

VSBLTY GROUPE TECHNOLOGIES CORP.
CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

(Expressed in United States dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of VSBLTY Groupe Technologies Corp.

Opinion

We have audited the consolidated financial statements of VSBLTY Groupe Technologies Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company incurred accumulated deficit of \$20,705,606 since its inception. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

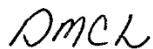
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



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

April 30, 2021

VSBLTY GROUPE TECHNOLOGIES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in United States dollars)

As at	Notes	December 31, 2020		December 31, 2019	
ASSETS					
Current assets					
Cash		\$	1,917,763	\$	499,435
Trade and other receivables	14		134,981		44,191
Prepaid expenses	6		313,315		428,497
			2,366,059		972,123
Equipment	7		32,146		59,450
Right-of-use assets	11		178,809		229,085
Deposits	6		10,916		10,916
Total assets		\$	2,587,930	\$	1,271,574
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current liabilities					
Accounts payable and accrued liabilities	8, 14	\$	1,224,088	\$	566,180
Deferred revenue			8,251		3,825
Current portion of lease liability	11		48,447		61,982
Convertible debentures	9		2,439,536		-
			3,720,322		631,987
Lease liability	11		155,299		181,073
Convertible debentures	9		1,062,193		2,357,980
Total liabilities			4,937,814		3,171,040
SHAREHOLDERS' DEFICIENCY					
Share capital	12		15,703,032		9,948,497
Reserves	12		2,843,867		2,357,422
Obligation to issue warrants	12		19,127		19,127
Accumulated deficit			(20,705,606)		(14,173,281)
Accumulated other comprehensive income			(210,304)		(51,231)
Total shareholders' deficiency			(2,349,884)		(1,899,466)
Total liabilities and shareholders' deficiency		\$	2,587,930	\$	1,271,574
Nature of operations and going concern	1				
Contingency	20				
Subsequent events	22				

APPROVED BY THE BOARD OF DIRECTORS:

"Jay Hutton"

Director

"Alnesh Mohan"

Director

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

VSBLTY GROUPE TECHNOLOGIES CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in United States dollars)

	Notes	Year ended December 31,	
		2020	2019
Revenue			
License fees	\$	152,798	\$ 47,279
Connectivity		-	200
Professional services		32,000	21,890
Software license development		375,000	-
Hardware and other		47,606	36,337
		607,404	105,706
Cost of sales		(412,751)	(41,299)
Gross profit		194,653	64,407
Sales and marketing expenses	13,14	(1,472,315)	(1,424,740)
General and administrative expenses	13,14	(2,754,304)	(2,828,227)
Research and development expenses	13,14	(1,365,696)	(1,181,997)
Share-based payments	12	(290,135)	(1,396,955)
Operating loss		(5,882,450)	(6,831,919)
Listing expense	5	-	(491,568)
Finance costs	9,10,12,20	(987,882)	(241,932)
Gain (loss) on disposal of equipment	7	(28,609)	1,252
Change in fair value of derivative liability	9	-	60,162
Gain on settlement of debt	9,10	-	102,095
Government grant	10	203,509	-
Interest income		109	5,186
Foreign exchange loss	9	(31,655)	(34,707)
Net loss		(6,532,325)	(7,367,024)
Other comprehensive income (items that may be reclassified to profit or loss)			
Exchange differences on translating foreign operations		(159,073)	(51,231)
Total comprehensive loss	\$	(6,691,398)	\$ (7,418,255)
Loss per share – Basic and diluted	\$	(0.08)	\$ (0.10)
Weighted average shares outstanding – Basic and diluted		81,551,693	72,972,476

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

VSBLTY GROUPE TECHNOLOGIES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Expressed in United States dollars)

	Number of common shares	Share capital	Reserves	Obligation to issue warrants	Accumulated deficit	Accumulated other comprehensive income	Total shareholders' deficiency
Balance, December 31, 2018	37,307,078	\$ 4,335,914	\$ 87,996	\$ -	\$ (6,806,257)	\$ -	\$ (2,382,347)
Shares issued pursuant to Acquisition	24,546,881	1,761,552	(87,996)	-	-	-	1,673,556
Recapitalization of the Company	14,600,000	2,751,370	652,255	-	-	-	3,403,625
Exercise of warrants	900,917	439,383	(169,778)	-	-	-	269,605
Share-based payments	174,996	76,715	1,396,955	-	-	-	1,473,670
Convertible debt issuance	-	-	511,478	-	-	-	511,478
Convertible debt issuance costs	283,199	65,590	38,454	-	-	-	104,044
Convertible debt conversion	2,500,000	517,973	(71,942)	-	-	-	446,031
Obligation to issue warrants	-	-	-	19,127	-	-	19,127
Translation of foreign operations	-	-	-	-	-	(51,231)	(51,231)
Loss	-	-	-	-	(7,367,024)	-	(7,367,024)
Balance, December 31, 2019	80,313,071	\$ 9,948,497	\$ 2,357,422	\$ 19,127	\$ (14,173,281)	\$ (51,231)	\$ (1,899,466)
Units issued for cash	52,180,741	3,935,838	377,293	-	-	-	4,313,131
Convertible debt issuance	-	-	193,011	-	-	-	193,011
Convertible debt issuance costs	107,000	17,198	(1,829)	-	-	-	15,369
Convertible debt conversion	2,432,375	532,028	(42,389)	-	-	-	489,639
Performance shares issued	1,000,002	227,268	(227,268)	-	-	-	-
Exercise of warrants	7,147,179	1,042,203	(102,508)	-	-	-	939,695
Share-based payments	-	-	290,135	-	-	-	290,135
Translation of foreign operations	-	-	-	-	-	(159,073)	(159,073)
Loss	-	-	-	-	(6,532,325)	-	(6,532,325)
Balance, December 31, 2020	143,180,368	\$ 15,703,032	\$ 2,843,867	\$ 19,127	\$ (20,705,606)	\$ (210,304)	\$ (2,349,884)

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

VSBLTY GROUPE TECHNOLOGIES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)

	Year ended December 31,	
	2020	2019
Cash flows from operating activities		
Loss for the year	\$ (6,532,325)	\$ (7,367,024)
Adjustments for non-cash items:		
Depreciation	63,433	46,682
Accretion expense	462,344	121,673
Share-based payments	290,135	1,396,955
Bad debt expense	12,675	-
Interest on late payment penalty	150,186	-
Consulting fees paid in shares	-	76,715
Listing expense	-	491,568
Change in fair value of derivative liability	-	(60,162)
Gain on settlement of debt	-	(102,095)
Loss (gain) on disposal of equipment	28,609	(1,252)
Obligation to issue warrants	-	19,127
Forgiveness of loan payable	(203,509)	-
Foreign exchange gain	(28,040)	-
Changes in non-cash working capital items:		
Trade and other receivables	(103,465)	(20,022)
Prepaid expenses and deposits	115,182	(287,165)
Accounts payable and accrued liabilities	510,136	19,353
Deferred revenue	4,426	(2,975)
Net cash used in operating activities	(5,230,213)	(5,671,706)
Cash flows from investing activities		
Acquisition of equipment	(14,460)	(49,760)
Cash acquired in reverse takeover	-	1,854,451
Net cash (used in) provided by investing activities	(14,460)	1,804,691
Cash flows from financing activities		
Principal portion of lease payments	(39,309)	(11,803)
Proceeds from convertible debentures	1,389,667	3,682,612
Convertible debt transaction costs	(141,276)	(406,791)
Proceeds from issuance of promissory notes	300,000	-
Repayment of promissory notes	(200,000)	-
Proceeds from issuance of units	4,670,419	-
Proceeds from Emergency loan	203,509	-
Share issuance costs	(459,704)	-
Proceeds from exercise of warrants	939,695	269,605
Net cash provided by financing activities	6,663,001	3,533,623
Net change in cash	1,418,328	(333,392)
Cash, beginning	499,435	832,827
Cash, ending	\$ 1,917,763	\$ 499,435

Supplemental cash flow disclosure (Note 15)

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

VSBLTY Groupe Technologies Corp.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in United States dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at December 31, 2020, the Company had not yet achieved profitable operations and has an accumulated deficit of \$20,705,606 since its inception. The continuing operations of the Company are dependent upon its ability to develop a viable business and to attain profitable operations and generate funds there from. This indicates the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs with capital market equity financings. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

The 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. During the year ended December 31, 2020, the Company was affected by the adverse impact of the COVID-19. Projects the Company was actively involved in during the year were delayed or put on hold. The Company’s collection of receivables was delayed relating to the effects of COVID-19 on the Company’s customers.

Reverse takeover

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

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

As a result of the Acquisition, VSBLTY, Inc. is deemed as the acquirer for accounting purposes, and therefore its assets, liabilities and operations are included in the consolidated financial statements at their historical carrying value. VSBLTY, Inc.'s operations were considered to be a continuance of the business and operations of VSBLTY, Inc. The Company's results of operations are those of VSBLTY, Inc., with the Company's operations being included from February 15, 2019, the closing date of the Acquisition, onwards. Refer to note 5 for more details.

2. BASIS OF PRESENTATION

a) Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2021.

b) Basis of measurement

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

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

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

2. BASIS OF PRESENTATION (CONTINUED)

c) Basis of measurement (continued)

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Foreign currency transactions

Functional and presentation currency

The functional currency of the Company is determined based on the currency of the primary economic environment in which the Company operates. The functional currency of the Company, is the Canadian dollar. The functional currency of the Company's wholly owned subsidiary, VSBLTY, Inc. is the United States dollar. The presentation currency of the Company is the United States dollar.

Transactions and balances

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Foreign currency transactions (continued)

Translation into the presentation currency

The operating results and consolidated statements of financial position of entities with functional currencies different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities presented are translated at the year end closing rate as at the date of the consolidated statements of financial position;
- Income and expenses for the statements of loss are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences from translating foreign operations are recognized in a separate component of shareholders' equity as other comprehensive income (loss).

b) Accounts receivable

Accounts receivable, net of allowances, are stated at the amount the Company expects to collect. The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost or fair value through other comprehensive income. The Company uses a matrix to determine the lifetime expected credit losses for trade receivables.

The Company uses historical patterns for the probability of default, the timing of collection and the amount of the incurred credit loss, which is adjusted based on management's judgment about whether current economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest. The amount of the impairment loss on a financial asset measured at amortized cost is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss, and applied against trade and other receivables through a loss allowance account.

c) Equipment

Equipment is recorded at cost and carried net of accumulated depreciation, amortization and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset to the location and condition necessary for operation. Subsequent expenditures are capitalized only if it is probable that the future economic benefits associated with the expenditures will flow to the Company.

Repairs and maintenance costs are expensed as incurred. Depreciation is provided over the related assets' estimated useful lives using the straight-line method at the following rates:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Equipment (continued)

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

d) Impairment of tangible assets

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

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

An impairment loss is charged to profit or loss except to the extent it reverses gains previously recognized in other comprehensive income. Where impairment losses subsequently reverse, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimated recoverable amount to the extent that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized in profit or loss.

e) Valuation of equity units issued in private placements

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

f) Loss per share

Basic loss per share is calculated by dividing the Company's net loss by the weighted average number of shares outstanding and reduced by any shares held in escrow during the reporting period. Diluted loss per share is calculated by dividing the Company's net loss by the sum of the weighted average number of shares issued and outstanding assuming all additional shares that would have been outstanding if potentially dilutive instruments were converted and reduced by any shares held in escrow, unless the escrow shares are issuable dependent only on the passage of time with all other conditions having been satisfied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Revenue recognition

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

Contracts with multiple products or services

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

Nature of products and services

Revenue from software licensing arrangements, which allows customers to use software over a term, are provided on a subscription basis and is recognized rateably over the term of the subscription. Where software licensing arrangements includes connectivity services, the connectivity services are non-distinct and recognized over the same term.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Revenue recognition (continued)

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

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

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

h) Cost of Sales

The Company's cost of sales includes the cost of hardware units for resale, shipping on hardware, reseller frees, contracted labour for software development, installation and creative services.

i) Embedded derivatives

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Leases

Lessee

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to use an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for leases with a lease term of 12 months or less and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments and expected payments at the end of the lease, discounted using the rate implicit in the lease. If the rate implicit in the lease cannot be readily determined, the Company uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The right-of-use asset is measured at a cost that includes the lease liability, adjusted for any initial direct costs; prepaid lease payments; estimated costs to dismantle, remove or restore; and lease incentives received. The right-of use asset is subsequently measured at cost less accumulated depreciation and impairment losses.

The Company re-measures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

k) Financial instruments

Recognition, classification and measurement

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments (continued)

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

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

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

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

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivables are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis. The remaining financial assets are assessed collectively.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Income taxes

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

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

m) Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the instruments at the grant date and recognized in expense over the vesting periods. Equity-settled share-based payments to nonemployees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services received cannot be reliably measured. Nonemployee share-based payments are recognized in expense at the date the goods or services are received. The corresponding amount is recorded to reserves. Upon the exercise of stock options, consideration received on the exercise is recorded as share capital and the related amount in reserves is transferred to share capital.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Research and Development Expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. As at December 31, 2020, the Corporation had not recognized any internally-generated intangible assets.

o) Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

4. USE OF JUDGMENTS AND ESTIMATES

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

4. USE OF JUDGMENTS AND ESTIMATES (CONTINUED)

Judgments

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

Going concern

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

Functional currency

The functional currency for the Company and each of its subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of the functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Contingencies

The assessment of contingencies involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against the Company and that may result in regulatory or government actions that may negatively impact the Company's business or operations, the Company and its legal counsel evaluate the perceived merits of the legal proceeding or unasserted claim or action as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or when assessing the impact on the carrying value of the Company's assets. Contingent assets are not recognized in the consolidated financial statements.

Share-based payments

The cost of share-based payment transactions with directors, officers and employees are measured by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, risk-free interest rate, expected forfeiture rate and dividend yield of the stock option.

Estimates

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

Leases

Under IFRS 6, the Company assesses whether a contract contains a lease and, if so, recognizes a lease liability by discounting the future lease payments over the non-cancelable term of the lease, using the Company's estimated incremental borrowing rate. Differences in the estimated incremental borrowing rate could result in materially different lease liabilities and assets.

4. USE OF JUDGMENTS AND ESTIMATES (CONTINUED)

Estimates(continued)

Business Combinations

The determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits.

5. REVERSE TAKEOVER

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

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

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

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

5. REVERSE TAKEOVER (CONTINUED)

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

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

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

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

6. PREPAID EXPENSES

	December 31, 2020	December 31, 2019
Prepaid services and subscriptions	\$ 274,776	\$ 411,910
Prepaid insurance and rent	38,539	9,367
Deposits	-	7,220
	313,315	428,497
Lease deposit	10,916	10,916
	\$ 324,231	\$ 439,413

VSBLTY Groupe Technologies Corp.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in United States dollars)

7. EQUIPMENT

	Computer equipment		Equipment		Total
Cost					
Balance, December 31, 2018	\$	9,998	\$	37,214	\$ 47,212
Additions		12,690		37,070	49,760
Disposal		(1,511)		(10,000)	(11,511)
Balance, December 31, 2019		21,177		64,284	85,461
Additions		13,437		1,024	14,461
Disposal		(9,997)		(32,583)	(42,580)
Balance, December 31, 2020	\$	24,617	\$	32,725	\$ 57,342
Accumulated depreciation					
Balance, December 31, 2018	\$	8,164	\$	9,701	\$ 17,865
Additions		5,790		15,119	20,909
Disposal		(484)		(12,279)	(12,763)
Balance, December 31, 2019		13,470		12,541	26,011
Additions		2,996		10,161	13,157
Disposal		(9,997)		(3,975)	(13,971)
Balance, December 31, 2020	\$	6,469	\$	18,727	\$ 25,197
Net book value					
Balance, December 31, 2019	\$	7,706	\$	51,743	\$ 59,450
Balance, December 31, 2020	\$	18,148	\$	13,998	\$ 32,146

During the year ended December 31, 2020, the Company disposed of equipment that was obsolete or damaged with a netbook value of \$28,609 for proceeds of \$Nil resulting in a loss on disposal of equipment of \$28,609 (2019 - \$1,252).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020		December 31, 2019	
Accounts payable	\$	814,877	\$	307,994
Accrued liabilities		187,894		161,877
Accrued interest (Note 9)		221,317		96,309
	\$	1,224,088	\$	566,180

9. CONVERTIBLE DEBENTURES

2019 Debentures

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

- July 18, 2019 - unsecured convertible debentures for gross proceeds of \$570,956 (CAD\$745,500) (the “July 18, 2019 Debentures”) of which \$269,969 (CAD\$352,500) was issued to related parties (see note 14);
- August 29, 2019 - unsecured, brokered convertible debentures for \$875,952 (CAD\$1,165,000);
- September 19, 2019 - unsecured convertible debentures for gross proceeds of \$1,398,777 (CAD\$1,857,120); and
- October 22, 2019 unsecured convertible debentures for gross proceeds of \$836,927 (CAD\$1,095,598), of the proceeds received, \$250,000 was paid to subscribers for consulting and marketing fees expenses and \$Nil (2019: \$204,500) is outstanding in prepaid expenses for service to be received.
(collectively, the “2019 Debentures”)

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

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

In connection with the issuance of the 2019 Debentures the Company:

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

9. CONVERTIBLE DEBENTURES (CONTINUED)

2019 Debentures (continued)

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

2020 Debentures

During the year ended December 31, 2020, the Company closed a private placement offering of convertible debentures (collectively, the “2020 Debentures”):

- February 26, 2020 - unsecured, brokered convertible debentures for gross proceeds of \$654,091 (CAD\$870,000) and unsecured, non-brokered convertible debentures for gross proceeds of \$571,676 (CAD\$760,380).
- April 9, 2020 - unsecured, brokered convertible debentures for gross proceeds of \$142,522 (CAD\$200,000) and unsecured, non-brokered convertible debentures for gross proceeds of \$21,378 (CAD\$30,000). Of the proceeds raised, \$21,378 was paid to certain subscribers for consulting expenses.

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

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

In connection with the issuance of the debentures the Company:

- Issued 285,333 broker warrants, valued at CAD\$27,537 based on their grant date fair value determined using Black-Scholes Option Pricing Model with the following weighted average assumptions: expected dividend yield - 0%, expected volatility - 100%, risk-free interest rate – 1.15% and an expected life - 2 years. Each broker warrant issued in connection with the debentures entitles the holder to purchase one share at a price of CAD\$0.30 per Share for a period of 24 months from the closing date;
- issued 107,000 broker shares, valued at CAD\$23,105 based on their grant date fair value; and
- incurred CAD\$169,414 in directly attributable cash transaction costs for consulting fees, agent commissions, legal fees and out-of-pocket expenses.

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

9. CONVERTIBLE DEBENTURES (CONTINUED)

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

	2020	2019	2018	Total
	Debtures	Debtures	Debtures	
Balance, December 31, 2018	\$ -	\$ -	\$ 1,079,606	\$ 1,079,606
Issued during the year	-	3,682,612	-	3,682,612
Conversion feature	-	(511,478)	-	(511,478)
Transaction costs	-	(510,836)	-	(510,836)
Accretion	-	111,653	6,526	118,179
Foreign exchange loss	-	32,060	14,430	46,490
Converted to common shares	-	(446,031)	(1,100,562)	(1,546,593)
Balance, December 31, 2019	-	2,357,980	-	2,357,980
Issued during the year	1,389,667	-	-	1,389,667
Conversion feature	(193,011)	-	-	(193,011)
Transaction costs	(141,276)	-	-	(141,276)
Accretion	122,696	339,648	-	462,344
Foreign exchange loss	58,233	55,434	-	113,667
Converted to common shares	(174,116)	(313,526)	-	(487,642)
Balance, December 31, 2020	\$ 1,062,193	\$ 2,439,536	\$ -	\$ 3,501,729

On February 15, 2019, all the outstanding 2018 Debentures were converted into 20,000,000 common shares in accordance with their terms and \$49,255 in accrued interest was forgiven. This resulted in settlement of the conversion feature embedded derivative. The conversion and related accrued interest forgiveness resulted in a gain on settlement of debt of \$18,513.

During the year ended December 31, 2019, \$662,793 (CAD\$875,000) of 2019 Debentures were converted in 2,500,000 common shares and 1,250,000 warrants of the Company. Upon conversion, the carrying value of debt and equity conversion feature were transferred to share capital with no gain or loss recorded.

During the year ended December 31, 2020, \$226,550 (CAD\$290,000) of 2020 Debentures were converted in 1,465,718 common shares and 732,859 warrants. The fair value of the warrants was determined to be \$nil. Upon conversion, the carrying value of debt which is \$174,116 and equity conversion feature of \$79,529 were transferred to share capital and warrant reserves with no gain or loss recorded.

During the year ended December 31, 2020, \$441,984 (CAD\$533,835) of 2019 Debentures were converted in 966,666 common shares and 966,666 warrants of the Company. The fair value of the warrants was determined to be \$83,426. Upon conversion, the carrying value of debt \$313,526 and equity conversion feature of \$46,286 were transferred to share capital and warrant reserves with no gain or loss recorded.

9. CONVERTIBLE DEBENTURES (CONTINUED)

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

2021	\$	2,710,802
2022		1,232,345
	\$	3,943,147

10. NOTES PAYABLE

	December 31, 2020	December 31, 2019
Balance, beginning	\$ -	\$ 1,515,930
Issued during the year	300,000	-
Accretion	-	3,494
Settled for units	(100,000)	(519,424)
Settled for cash	(200,000)	-
Settled on Acquisition	-	(1,000,000)
Balance, ending	\$ -	\$ -

On May 1, 2020, the Company issued two promissory notes for \$100,000 each ("Note 1" and "Note 2"). Each note is interest bearing at 36% per annum and due on July 31, 2020. The notes are secured against the Company's trade accounts receivable.

On July 31, 2020, the Company entered into agreements to modify the terms of the two promissory notes as follows:

- The maturity date for Note 1 was extended to September 1, 2020 and bears interest at 66% per annum on the principal balance of \$100,000 plus interest accrued to date of \$9,000.
- The maturity date for Note 2, of which \$50,000 of principal and \$4,500 in accrued interest had been repaid as at July 31, 2020, was extended to September 1, 2020 and bears interest at 48% per annum on the remaining principal balance of \$50,000 plus interest accrued to date of \$4,500.

As at December 31, 2020, both promissory notes and all interest accrued hereunder were repaid in full.

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

10. NOTE PAYABLE (CONTINUED)

The Company received \$203,509 in loan proceeds in May of 2020. The loan proceeds were only to be used for payroll and other allowable expenses. The loan term is for two years and has a fixed interest rate of 1% per annum. There are no repayments of principal and interest required for the first six months of the loan. If employers maintain their payroll for eight weeks, then 100% of the loan can be forgiven. The amount forgiven depends upon the number of employees retained in the eight-week period following loan funding. As at December 31, 2020, the Company had recognized the full amount as a government grant on the consolidated statement of loss and comprehensive loss.

On July 7, 2020, the Company issued a promissory note for \$100,000. The note bears interest at 18% per annum and was due on October 15, 2020. The note is secured against the Company's trade accounts receivable. On August 28, 2020, the principal balance of \$100,000 and accrued interest of \$2,416 were offset against proceeds from the issuance of units in connection with a private placement (note 12).

During the year ended December 31, 2019, the Company issued \$nil in promissory notes (the "Notes") with 1,557,853 (post-consolidated) attached warrants, some of which are related parties (see Note 14). Subscribers received 1.350659 (0.187272 prior to the Acquisition) warrants per dollar principal of Notes (see note 12). The Notes bear interest at prime rate plus 5.5% and mature three years after issuance. The Notes are secured by the accounts receivable of the Company.

The Notes are presented net of discounts and accreted at an effective interest rate such that the carrying amount of the Notes will equal the principal amount at maturity. The Notes were initially recognized at fair value. At initial recognition, the principal amount of the Notes less the initial fair value has been allocated to the warrants (see note 12).

On February 15, 2019, the Company's Notes and accrued interest were settled in exchange for 2,853,956 common shares of the Company with a fair value of \$656,410 or \$0.23 per share. As a result of the unamortized discount, the carrying value of the Notes and accrued interest at settlement was \$625,834 and the settlement resulted in a loss on settlement of debt of \$30,576.

11. LEASES

The Company's right-of-use asset relates to the lease of office space which expires February 1, 2024:

Right-of-use assets	
At January 1, 2019	\$ 107,838
Additions	147,020
Depreciation expense	(25,773)
At December 31, 2019	\$ 229,085
Depreciation expense	(50,276)
At December 31, 2020	\$ 178,809

11. LEASES (CONTINUED)

At December 31, 2020 and 2019, the Company's lease liability related to office leases is as follows:

Lease liability	December 31, 2020	December 31, 2019
Current portion	\$ 48,447	\$ 61,982
Long-term portion	155,299	181,073
Total lease liability	\$ 203,746	\$ 243,055

At December 31, 2020 and 2019, the Company is committed to minimum lease payments as follows:

Maturity analysis	December 31, 2020	December 31, 2019
Less than one year	\$ 66,647	\$ 61,982
One to five years	177,131	243,778
Total undiscounted lease liabilities	\$ 243,778	\$ 305,760

Amounts recognized in profit or loss	December 31, 2020	December 31, 2019
Interest on lease liabilities	\$ 22,673	\$ 12,926

Amounts recognized in the statement of cash flows	December 31, 2020	December 31, 2019
Interest paid	\$ 22,673	\$ 12,926
Principal payments on lease liabilities	39,309	11,803
Total cash outflows for leases	\$ 61,982	\$ 24,729

12. SHAREHOLDERS' EQUITY

Share capital

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

During the year ended December 31, 2020, the Company issued an aggregate of:

- 42,619,345 units for gross proceeds of \$3,896,776 (CAD\$5,114,321). Each unit consists of one common share and one warrant. Each warrant is exercisable into one common share at CAD\$0.17 per share for a period of 24 months. The warrants were allocated a fair value of \$183,247 (CAD\$240,892) using the residual method. In connection with the issuance the Company:
 - Issued 2,983,354 broker warrants, valued at \$157,544 (CAD\$206,747) based on their grant date fair value determined using Black-Scholes Option Pricing Model with the following weighted average assumptions: expected dividend yield - 0%, expected volatility - 100%, risk-free interest rate - 0.32% and an expected life - 3 years. Each broker warrant issued entitles the holder to purchase one share at a price of CAD\$0.12 per share for a period of 24 months from the closing date; and

12. SHAREHOLDERS' EQUITY (CONTINUED)

Share capital (continued)

- Incurred \$454,473 (CAD\$596,447) in consulting fees, agent commissions, legal fees and out-of-pocket expenses.
- 9,561,396 units in a non-brokered private placement for gross proceeds of \$876,059 (CAD\$1,147,368). Each unit consists of one common share and one warrant. Each warrant is exercisable into one common share at CAD\$0.17 per share for a period of 24 months. The warrants were allocated a fair value of \$36,502 (CAD\$47,897) using the residual method. In connection with the issuance the Company incurred \$5,231 (CAD\$6,851) in legal fees and out-of-pocket expenses;
- 2,432,375 common shares on conversion of the Company's Debentures (see note 9);
- 7,147,179 common shares for the exercise of warrants for proceeds of \$938,695 (CAD\$1,204,546), as a result \$131,516 has been reclassified from reserves;
- 107,000 common shares granted to brokers as transaction costs for the Company's debentures at fair value of \$17,198 (see note 9); and
- 1,000,002 common shares upon the completion of certain bonus related to the issuance of performance shares.

On February 15, 2019, the Company completed the Acquisition, pursuant to which the Company acquired all of the issued and outstanding common shares of VSBLTY, Inc. for 7.21228396 common shares the Company in a reverse takeover transaction. Immediately following the Acquisition, there were 61,853,959 common shares of the Company issued and outstanding. As the financial statements are considered a continuance of the operations of VSBLTY, Inc. and due to the reverse takeover, all of the share numbers, share price, and exercise prices in these financial statements have been adjusted, on a retroactive basis, to reflect this exchange.

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

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

12. SHAREHOLDERS' EQUITY (CONTINUED)

Warrants

On February 15, 2019, in connection with the Acquisition, the Company assumed 14,600,000 special warrants and 760,426 warrants of the accounting acquire (see note 5). On February 18, 2019, the special warrants were automatically converted into 14,600,000 common shares and 7,300,000 warrants.

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

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

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

	Number of warrants	Weighted average exercise price (\$CAD)	Weighted average exercise price (\$USD)
Outstanding, December 31, 2018	-	\$ -	\$ -
Acquired upon Acquisition	8,060,426	0.40	0.31
Granted	1,998,342	0.51	0.39
Exercised	(900,917)	0.40	0.31
Expired	(752,426)	0.40	0.31
Outstanding, December 31, 2019	8,405,425	\$ 0.43	\$ 0.33
Granted	57,169,777	0.18	0.14
Exercised	(7,147,179)	0.16	0.13
Expired	(6,407,088)	0.40	0.31
Outstanding, December 31, 2020	52,020,940	\$ 0.20	\$ 0.15

12. SHAREHOLDERS' EQUITY (CONTINUED)

Warrants (continued)

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

Number of warrants outstanding	Exercise price (\$CAD)	Exercise price (\$USD)	Expiry date	Number of warrants exercisable
133,001	0.35	0.27	August 29, 2021	133,001
20,833	0.60	0.47	August 29, 2021	20,833
339,540	0.35	0.27	September 19, 2021	339,540
1,261,595	0.60	0.47	September 20, 2021	1,261,595
221,258	0.60	0.47	October 22, 2021	221,258
220,000	0.30	0.24	February 26, 2022	220,000
333,333	0.60	0.47	February 26, 2022	333,333
53,333	0.30	0.24	April 9, 2022	53,333
633,330	0.60	0.47	April 9, 2022	633,330
93,893	0.35	0.27	October 22, 2022	93,893
500,000	0.60	0.47	October 22, 2022	500,000
2,044,279	0.12	0.09	August 28, 2023	2,044,279
40,563,988	0.17	0.13	August 28, 2023	40,563,988
43,512	0.12	0.09	September 22, 2023	43,512
5,559,045	0.17	0.13	September 23, 2023	5,559,045
52,020,940	\$ 0.20	\$ 0.15		52,020,940

As at December 31, 2020, the weighted average remaining contractual life of outstanding warrants is 2.80 years.

Options

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

12. SHAREHOLDERS' EQUITY (CONTINUED)

Options (continued)

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

	Number of options	Weighted average exercise price (\$CAD)	Weighted average exercise price (\$USD)
Outstanding, December 31, 2018	-	\$ -	\$ -
Granted	6,555,000	0.31	0.24
Forfeited	(500,000)	0.30	0.23
Outstanding, December 31, 2019	6,055,000	0.31	0.24
Granted	4,100,000	0.18	0.14
Expired	(200,000)	0.60	0.47
Forfeited	(775,000)	0.32	0.25
Outstanding, December 31, 2020	9,180,000	\$ 0.25	\$ 0.20
Exercisable, December 31, 2020	6,380,000	\$ 0.28	\$ 0.22

As at December 31, 2020, the following stock options were outstanding and exercisable:

Number of options outstanding	Exercise price (\$CAD)	Exercise price (\$USD)	Expiry date	Number of options exercisable
4,780,000	\$ 0.30	\$ 0.24	February 15, 2023	4,780,000
75,000	0.41	0.32	August 8, 2022	37,500
125,000	0.30	0.24	November 2, 2021	125,000
50,000	0.30	0.24	November 7, 2021	50,000
50,000	0.30	0.24	December 15, 2024	50,000
250,000	0.30	0.24	January 12, 2025	187,500
2,850,000	0.17	0.13	October 6, 2025	-
700,000	0.17	0.13	October 9, 2025	350,000
300,000	0.25	0.25	November 24, 2025	-
9,180,000	\$ 0.25	\$ 0.20		5,580,000

As at December 31, 2020, the weighted average remaining contractual life of outstanding options is 3.28 years.

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

12. SHAREHOLDERS' EQUITY (CONTINUED)

Options (continued)

During the year ended December 31, 2020, the Company granted 4,100,000 options with a fair value of \$322,893. Share-based payments relating to options vesting during the year using the Black-Scholes option pricing model was \$290,135.

During the year ended December 31, 2019, the Company granted 6,555,000 options to acquire common shares. Share-based payments relating to options vesting during the year using the Black-Scholes option pricing model was \$1,169,687.

The fair value of stock options granted during the period was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	December 31, 2020	December 31, 2019
Risk-free interest rate	0.31 – 1.62%	1.38 - 2.50%
Expected volatility	100%	150%
Dividend yield	0%	0%
Expected life	5.00 years	1.00 - 5.00 years

Performance shares

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

- 166,666 common shares in the capital of the Company to be issued to each recipient upon the Company achieving \$2,000,000 revenue in the 2019 fiscal year based on audited financial statements;
- 166,666 Common Shares to be issued to each recipient upon the Company achieving \$4,000,000 revenue in the 2020 fiscal year based on audited financial statements; and
- 166,667 Common Shares to be issued to each recipient when the Company releases the OPENVINO software to general availability (issued on June 19, 2020).

The performance conditions are not related to the market price of the equity instruments of the Company and, as a result, they are non-market performance conditions. At December 31, 2019, management estimates that certain bonus criteria will be met, and 1,000,000 instruments will vest. As a result, \$227,268 (CAD\$300,000) has been recorded to share-based payments expense. The remaining performance conditions were not met as of December 31, 2020.

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

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

12. SHAREHOLDERS' EQUITY (CONTINUED)

Performance shares (continued)

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

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

13. EXPENSES BY NATURE

	Year ended December 31, 2020	Year ended December 31, 2019
Marketing expenses	\$ 1,070,506	\$ 980,232
Meals and entertainment	17,843	70,199
Tradeshaw expenses	44,091	76,181
Salaries and wages	339,875	298,128
Total sales and marketing expense	\$ 1,472,315	\$ 1,424,740
General and administrative expenses	\$ 403,315	\$ 215,375
Bad debt expense	12,675	-
Professional fees	273,004	404,016
Consulting fees	836,281	845,519
Management fees	561,621	530,188
Rent	10,113	17,314
Travel	58,249	231,786
Depreciation (note 7)	13,157	20,909
Lease-related depreciation (note 11)	50,276	25,773
Utilities	42,174	43,564
Investor relations	58,485	37,689
Transfer agent and filing fees	62,138	79,245
Salaries and wages	372,816	376,849
Total general and administrative expense	\$ 2,754,304	\$2,828,227
Research and development materials	1,149,134	1,061,997
Salaries and wages	216,562	120,000
Total research and development expenses	\$ 1,365,696	\$ 1,181,997

14. RELATED PARTY TRANSACTIONS

Key management compensation

Key management includes members of the Board of Directors and executive officers of the Company. During the year ended December 31, 2020, remuneration of the Company's key management consisted of management fees in the amount of \$630,667 (2019 - \$678,000) and share-based payments of \$102,290 (2019 - \$460,055). Management fees are included in general and administrative, sales and marketing and research and development expenses.

Other related party transactions

During the years ended December 31, 2020 and 2019, other related party transactions consisted of the following:

	December 31, 2020	December 31, 2019
Creative services paid to a related entity controlled by an officer, included in cost of sales	\$ 7,290	\$ 15,043
Marketing expenses paid to a related entity controlled by a director, included in sales and marketing expenses	\$ 318,797	\$ 272,465
Accounting and administrative fees paid to a director and a related entity controlled by a director, included in general and administrative expenses	\$ 54,810	\$ 134,846
Contract project development labour paid to a related entity controlled by a director, included in research and development expenses	\$ 561,666	\$ 551,312
Contract project development labour paid to a related entity, cost of sales	\$ 340,623	-
Interest expense for convertible debentures and notes payable to directors, excluding discount accretion	\$ 26,376	\$ 18,964

Related party balances

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

At December 31, 2020, \$353,740 (2019 - \$53,030) was due to related parties and is included in accounts payable and accrued liabilities. The amounts were non-interest bearing and due on demand.

At December 31, 2020, \$276,622 (2019 - \$270,781) in convertible debentures were due to related parties, excluding discounts.

15. SUPPLEMENTAL CASHFLOW DISCLOSURE

	December 31, 2020	December 31, 2019
Interest paid	\$ -	\$ -
Interest paid - leases	22,673	12,926
Promissory notes settled for shares	102,416	542,252
Convertible debt converted into shares	532,028	1,649,277
Issuance of performance shares	227,268	-
Non-cash exercise of warrants	-	87,996
Settlement of intercompany loans and advances on acquisition	-	948,590
Initial recognition of IFRS 16 lease assets	\$ -	\$ 254,858

16. OPERATING SEGMENTS

The Company operates in one reportable segment being the development and sale of software as a service.

During the year ended December 31, 2020, the Company had two major customers that represented 61% and 16% (2019 - \$Nil and \$Nil) of the total revenue earned in the year. As at December 31, 2020, there were \$69,000 balances due from these customers included in accounts receivable.

17. CAPITAL MANAGEMENT

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

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

18. FINANCIAL RISK MANAGEMENT

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

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Foreign exchange risks are closely monitored and attempts are made to match foreign cash inflows and outflows. As at December 31, 2020, the Company is exposed to foreign exchange risk through a portion of its cash denominated in Canadian dollars. The Company mitigates foreign exchange risk by monitoring foreign exchange rate trends and evaluating reinvestment opportunities when possible. The Company does not currently hedge its foreign exchange risk. Based on current exposures as at December 31, 2020 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the United States dollar would result in a gain or loss of approximately \$166,700 in the Company's statements of loss and comprehensive loss.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and trade and other receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. The Company mitigates credit risk by evaluating the creditworthiness of customers prior to conducting business with them and monitoring its exposure for credit losses with existing customers. Trade and other receivables also include refundable goods and services tax which bears minimal credit risk as it is receivable from the Canadian government. The Company has determined that no allowance is required as all amounts outstanding are considered collectible. During the year ended December 31, 2020, the Company incurred \$12,675 in bad debt expense (2019 - \$Nil).

The following table provides disclosures about credit risk exposure and expected credit losses on individual trade and other receivables as at December 31, 2020.

	Gross carrying amount	Weighted average loss rate	Loss allowance	Impaired
31-60 days	\$ 4,906	1.6%	\$ (79)	No
61-90 days	-	3.6%	-	No
More than 90 days	69,184	10.60%	(7,333)	No
Total	\$ 74,090		\$ (7,412)	

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's outstanding convertible debt bears interest at fixed rates. As a result, at December 31, 2020, the Company is not exposed significant interest rate risk.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk

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

19. BASIS OF FAIR VALUE

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

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

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

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

20. CONTINGENCY

In the ordinary course of business, the Company and its subsidiary may become involved in various legal and regulatory actions. The Company establishes legal provisions when it becomes probable that the Company will incur a loss and the amount can be reliably estimated.

During the year ended December 31, 2020, a demand letter was received by the Company from Interknowlogy, LLC ("Interknowlogy"), a related company, pertaining to outstanding payment and corresponding late charges. The Company had contested the work performed by Interknowlogy and is in the midst of negotiating with Interknowlogy on the payable. As at December 31, 2020, included in accounts payable is a liability of \$402,759 (including \$150,186 late payment interest charges), based on the statement of work.

VSBLTY Groupe Technologies Corp.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019
(Expressed in United States dollars)

21. INCOME TAXES

The following table reconciles the expected income tax expense at United States statutory income tax rates to the amounts recognized in the statements of loss and comprehensive loss:

	December 31, 2020	December 31, 2019
Net loss before taxes	\$ (6,532,325)	\$ (7,418,255)
Statutory tax rate	29.7%	29.7%
Expected income tax recovery	\$ (1,764,000)	\$ (2,003,000)
Non-deductible items	80,000	486,000
Change in foreign tax and foreign exchange rates	395,000	443,000
Share issue cost	(120,000)	(160,000)
Adjustment to prior years provision versus statutory tax returns	61,000	-
Change in deferred tax assets not recognized	1,348,000	1,234,000
Total income tax expense (recovery)	\$ -	\$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. Deferred tax assets (liabilities) as at December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Convertible debentures and notes payable	\$ (158,000)	\$ (191,000)
Share and debt issue costs	222,000	161,000
Leases	-	3,000
Tax loss carryforwards	2,618,000	1,361,000
	2,682,000	1,334,000
Unrecognized deferred tax asset	(2,682,000)	(1,334,000)
Net deferred tax asset	\$ -	\$ -

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

	December 31, 2020	December 31, 2019
Share issue costs	\$ 822,000	\$ 596,000
Debt	(587,000)	(706,000)
Leases	2,000	14,000
Tax loss carryforwards	11,776,000	5,859,000
Unrecognized deductible temporary differences	\$ 12,013,000	\$ 5,763,000

As at December 31, 2020, the Company had net operating tax loss carryforwards in the United States of \$7,448,000 which can be applied to reduce future United States taxable income and will expire between 2026 and 2038. In addition, the Company had non-capital tax loss carryforwards in Canada of \$4,328,000 which can be applied to reduce future Canadian Taxable income and will expire between 2020 and 2033.

22. SUBSEQUENT EVENTS

- a) On January 27, 2021, the Company have entered into negotiations to jointly develop a business. In connection with this, the Company entered into a loan agreement whereby the Company provided \$300,000 USD to fund developments through the purchase of equipment and deploy the first phase of a digital store network. The loan has the following terms:
 - a. In the event that a project is not executed within 90 days from the execution of this agreement, the funds shall be returned to the Company bearing no interest;
 - b. In the event that a project materializes within 12 months from execution of this agreement, then the funds will be transferred to a joint venture that will involve the two entities to be registered at a later date.

- b) On March 15, 2021, the Company entered into a letter of intent with Mexico's Grupo Modelo ("Modelo") (part of the AB InBev family of companies) and Retailigent Media have formalized an agreement (the "Agreement") to enter into a joint venture by the end of June 2020 to install and manage an international in-store media network of up to 50,000 Modelorama stores and independent neighborhood bodegas in Mexico and across Latin America by the end of 2024. In connection with the Agreement, the Company agreed to issue 15,500,000 warrants. Each warrant is exercisable for one common share at \$0.63 (CAD 0.84) per share for a period of five years subject to the following vesting conditions:
 - a. 15% will vest immediately upon execution;
 - b. 15% will vest upon the execution of a definitive agreement for the formation of a joint venture;
 - c. 20% will vest upon the joint venture having been installed and operating in at least 1,500 locations;
 - d. 20% will vest upon the joint venture having been installed and operating in at least 5,000 locations;
 - e. 15% will vest upon the joint venture having been installed and operating in at least 20,000 locations; and
 - f. 15% will vest upon the joint venture having been installed and operating in at least 30,000 locations.

- c) Subsequent to December 31, 2020, the Company issued 11,727,632 common shares related to the exercise of warrants for proceeds of \$2,279,415 (CAD \$3,054,684).
- d) Subsequent to December 31, 2020, the Company issued 200,000 common shares related to the exercise of options for proceeds of \$44,772 (CAD \$60,000).
- e) Subsequent to December 31, 2020, \$1,479,825 (CAD\$1,983,140) in principal of Debentures were converted into 5,180,754 common shares and 4,450,644 warrants of the Company.
- f) Subsequent to December 31, 2020, the Company issued 50,000 and 83,500 restricted share units ("RSUs") to employees of the Company exercisable at \$0.73 and \$0.72 per unit respectively. The RSUs vest 50% on December 31, 2021 and 50% on December 31, 2022.
- g) Subsequent to December 31, 2020, the Company cancelled 300,000 stock options.