees in competition with other businesses in the industry and in accordance with Exchange policies. Shareholders will be asked to ratify the adoption of the Option Plan at the annual meeting of the Company expected to be held on or about July 6, 2020.

A number of Common Shares equal to ten (10%) percent of the issued and outstanding Common Shares in the capital stock of the Company from time to time are reserved for the issuance of Options pursuant to the Option Plan. The Option Plan is administered by the Board (or any committee duly authorized by the Board). The Option Plan provides that the number of Common Shares issuable under the Option Plan, together with all of the Company’s other previously established or proposed share compensation arrangements, may not exceed 10% of the total number of issued and outstanding Common Shares. Options granted under the Option Plan can have a maximum exercise term of ten (10) years from the date of grant. Vesting terms are determined at the time of grant by the Board.

The following table sets forth all Options that are outstanding as of the date of this AIF:

Number of Options	Exercise Price (CAD\$)	Expiry Date
25,000	\$0.50	June 5, 2022
5,230,000	\$0.30	February 15, 2023
75,000	\$0.41	August 8, 2022
300,000	\$0.325	August 20, 2022
125,000	\$0.30	December 2, 2021
50,000	\$0.30	November 7, 2021
50,000	\$0.30	December 15, 2024
250,000	\$0.30	January 12, 2025

## MARKET FOR SECURITIES

### Market

On February 27, 2020, the Company's Common Shares began trading on the Exchange under the trading symbol "VSBY". The Company's Common Shares are also listed on the OTCQB Marketplace under the symbol "VSBGF" and the Frankfurt Stock Exchange under the symbol "5VS".

### Trading Price and Volume

The table below summarizes the price ranges and trading volume of Common Shares on the Exchange for each of the months stated:

Month	Price Range (CAD\$)		Volume
	High	Low	
June 1 – 12, 2020	0.24	0.18	1,916,584
May 2020	0.285	0.20	6,426,194
April 2020	0.30	0.19	7,698,178
March 2020	0.24	0.12	3,082,108
February 2020	0.315	0.2	4,825,387
January 2020	0.33	0.21	3,802,068
December 2019	0.33	0.185	1,908,420
November 2019	0.25	0.16	4,869,726
October 2019	0.385	0.205	3,234,430
September 2019	0.44	0.305	4,324,810
August 2019	0.41	0.24	2,840,838
July 2019	0.47	0.36	1,491,280
June 2019	0.55	0.36	1,547,145
May 2019	0.56	0.45	2,821,353

April 2019	0.60	0.46	3,820,467
March 2019	0.75	0.485	3,636,112
February 27 – 28, 2019	0.70	0.47	1,368,603

### Prior Sales

During the financial year ended December 31, 2019, the Company issued the following securities convertible into Common Shares:

Date of Issuance	Security	Number of Securities / Aggregate Principal Amount	Issue/Exercise Price Per Security (CAD\$)
February 18, 2019	Warrants	7,300,000 <sup>(1)</sup>	\$0.40 per share
July 18, 2019	Convertible Debentures	\$745,500 <sup>(2)</sup>	\$0.45 per unit if converted at any time before one year from the closing date, or otherwise convertible at \$0.60 per unit if converted after one year from the closing date but before the maturity date.
August 29, 2019	Convertible Debentures	\$1,165,000 <sup>(3)</sup>	\$0.35 per unit if converted at any time before one year from the closing date, or otherwise convertible at \$0.60 per unit if converted after one year from the closing date but before the maturity date.
August 29, 2019	Broker Warrants	266,286 <sup>(3)</sup>	\$0.35 per share
September 19, 2019	Convertible Debentures	\$1,857,120 <sup>(4)</sup>	\$0.35 per unit if converted at any time before one year from the closing date, or otherwise convertible at \$0.60 per unit if converted after one year from the closing date but before the maturity date.
September 19, 2019	Broker Warrants	386,513 <sup>(4)</sup>	\$0.35 per share
September 20, 2019	Warrants	1,214,281 <sup>(5)</sup>	\$0.60 per share
October 22, 2019	Convertible Debentures	\$1,095,598 <sup>(6)</sup>	\$0.35 per unit if converted at any time before one year from the closing date, or otherwise convertible at \$0.60 per unit if converted after one year from the closing date but before the maturity date.

October 22, 2019	Broker Warrants	95,543 <sup>(6)</sup>	\$0.35 per share
October 22, 2019	Warrants	500,000 <sup>(7)</sup>	\$0.35 per share

**Notes:**

- (1) Issued upon conversion of the Special Warrants. Each warrant entitled the holder to acquire one Common Share at a price of \$0.40 per Common Share until February 27, 2020.
- (2) Issued pursuant to the Company's July 18, 2019 private placement of unsecured convertible debentures for gross proceeds of \$745,500. The debentures 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 of the Company at \$0.45 per unit if converted at any time before one year from the closing date, or otherwise convertible at \$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 Common Share at a price of \$0.60 per warrant share for a period of 24 months from the closing date, subject to certain acceleration rights of the Company.
- (3) Issued pursuant first tranche of a private placement of unsecured convertible debentures for gross proceeds of \$1,165,000. The debentures 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 of the Company at \$0.35 per unit if converted at any time before one year from the closing date, or otherwise convertible at \$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 \$0.60 per warrant share for a period of 24 months from the closing date, subject to certain acceleration rights of the Company. Each broker warrant entitles the agent to purchase one Share at the price of \$0.35 per share for a period of 24 months from the closing date.
- (4) Issued pursuant to the second tranche of a private placement of unsecured convertible debentures for gross proceeds of \$1,857,120, of which \$1,691,000 was brokered and \$166,120 was non-brokered. The debentures 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 of the Company at \$0.35 per unit if converted at any time before one year from the closing date, or otherwise convertible at \$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 Common Share at a price of \$0.60 per warrant share for a period of 24 months from the closing date, subject to certain acceleration rights of the Company. Each broker warrant entitles the agent to purchase one Common Share at the price of \$0.35 per share for a period of 24 months from the closing date.
- (5) Issued upon exercise of convertible debentures.
- (6) Issued pursuant to the third and final tranche of a private placement of unsecured convertible debentures for gross proceeds of \$1,095,598, of which \$448,000 was brokered and \$647,598 was non-brokered. The debentures 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 of the Company at \$0.35 per unit if converted at any time before one year from the closing date, or otherwise convertible at \$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 Common Share at a price of \$0.60 per warrant share for a period of 24 months from the closing date, subject to certain acceleration rights of the Company. Each broker warrant entitles the agent to purchase one Common Share at the price of \$0.30 per share for a period of 24 months from the closing date.
- (7) Issued upon exercise of convertible debentures.

Subsequent to December 31, 2019, the Company issued the following securities convertible into Common Shares:

Date of Issuance	Security	Number of Securities	Issue/Exercise Price Per Security (CAD\$)
February 26, 2020	Convertible Debentures	\$1,630,380 <sup>(1)</sup>	\$0.30 per unit if converted at any time before one year from the closing date, or otherwise convertible at \$0.60 per unit if converted after one year from the closing date but before the maturity date.

February 26, 2020	Broker Warrants	232,200 <sup>(1)</sup>	\$0.30
April 9, 2020	Convertible Debentures	\$230,000 <sup>(2)</sup>	\$0.30 per unit if converted at any time before one year from the closing date, or otherwise convertible at \$0.60 per unit if converted after one year from the closing date but before the maturity date.
April 9, 2020	Broker Warrants	53,333 <sup>(2)</sup>	\$0.30

**Notes:**

- (1) Issued pursuant to the first tranche of a private placement of unsecured convertible debentures for gross proceeds of \$1,630,380, of which \$870,000 was brokered and \$760,380 was non-brokered. 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 \$0.30 per unit, if converted at any time before one year from the closing date, or otherwise convertible at \$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 into one Common Share at a price of \$0.60 per warrant share for a period of 24 months from the closing date, subject to certain acceleration rights of the Company. Each broker warrant entitles the agent to purchase one Common Share at the price of \$0.30 per share for a period of 24 months from the closing date.
- (2) Issued in pursuant to the second tranche of a private placement of unsecured convertible debentures for gross proceeds of \$230,000, of which \$200,000 was brokered and \$30,000 was non-brokered. 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 \$0.30 per unit, if converted at any time before one year from the closing date, or otherwise convertible at \$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 into one Common Share at a price of \$0.60 per warrant share for a period of 24 months from the closing date, subject to certain acceleration rights of the Company. Each broker warrant entitles the agent to purchase one Common Share at the price of \$0.30 per share for a period of 24 months from the closing date.

### ESCROWED SECURITIES

The following table sets forth the number of securities of each class of the Company held, to the Company's knowledge, in escrow and the percentage that number represents of the outstanding securities of that class as of the date of this AIF:

Designation of Class	Number of Securities Held in Escrow or that are subject to a contractual restriction on transfer	Percentage of Class
Common Shares	17,285,817 <sup>(1)</sup>	21.25% <sup>(2)</sup>

**Notes:**

- (1) Held in escrow pursuant to the Escrow Agreement executed in connection with the listing of the Common Shares on the CSE. The Escrow Agreement provides for a timed escrow release consistent with the escrow provisions of NP 46-201 and the restrictions agreed to by each of the applicable parties.
- (2) Based on 81,348,638 Common Shares issued and outstanding as at the date of this AIF.

### DIRECTORS AND OFFICERS

#### Name, Occupation and Security Holding

The following table sets forth information regarding the directors and executive officers of the Company.

Name and Residence	Positions with the Company	Date of Appointment	Principal Occupation Within the Past Five Years <sup>(1)</sup>
Jay Hutton <sup>(2)</sup> <i>British Columbia, Canada</i>	Chief Executive Officer, President and Director	Director: December 4, 2018 Officer: February 15, 2019	President and CEO of VSBLTY, Inc. since July 2015 and the Company since February 2019; President and CEO of Actus LP since July 2011.
Laurette Pitts <i>New Jersey, United States</i>	Chief Compliance Officer and Director	Director: February 15, 2019 Officer: February 15, 2019	CCO of VSBLTY, Inc. since November 2018; CFO of VSBLTY, Inc. from November 2018 to March 2020 and the Company from February 2019 to March 2020; Senior Vice President of Finance at Hard Rock Casino from December 2017 to November 2018; COO and CFO of Empire Resorts from December 2010 to December 2017.
Guy Lombardo <sup>(2)</sup> <i>Rhode Island, United States</i>	Director	December 14, 2018	Self-employed since 2010.
Alnesh Mohan <sup>(2)</sup> <i>British Columbia, Canada</i>	Director	August 7, 2018	Partner at Quantum Advisory Partners LLP since September 2005.
Heather Sim <i>British Columbia, Canada</i>	Chief Financial Officer	March 23, 2020	CFO of VSBLTY since March 2020; Financial Reporting Manager at ACM Management Inc. since January 2019; Accountant at Regency Fireplace Products International Ltd. from January 2018 to December 2018; Accountant at Dale Matheson Carr-Hilton LaBonte LLP from August 2014 to December 2017.
Tim Huckaby <i>California, United States</i>	Chief Technology Officer	February 15, 2019	Founder and Chairman of InterKnowlogy since September 1999.
Fred Potok <i>Pennsylvania, United States</i>	Chief Sales Officer	February 15, 2019	Co-founder and Chief Sales Officer of VSBLTY, Inc. since July 2013 and the Company since February 2019.
Linda Rosanio <i>New Jersey, United States</i>	Chief Operating Officer	February 15, 2019	COO of VSBLTY, Inc. since July 2015 and the Company since February 2019; Co-Founder and CEO of The Star Group

Name and Residence	Positions with the Company	Date of Appointment	Principal Occupation Within the Past Five Years <sup>(1)</sup>
			Communications, Inc. from August 1985 to June 2015.
Jan Talamo <i>New Jersey, United States</i>	Chief Creative Officer	February 15, 2019	CCO of M Partners from July 2015 to Present; CCO of Traffic MRTG from July 2015 to Present; CCO of VSBLTY, Inc. from July 2015 to Present and the Company from February 2019 to Present; Co-Founder and CCO of The Star Group Communications, Inc. from August 1985 to June 2015.
Sheryl Dhillon <i>British Columbia, Canada</i>	Corporate Secretary	May 28, 2019	Corporate Secretary of numerous public companies listed on both the TSX Venture Exchange and the CSE since May 2005.

**Notes:**

- (1) The information as to the principal occupation, business or employment is not within the knowledge of the Company and has been furnished by the respective director/officer.
- (2) Member of the Audit Committee.

**Term of Office**

The term of office of each director of the Company expires at the end of the annual meeting of Shareholders each year. The next annual meeting of Shareholders is expected to be held on or about July 6, 2020.

**Director and Officer Share Ownership**

As of the date of the AIF, the Company’s directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 16,475,861 Common Shares, representing approximately 20.25% of the issued and outstanding Common Shares.

**Biographies**

The following are brief profiles of the executive officers and directors of the Company.

***Jay Hutton (Chief Executive Officer, President and Director)***

Jay Hutton is one of the founders of VSBLTY, L.P. Mr. Hutton has 25 years of experience as a software executive, having begun his career at Gandalf Technologies, an Ottawa-based pioneer of data-communications technology in 1988. He later served as Country Manager (Canada) for Ascend Communications during its growth, public offering and ultimate sale to Lucent Technologies in 1999. Subsequent to that time, Mr. Hutton spent the next decade working for Voice Mobility International Inc. (“VMII”), a private equity sponsored start-up, that went on to become listed on the OTCBB and later co-listed on the Toronto Stock Exchange in 2004. Mr. Hutton occupied either the role of President and CEO or President until 2008. After leaving VMII, Mr. Hutton co-founded Actus LP and was simultaneously the



primary executive responsible for introducing in-vehicle media outlets for more than 13,000 taxis in NY, which delivered news and weather while also processing electronic payments. He conducted this assignment on behalf of a Richmond, BC-based vehicle dispatch company: Digital Dispatch Systems. In 2010, Mr. Hutton was asked by the board of directors to return to VMII to restructure the company and position it for sale. Mr. Hutton did this and a sale of technology to Applied Voice and Speech Technologies (“AVST”) was concluded in February of 2011. As part of this agreement Mr. Hutton served as VP, Business Development, Cloud Division for AVST. Mr. Hutton performed this role under contract until the sale of AVST in 2018.

Mr. Hutton has entered into a non-competition and non-disclosure agreement with the Company. Mr. Hutton is a full time employee of the Company.

***Laurette Pitts (Chief Compliance Officer and Director)***

Laurette Pitts is a seasoned executive who has held senior finance and operations positions in both public and private gaming companies, including her role as the Senior Vice President of Finance for Boardwalk 1000 (DBA Hard Rock Casino Atlantic City) from December 2017 to November 2018 and Chief Operating Officer and Chief Financial Officer of Empire Resorts (Parent to Monticello Casino & Raceway as well as Resorts World Catskills) from December 2010 to December 2017. Having had a 26-year career in gaming, Ms. Pitts understands working in a highly regulated industry and has been licensed in several gaming jurisdictions. She was responsible for implementing internal controls, processes and procedures at the first casino in Pennsylvania (Mohegan Sun at Pocono Downs).

Ms. Pitts has entered into a non-competition and non-disclosure agreement with the Company. Ms. Pitts devotes approximately 10% of her time to the business of the Company.

***Guy Lombardo (Director)***

Dr. Guy Lombardo is both an investor and one of the founders of VSBLTY, L.P. Previously, Dr. Lombardo founded Comau Productivity Systems, an American subsidiary of Fiat. The company designed, built, and installed factory automation equipment in the automotive sector. Once the company established itself as a supplier, it accepted General Motors as a minority owner. Dr. Lombardo has also served as a Group Vice President of the Bendix Corporation and for a decade as a senior consultant with the worldwide consulting firm, Arthur D. Little, Inc. Dr. Lombardo trained as a physicist first at Brown University and then at Cornell University, from which he received his PhD. As a visiting professor, he taught MBA students at Boston University and in Teheran, Iran. He has published results of original research in journals of business and physics.

Dr. Lombardo has not entered into a non-competition or non-disclosure agreement with the Company. Dr. Lombardo devotes approximately 10% of his time to the business of the Company to effectively fulfill his duties as a Director.

***Alnesh Mohan (Director)***

Alnesh Mohan is a partner of Quantum Advisory Partners LLP and has over 20 years of accounting, auditing, and tax experience providing advisory services to a wide array of companies. Acting on behalf of several public companies, Mr. Mohan has acquired considerable experience in financial reporting, corporate governance and regulatory compliance. Mr. Mohan is currently CFO of Highbury Projects Inc., Premier Diversified Holdings Inc. and Twyford Ventures Inc., all listed on the TSX Venture Exchange. He is also a director of Premier Diversified Holdings Inc., a TSX Venture Exchange-listed company, and American Pacific Mining Inc. and HealthSpace Data Systems Ltd., both listed on the CSE.

Mr. Mohan has not entered into a non-competition or non-disclosure agreement with the Company. Mr. Mohan will devote 10% of his time to the business of the Company to effectively fulfill his duties as a Director.

***Heather Sim (Chief Financial Officer)***

Heather Sim, CPA is an experienced senior leader with experience assisting public companies navigate the regulatory markets in the US and Canada. Heather articulated at DMCL Chartered Professional Accountants before taking on the financial reporting lead at a multimillion-dollar complex internationally listed company. After gaining more experience in industry, she has been serving as a Senior Manager for ACM Management Inc., exclusively focusing on assisting issuers with their financial and regulatory filing requirements.

Ms. Sim has not entered into a non-competition or non-disclosure agreement with the Company. Ms. Sim devotes approximately 50% of her time to the business of the Company.

***Tim Huckaby (Chief Technology Officer)***

Tim Huckaby is the Chief Technologist and one of the founders of VSBLTY, L.P., responsible for managing the initial development of VSBLTY L.P.'s three products – VisonCaptor, DataCaptor and VSBLTY Vector. He continues to oversee ongoing product refinement and new innovations for use of the technology. Mr. Huckaby has 25 years of experience in Microsoft engineering, primarily through his work as founder of Interknowlogy, a 16-year-old software development company responsible for delivering innovation to several Fortune 100 companies across various industries. Mr. Huckaby co-founded Actus LP in 2011 with Jay Hutton and developed the initial intellectual property that eventually became the core capability of VSBLTY, Inc. Technology developed by Mr. Huckaby is used John King's "Magic Wall" on election night for CNN. He has received numerous awards for technical presentations and keynotes for Microsoft and other international technology conferences.

Mr. Huckaby has entered into a non-competition and non-disclosure agreement with the Company. Mr. Huckaby devotes approximately 60% of his time to the business of the Company.

***Fred Potok (Chief Sales Officer)***

Fred Potok is one of the founders of VSBLTY, L.P. He has 20 years of retail and consumer-packaged goods experience, and provides many long-term relationships from his role as the head of global sales for VSBLTY, Inc. Mr. Potok founded FloorGraphics, a privately held in-store advertising company in Princeton, NJ where he was Chairman, CEO and President. He was responsible for inventing and conceiving the "floor decal" as an advertising vehicle used in point-of-purchase advertising. Mr. Potok helped to grow FloorGraphics from \$1 million in gross revenue in 1997 to \$70 million in gross revenue in 2001, and FloorGraphics was ranked in Forbes Magazine as the #11 fastest growing privately held company in 2003 and #39 on the Inc. 500 list of entrepreneurial firms.

Mr. Potok has entered into a non-competition and non-disclosure agreement with the Company. Mr. Potok is a full time employee of the Company.

***Linda Rosanio (Chief Operating Officer)***

Linda Rosanio serves as Chief Operating Officer of VSBLTY Ms. Rosanio began her early career in the 1970s as a Media Director responsible for her advertising agency's planning and purchasing of various forms of media from radio and television to billboards and point-of-sale advertising. From there, she transitioned into client services and started her own advertising agency in 1985. Ms. Rosanio grew her

advertising agency over the next 30 years to 230 people employees with \$80 million in sales. Ms. Rosanio's company served as the incubator for FloorGraphics. Ms. Rosanio has considerable experience in client services and operations, including in consumer-packaged goods, retail and casinos. Her advertising agency served as a roster agency for Coca Cola developing and executing national point-of-sale promotions.

Ms. Rosanio has entered into a non-competition and non-disclosure agreement with the Company. Ms. Rosanio is a full time employee of the Company.

***Jan Talamo (Chief Creative Officer)***

Jan Talamo is VSBLTY's Chief Creative Officer and Head of Brand Strategies. Mr. Talamo has spent 30 years in the marketing business building campaigns and executing brand building ideas for clients in both the consumer-packaged goods and casino/gaming industries. He has served as Chief Creative Officer and Partner for three companies over his career and has experience in the creative integration of digital technology in client engagement and the point of sale landscape. Mr. Talamo will oversee the development of all client and prospective client communications including the imagining and creation of the extensions of their brand campaigns onto the various VSBLTY digital screen platforms.

Mr. Talamo has entered into a non-competition and non-disclosure agreement with the Company. Mr. Talamo devotes approximately 60% of his time to the business of the Company.

***Sheryl Dhillon (Corporate Secretary)***

Sheryl Dhillon has over fifteen years of experience acting as a Corporate Secretary for publicly listed issuers. She has extensive knowledge of corporate governance, as well as strong management skills and excellent corporate communications. Ms. Dhillon acts as Corporate Secretary for several Toronto Stock Exchange, TSX Venture Exchange and CSE listed companies.

Ms. Dhillon has not entered into a non-competition or non-disclosure agreement with the Company. Ms. Dhillon devotes approximately 10% of her time to the business of the Company.

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

No director or executive officer of the Company is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that:

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except for Jan Talamo and Linda Rosanio, who were directors of Star Group Communications, Inc. when it was declared bankrupt in June 2015, no director or executive officer of the Company, nor a shareholder

holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

No director or executive officer of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

### **Conflicts of Interest**

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the BCBCA dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the BCBCA. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and the best interest of the Company.

Tim Huckaby is the majority shareholder of InterKnowlgy. InterKnowlgy is a custom application software developer that has been in business for more than 17 years. With specialized expertise in machine learning, complex architecture and artificial intelligence. VSBLTY has purchased development expertise from InterKnowlgy on a project basis. The decision to utilize InterKnowlgy is made exclusively by the development team and by Jay Hutton with no input from Tim Huckaby.

### **PROMOTERS**

A "Promoter" is defined in the *Securities Act* (British Columbia) as a "person who (a) alone or in concert with other persons directly or indirectly takes the initiative of founding, organizing or substantially reorganizing the business of the issuer; or (b) in connection with the founding, organization or substantial reorganization of the business of the Company, directly or indirectly receives, in consideration of services or property or both, 10% or more of a class of the Company's own securities or 10% or more of the proceeds

from the sale of a class of the Company's own securities of a particular issue.

Each of Alnesh Mohan, Jay Hutton and Tim Huckaby may be considered to be the promoters of the Company, as they have taken the initiative in founding the business of the Company. The number of Common Shares currently held by each of the promoters, and the corresponding percentage of outstanding Common Shares, is set out above under the heading "*Directors and Officers*".

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **Legal Proceedings**

The Company is not, and was not during the most recently completed financial year, engaged in any legal proceedings and none of its property is or was during that period the subject of any legal proceedings. The Company does not know of any such legal proceedings which are contemplated.

### **Regulatory Proceedings**

During the most recently completed financial year and during the current financial year, the Company is not and has not been the subject of any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor, or entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

## **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed elsewhere in this AIF and in the audited consolidated financial statements of the Company for the year ended December 31, 2019, none of the directors or executive officers of the Company, or any Shareholders who beneficially own, control or direct, directly or indirectly, more than 10% of the Company's outstanding Common Shares, or any known associates or affiliates of such persons, had any material interests, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

## **TRANSFER AGENT AND REGISTRARS**

The Company's Registrar and Transfer Agent is Odyssey Trust Company, located at 409 Granville Street, Suite 323, Vancouver, BC V6C 1T2.

## **MATERIAL CONTRACTS**

Except as set out below, there are no material contracts, other than those contracts entered into in the ordinary course of business, which have been entered into within the last financial year, or which have been entered into before the beginning of the last financial year that are still in effect, and which are required to be filed with Canadian securities regulatory authorities in accordance with section 12.2 of National Instrument 51-102 – *Continuous Disclosure Obligations*:

- the Escrow Agreement between the Company, Odyssey Trust Company and certain shareholders of the Company dated February 15, 2019.

## INTERESTS OF EXPERTS

### Names of Experts

The Company's auditors are Dale Matheson Carr-Hilton LaBonte LLP, with offices at 1140 West Pender St., Suite 1500, Vancouver, BC V6E 4G1 (the "**Auditor**"), who have prepared an independent auditor's report dated April 29, 2020, in respect of the Company's audited consolidated annual financial statements for the two most recent fiscal years ended December 31, 2019 and December 31, 2018. The Auditor has advised that they are independent with respect to the Company within the meaning of the CPABC Code of Professional Conduct.

### Interests of Experts

To the knowledge of management of the Company, none of the persons above held, at the time of or after such person prepared the statement, report or valuation, any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of one of its associates or affiliates or is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

## AUDIT COMMITTEE

The Company's Audit Committee has various responsibilities as set forth in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") made under securities legislation, concerning constitution of its audit committee and its relationship with its independent auditor and among such responsibilities being a requirement that the Audit Committee establish a written charter that sets out its responsibilities.

### Audit Committee Charter

The Audit Committee is a committee of the Board. The Audit Committee has a charter (the "**Audit Committee Charter**") that sets out its mandate and responsibilities. The Audit Committee Charter was adopted by the Board on December 17, 2018. A copy of the Audit Committee Charter is attached hereto as Schedule "A".

### Composition of the Audit Committee

The Audit Committee shall consist of a minimum of three directors of the Company, including the Chair of the Audit Committee. All Audit Committee members shall, to the satisfaction of the Board, be "financially literate" as such term is defined in NI 52-110.

As of the date of this AIF, the Company's Audit Committee was composed of Alnesh Mohan (Chair), Jay Hutton and Guy Lombardo. Of the current members of the Audit Committee, Guy Lombardo is independent. Jay Hutton (President, CEO and Director) and Alnesh Mohan (Director) are non-independent members of the Audit Committee. In accordance with section 6.1.1(3) NI 52-110 relating to the composition of the audit committee for venture issuers, a majority of the members of the Audit Committee are not executive officers, employees or control persons of the Company. All members of the Audit Committee are considered to be financially literate as required by section 1.6 of NI 52-110.

### Relevant Education and Experience

Each member of the Audit Committee has had extensive experience reviewing financial statements. Each member of the Audit Committee has an understanding of the Company's business and an appreciation for

the relevant accounting principles for that business. In particular, the Company believes that each of the members of the Audit Committee possesses: (a) an understanding of the accounting principles used by the Company to prepare its financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and (d) an understanding of internal controls and procedures for financial reporting.

For relevant education and experience of Jay Hutton, Guy Lombardo and Alnesh Mohan, refer to "Directors and Officers – Biographies" above.

### **Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemptions in section 2.4 (*De Minimis Non-audit Services*), section 3.2 (*Initial Public Offerings*), section 3.4 (*Events Outside Control of Member*), section 3.5 (*Death, Disability or Resignation of Audit Committee Member*), or Part 8 (*Exemptions*) of NI 52-110.

### **Reliance on the Exemption in Subsection 3.3(2) or Section 3.6**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in subsection 3.3(2) (*Controlled Companies*) or section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*) of NI 52-110.

### **Reliance on Section 3.8**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on section 3.8 (*Acquisition of Financial Literacy*) of NI 52-110.

### **Exemption**

The Company is a "venture issuer" as defined under NI 52-110 and, as such, is relying on the exemption in section 6.1 (*Venture Issuers*) of NI 52-110 from the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) thereof.

### **Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter under the heading "External Auditors".

### **External Auditor Service Fees (By Category)**

The aggregate fees paid by the Company to its Auditor in the financial years ended December 31, 2018 and December 31, 2019 were as follows:

<b>Financial Period Ending</b>	<b>Audit Fees (CAD\$)<sup>(1)</sup></b>	<b>Audit Related Fees (CAD\$)<sup>(2)</sup></b>	<b>Tax Fees (CAD\$)<sup>(3)</sup></b>	<b>All Other Fees (CAD\$)</b>
December 31, 2018	\$12,200	\$Nil	\$Nil	\$Nil
December 31, 2019	\$52,000	\$Nil	\$6,500	\$Nil

- (1) "Audit Fees" include, where applicable, fees necessary to perform the annual audit and the quarterly reviews of the Company's consolidated financial statements. Audit Fees include fees for the review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include, where applicable, services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include, where applicable, fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include, where applicable, all other non-audit services.

### **ADDITIONAL INFORMATION**

Additional financial information relating to the Company is provided in the Company's audited consolidated financial statements for the Company's financial years ended December 31, 2019 and December 31, 2018, and Management's Discussion and Analysis for the year ended December 31, 2019. Copies of the Company's audited annual financial statements, most current interim financial statements, Management's Discussion and Analysis, and a copy of this AIF, as well as additional information relating to the Company may be found under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).



## **SCHEDULE “A” AUDIT COMMITTEE CHARTER**

### **1. PURPOSE AND PRIMARY RESPONSIBILITY**

1.1 This charter sets out the Audit Committee’s purpose, composition, member qualification, member appointment and removal, responsibilities, operations, manner of reporting to the Board of Directors (the “**Board**”) of VSBLTY Groupe Technologies Corp. (the “**Company**”), annual evaluation and compliance with this charter.

1.2 The primary responsibility of the Audit Committee is that of oversight of the financial reporting process on behalf of the Board. This includes oversight responsibility for financial reporting and continuous disclosure, oversight of external audit activities, oversight of financial risk and financial management control, and oversight responsibility for compliance with tax and securities laws and regulations as well as whistle blowing procedures. The Audit Committee is also responsible for the other matters as set out in this charter and/or such other matters as may be directed by the Board from time to time. The Audit Committee should exercise continuous oversight of developments in these areas.

### **2. MEMBERSHIP**

2.1 At least a majority of the Audit Committee must be comprised of independent directors of the Company as defined in sections 1.4 and 1.5 of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”), provided that should the Company become listed on a senior exchange, each member of the Audit Committee will also satisfy the independence requirements of such exchange.

2.2 The Audit Committee will consist of at least two members, all of whom shall be financially literate, provided that an Audit Committee member who is not financially literate may be appointed to the Audit Committee if such member becomes financially literate within a reasonable period of time following his or her appointment. Upon graduating to a more senior stock exchange, if required under the rules or policies of such exchange, the Audit Committee will consist of at least three members, all of whom shall meet the experience and financial literacy requirements of such exchange and of NI 52-110.

2.3 The members of the Audit Committee will be appointed annually (and from time to time thereafter to fill vacancies on the Audit Committee) by the Board. An Audit Committee member may be removed or replaced at any time at the discretion of the Board and will cease to be a member of the Audit Committee on ceasing to be an independent director.

2.4 The Chair of the Audit Committee will be appointed by the Board.

### **3. AUTHORITY**

3.1 In addition to all authority required to carry out the duties and responsibilities included in this charter, the Audit Committee has specific authority to:

(a) engage, set and pay the compensation for independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities, and any such consultants or professional advisors so retained by the Audit Committee will report directly to the Audit Committee;

(b) communicate directly with management and any internal auditor, and with the external auditor without management involvement; and

(c) incur ordinary administrative expenses that are necessary or appropriate in carrying out its duties, which expenses will be paid for by the Company.

#### **4. DUTIES AND RESPONSIBILITIES**

4.1 The duties and responsibilities of the Audit Committee include:

- (a) recommending to the Board the external auditor to be nominated by the Board;
- (b) recommending to the Board the compensation of the external auditor to be paid by the Company in connection with (i) preparing and issuing the audit report on the Company's financial statements, and (ii) performing other audit, review or attestation services;
- (c) reviewing the external auditor's annual audit plan, fee schedule and any related services proposals (including meeting with the external auditor to discuss any deviations from or changes to the original audit plan, as well as to ensure that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Audit Committee);
- (d) overseeing the work of the external auditor;
- (e) ensuring that the external auditor is independent by receiving a report annually from the external auditors with respect to their independence, such report to include disclosure of all engagements (and fees related thereto) for non-audit services provided to the Company;
- (f) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board by receiving, at least annually, a report by the external auditor on the audit firm's internal quality control processes and procedures, such report to include any material issues raised by the most recent internal quality control review, or peer review, of the firm, or any governmental or professional authorities of the firm within the preceding five years, and any steps taken to deal with such issues;
- (g) ensuring that the external auditor meets the rotation requirements for partners and staff assigned to the Company's annual audit by receiving a report annually from the external auditors setting out the status of each professional with respect to the appropriate regulatory rotation requirements and plans to transition new partners and staff onto the audit engagement as various audit team members' rotation periods expire;
- (h) reviewing and discussing with management and the external auditor the annual audited and quarterly unaudited financial statements and related Management Discussion and Analysis ("MD&A"), including the appropriateness of the Company's accounting policies, disclosures (including material transactions with related parties), reserves, key estimates and judgements (including changes or variations thereto) and obtaining reasonable assurance that the financial statements are presented fairly in accordance with IFRS and the MD&A is in compliance with appropriate regulatory requirements;
- (i) reviewing and discussing with management and the external auditor major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the financial statements of the Company and its subsidiaries;

- (j) reviewing and discussing with management and the external auditor the external auditor's written communications to the Audit Committee in accordance with generally accepted auditing standards and other applicable regulatory requirements arising from the annual audit and quarterly review engagements;
- (k) reviewing and discussing with management and the external auditor all earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies prior to such information being disclosed;
- (l) reviewing the external auditor's report to the shareholders on the Company's annual financial statements;
- (m) reporting on and recommending to the Board the approval of the annual financial statements and the external auditor's report on those financial statements, the quarterly unaudited financial statements, and the related MD&A and press releases for such financial statements, prior to the dissemination of these documents to shareholders, regulators, analysts and the public;
- (n) satisfying itself on a regular basis through reports from management and related reports, if any, from the external auditors, that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements that such information is fairly presented;
- (o) overseeing the adequacy of the Company's system of internal accounting controls and obtaining from management and the external auditor summaries and recommendations for improvement of such internal controls and processes, together with reviewing management's remediation of identified weaknesses;
- (p) reviewing with management and the external auditors the integrity of disclosure controls and internal controls over financial reporting;
- (q) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company and assessing, as part of its internal controls responsibility, the effectiveness of the over-all process for identifying principal business risks and report thereon to the Board;
- (r) satisfying itself that management has developed and implemented a system to ensure that the Company meets its continuous disclosure obligations through the receipt of regular reports from management and the Company's legal advisors on the functioning of the disclosure compliance system, (including any significant instances of non-compliance with such system) in order to satisfy itself that such system may be reasonably relied upon;
- (s) resolving disputes between management and the external auditor regarding financial reporting;
- (t) establishing procedures for:
  - (i) the receipt, retention and treatment of complaints received by the Company from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practises relating thereto; and
  - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

- (u) reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;
- (v) pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor;
- (w) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities;
- (x) establishing procedures for:
  - (i) reviewing the adequacy of the Company's insurance coverage, including the Directors' and Officers' insurance coverage;
  - (ii) reviewing activities, organizational structure, and qualifications of the Chief Financial Officer ("CFO") and the staff in the financial reporting area and ensuring that matters related to succession planning within the Company are raised for consideration at the Board;
  - (iii) obtaining reasonable assurance as to the integrity of the Chief Executive Officer ("CEO") and other senior management and that the CEO and other senior management strive to create a culture of integrity throughout the Company;
  - (iv) reviewing fraud prevention policies and programs, and monitoring their implementation;
  - (v) reviewing regular reports from management and others (e.g., external auditors, legal counsel) with respect to the Company's compliance with laws and regulations having a material impact on the financial statements including:
    - (A) Tax and financial reporting laws and regulations;
    - (B) Legal withholding requirements;
    - (C) Environmental protection laws and regulations; and
    - (D) Other laws and regulations which expose directors to liability.

4.2 A regular part of Audit Committee meetings involves the appropriate orientation of new members as well as the continuous education of all members. Items to be discussed include specific business issues as well as new accounting and securities legislation that may impact the organization. The Chair of the Audit Committee will regularly canvass the Audit Committee members for continuous education needs and in conjunction with the Board education program, arrange for such education to be provided to the Audit Committee on a timely basis.

4.3 On an annual basis the Audit Committee shall review and assess the adequacy of this charter taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Company has a reporting relationship and, if appropriate, recommend changes to the Audit Committee charter to the Board for its approval.

## 5. MEETINGS

5.1 The quorum for a meeting of the Audit Committee is a majority of the members of the Audit Committee.

5.2 The Chair of the Audit Committee shall be responsible for leadership of the Audit Committee, including scheduling and presiding over meetings, preparing agendas, overseeing the preparation of briefing documents to circulate during the meetings as well as pre-meeting materials, and making regular reports to the Board. The Chair of the Audit Committee will also maintain regular liaison with the CEO, CFO, and the lead external audit partner.

5.3 The Audit Committee will meet in camera separately with each of the CEO and the CFO of the Company at least annually to review the financial affairs of the Company.

5.4 The Audit Committee will meet with the external auditor of the Company in camera at least once each year, at such time(s) as it deems appropriate, to review the external auditor's examination and report.

5.5 The external auditor must be given reasonable notice of, and has the right to appear before and to be heard at, each meeting of the Audit Committee.

5.6 Each of the Chair of the Audit Committee, members of the Audit Committee, Chair of the Board, external auditor, CEO, CFO or secretary shall be entitled to request that the Chair of the Audit Committee call a meeting which shall be held within 48 hours of receipt of such request to consider any matter that such individual believes should be brought to the attention of the Board or the shareholders.

## **6. REPORTS**

6.1 The Audit Committee will report, at least annually, to the Board regarding the Audit Committee's examinations and recommendations.

6.2 The Audit Committee will report its activities to the Board to be incorporated as a part of the minutes of the Board meeting at which those activities are reported.

## **7. MINUTES**

7.1 The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

## **8. ANNUAL PERFORMANCE EVALUATION**

8.1 The Board will conduct an annual performance evaluation of the Audit Committee, taking into account the Charter, to determine the effectiveness of the Committee.