

Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2020

Background

This management discussion and analysis (“**MD&A**”) of the financial position of VSBLTY Groupe Technologies Corp. (“**VSBLTY**”, the “**Company**” and “**us,**” “**our**” or “**we**”) and results of its operations for the year ended December 31, 2020 is prepared as at April 30, 2021. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020 and 2019 and the related notes thereto. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”). All currency amounts are expressed in United States dollars, unless otherwise noted.

Forward-Looking Information

This discussion contains “forward-looking statements” that involve risks and uncertainties including statements under the heading “Developments during the year ended December 31, 2020” relating to timing of revenue. Such information, although considered to be reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. This MD&A may contain forward-looking statements that reflect the Company’s current expectations and projections about its future results. When used in this MD&A, words such as “estimate”, “intend”, “expect”, “anticipate” and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company’s future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company’s actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

This presentation includes financial outlook about the Company’s anticipated revenue under its contracts and, as described under the heading “Developments during the year ended December 31, 2020,” which is subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. Such revenue estimates contained in this MD&A were made by management as of the date of this presentation and are provided for the purpose of describing the contracts and the Company’s plans for creating revenue, and are not an estimate of profitability or any other measure of financial performance. Readers are cautioned that the financial outlook contained in this document should not be used for purposes other than for which it is disclosed herein.

Company Overview

The “Company” was incorporated under the Business Corporations Act (British Columbia) on August 1, 2018. The corporate offices of VSBLTY Groupe Technologies, Corp are located at 595 Howe Street, Suite 206, Vancouver, BC, V6C 2T5. The US head office is located at 417 North 8th Street, Suite 300, Philadelphia, Pennsylvania 19123 and its registered office is located at The Corporation Trust Center, 1201 Orange Street, City of Wilmington, New Castle County, DE 19801. The Company is a computer vision and artificial intelligence company with applications in both retail and security. The Company’s shares trade on the Canadian Securities Exchange under the symbol “VSBY” and the Frankfurt stock exchange under the symbol “5VS”.

These 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.

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 7,212,283.96 common shares. The Company and VSBLTY, Inc. became a wholly-owned subsidiary of the Company. The Acquisition closed on February 15, 2019.

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.

Overall Performance

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

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

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

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

Management views past company performance of net operating losses and negative cash flow as a stage in the process of developing the product lines and obtaining market share for the various business segments. Field trials of products at little to no cost are necessary to develop products. The Company has conducted several field trials of the various product lines and in the coming 12 months will market those products to clients at retail pricing models.

Developments during the year ended December 31, 2020

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

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

In September, ENERGETIKA and VSBLTY announced a definitive contract for VSBLTY to provide DataCaptor (video analytics, crowd measurement) and VECTOR (Facial Recognition and weapons detection) to ENERGETIKA to satisfy the needs of the various municipal and law enforcement contracts that they were securing. Based upon the roll out plans of ENERGETIKA and its varied customer base, the Company estimates that the contract will generate \$10M USD in SaaS revenue over a three-year period. Through the installation of security kits, the Company has aided Cuajimalpa County to become one of the safest counties in Mexico City. As the camera network gets deployed the analytics software is added to create a recurring revenue per camera per month. In January the revenue connected to the first phase of this network was booked at \$100,000. This network is now deployed in more than 8,000 cameras in various Mexico City counties.

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

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

In February of 2020, the Company began working on a product extension and licensing agreement with a very large international corporation with whom the Company has had a long standing commercial and strategic partnership. The agreement stipulates that the international partner will directly fund core development by VSBLTY in order to accelerate the creation of a new set of computer vision products which leverage unique VSBLTY intellectual property. This agreement accelerates the product roadmap of the Company while providing a baseline of revenue. Oriented around computer vision and the DataCaptor software module this agreement defines a specific initial customer but also stipulates how the companies will work together to offer the solution to other joint customers in the sports and entertainment vertical. The Company views this agreement as the foundation to a highly collaborative commercial offering that has no technical peer. Revenue of \$815,000 from this agreement has been recognized in during the nine months ended September 30, 2020.

During the three months ended December, the parameters surrounding the original agreement began to change as a result of the restrictions related to the spread of COVID-19 and as a result the original statement of work had to be extended to comply. As a result, the Company has reversed \$440,000 in revenue related to the agreement until the new parameters can be delivered.

On April 23, 2020, the Company announced that it signed a global, multi-product strategic teaming agreement with UST Global®, a leading digital transformation solutions company. The two technology companies are teaming up to assimilate their solutions and services for the fast-changing retail industry.

On May 19, 2020, the Company advised that the “Smart City” security program that is having continuing success in reducing crime in Mexico City is now being deployed in Colombia, South America. The Issuer is now installing and testing the initial phase of a network of security kits in the regions of Bogota, Medellin, and Barranquilla, Colombia consisting of outdoor mounted HD cameras, high intensity lighting, motion sensors and audible alarms as well as VSBLTY AI-inspired video analytics.

To date, more than 3000 security systems have been installed throughout Mexico City and the success of this cost-efficient technology platform in reducing crime has sparked the interest of numerous Latin American countries. Several of these countries—including Colombia—have sent political delegations on information gathering trips to Mexico City over the past several months.

The first phase of the Mexico City deployment, announced in September of 2019, is scheduled to cover up to 40,000 security kits throughout 56 Mexico City communities. The results of the initial deployments of the integrated security program has attracted the attention and endorsement of certain Mexico City officials. Adrian Ruvalcaba, Mayor of Cuajimalpa County, reported that after the installation of the security kits, his community has become the safest county in Mexico City. “We have gone from the 11th Safest to Number One during 2019. The single major contributor to this change is the camera security network which is not yet even fully installed.” the Mayor said. Neighboring Cuauhtemoc County reported a 40 percent reduction of crime in the first year of the installation of the security network.

In addition, Miguel Hidalgo Mayor Victor Hugo Romo reported that the system is also being used to enforce crowd gathering restrictions during the Covid-19 pandemic and has resulted in “Fewer 911 calls, violence, fights, injuries and homicides.”

In response to the current Covid-19 pandemic, VSBLTY is working with RadarApp to test the addition of infrared camera capability that enables temperature scanning of crowds in various locations along with a correlation to face capture. The system being tested is a non-contact, real time camera technology that provides continuous monitoring for health and security personnel on a mobile app. A major objective of the program is to provide an efficient temperature screening tool for monitoring public spaces with the pre-emptive scanning of persons entering facilities such as restaurants, bars, schools and hospitals.

In July of 2020, the Company announced a strategic alliance agreement with Teralight, a global provider of over-the-top (OTT) services to mobile network operators, internet service providers and governments, to provide smart city applications enhanced with advanced analytics.

The Company also entered into an agreement with Synect, a digital strategy and content creation agency that enables video displays of unlimited size and scale in airports throughout the country. The Synect digital signage program is called “ReadySeeGo™.” ReadySeeGo is a turnkey digital signage solution that combines visual communications content, hardware and software in a streamlined mobile display that is plug-and-play using a standard power outlet. VSBLTY DataCaptor™ is expected to be added to approximately 2,200 airport ReadySeeGo units. DataCaptor leverages camera and sensor technology with artificial intelligence (machine learning and computer vision) to provide real-time analytics. These real-time analytics will allow the ReadySeeGo units to display responsive, relevant content to passengers as they navigate the airport environment.

On August 4, 2020, the Company and its Mexico partner Retailigent Media were contracted to provide advanced audience analytics and customer engagement technology in a Mexican chain of pet stores. The pet store deployment will utilize digital shelf strips, small interactive surfaces, real-time audience analytics and touchless interface for customer engagement. The initial installations will be in 10 locations but is expected to roll to 85 locations in the short term.

In August of 2020, the Company and its and its South African partner Onyx-Cognivas have reached agreement to deploy multiple digital media solutions in a chain of fuel/convenience stores operating in South Africa.

On August 28, 2020, the Company closed its marketed short form prospectus financing pursuant to which the Company issued 37,060,300 units for gross proceeds of \$3,395,634 (CAD\$4,447,236) and a concurrent non-brokered U.S. private placement of 9,561,396 units for gross proceeds of \$876,059 (CAD \$1,147,368).

On September 22, 2020, the Company closed an overallotment of its marketed short form prospectus financing pursuant to which the Company issued 5,559,045 units for gross proceeds of \$501,143 (CAD\$667,495).

On December 1, 2020, the Company, Mexico's Grupo Modelo (part of the AB InBev family of companies) and Retailgent Media have signed a Letter of Intent to create an international in-store media network of up to 50,000 Modelorama stores and independent neighborhood bodegas in Mexico, with a potential to expand to other Central and South American countries by the end of 2027. The deployment will start in more than 5,000 Modelorama stores and 15,000 neighborhood bodegas throughout Mexico. Modelorama is Mexico's second largest convenience store chain and is owned by Grupo Modelo. At the date of this MD&A, the Company had deployed in 150 stores. The Company plans to have 1,500 stores opened in the second quarter of fiscal 2021 and 5,000 stores opened by the end of fiscal 2021 in four countries.

On December 8, 2020, the Company signed an OEM agreement with Imbera, the world's number one commercial refrigeration manufacturer and the industry leader in customized design solutions. The Company will integrate its software technology with Imbera's diverse portfolio of self-contained, turnkey refrigerated coolers/freezers that will feature transparent doors engineered to run video content to engage shoppers while gathering valuable customer analytics.

In the fourth quarter of 2020, the Company continued to build momentum in both the security and retail sectors as the firm responds to COVID-19 and the re-opening of the world's economies. In this COVID-19 pandemic era, businesses are working to re-open safely by creating new security protocols, including adjunct temperature screening measures to routinely provide additional safeguards for employees, retail customers, and venue patrons entering all types of facilities," Hutton said. "We've partnered our proven groundbreaking software technology with world-class companies to meet today's needs for temperature sensing and alerting using our facial and object recognition for access control, mask detection, and occupancy, and density management for social distance monitoring.

VSBLTY is co-partnering with major kiosk manufacturers to provide contactless, self-service technology to accurately and efficiently measure people for "at-risk" temperatures at the point of admittance, thereby reducing virus transmission potential between the operator and the person being scanned. VSBLTY technology adds facial recognition to thermal imaging, and the firm is working with KIOSK Information Systems, a world leader in the design and manufacture of self-service automation, and Synect, a content creation agency that enables video displays of unlimited size and scale in retail stores, airports and other complex facilities throughout the country.

On the strategic side of the business key negotiations that began in the third quarter of fiscal 2020 continued to impact potential revenue of the Company in the fourth quarter. Exit contract backlog of \$107 million in executed contracts is expected to be enhanced leading to a growing and healthy momentum going into fiscal 2021. At the date of this MD&A, the Company has approximately \$92,000 of annually recurring revenue already billed in 2021, this is already double the amount for the entirety of 2021. Annually recurring revenue is expected to increase over the next three fiscal years.

Critical Accounting Estimates and Policies

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

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

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at 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 significant accounting policies applied in the preparation of the financial statements are in Note 3 of the audited financial statements for the years ended December 31, 2020 and 2019. Critical accounting estimates are in Note 4 of the audited financial statements for the years ended December 31, 2020 and 2019.

Initial adoption of new accounting standards

Adoption of new accounting standards have been disclosed in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2020 and 2019.

Future accounting standards issued but not yet in effect

Pronouncements that may have a significant impact to the Company have been disclosed in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2020 and 2019.

Share Capital

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

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

- 42,619,345 units in a short-term prospectus filing for gross proceeds of \$3,896,776 (CAD\$5,114,321). Each unit consists of one common share and one share purchase 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
 - Incurred \$454,473 (CAD\$596,447) in directly attributable cash transaction costs for 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 share purchase 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 \$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 (see note 11, d).

Selected Annual Information

The following table sets forth selected financial information for the Company for the fiscal years ended December 31, 2020 and 2019 and should be read in conjunction with the Company’s financial statements and related notes thereto for such periods.

The year-end financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and are expressed in Canadian dollars.

December 31,	2020	2019	2018
Total assets	\$ 2,587,930	\$ 1,271,574	\$ 912,792
Non-current financial liabilities	1,217,437	2,539,053	1,365,930
Revenues	607,404	105,706	78,800
Net loss for the period	\$ (6,532,325)	\$ (7,367,024)	\$ (2,449,382)
Loss per share – basic and diluted	(0.08)	\$ (0.10)	\$ (0.07)
Weighted average shares outstanding	81,551,693	72,972,476	37,093,625

2020 vs 2019

Total assets as at December 31, 2020 and 2019 were \$2,587,930 and \$1,271,574, respectively. The increase in total assets was primarily a result of an increase in cash of \$1,418,328 and trade and other receivables of \$90,790. The increase was offset by decreases in prepaid expenses of \$115,182 and lease assets and equipment of \$77,580. The increase in cash is a result of the close of short-form prospectus financing in August 2020 for gross proceeds of \$4.7M. Trade and other receivables increased due to amounts due under the Company’s software contracts signed at the end of December 2019. Prepaids decreased from the prior year, as the services related to these amounts were received during the year.

Total non-current financial liabilities as at December 31, 2020 and 2019 were \$1,217,437 and \$2,539,053, respectively. The decrease in total non-current financial liabilities was primarily a result of \$2,439,591 in convertible debentures that are classified as current financial liabilities as of December 31, 2020 that will mature in fiscal 2021.

During the years ended December 31, 2020 and 2019, the Company generated revenue of \$607,404 and \$105,706, respectively. Revenue in the year ended December 31, 2019 was generated from clients involved in trials of products and proof of concept efforts who paid lower than market value for the products to participate in the testing. In the year ended December 31, 2020, the Company recognized \$375,000 in revenue related to a contract for the development of certain software.

Net loss incurred during the year end December 31, 2020 decreased by \$833,699. The decrease included the non-recurring listing expenses for \$491,568 incurred due to the reverse takeover completed in February 15, 2019. The decrease is also attributable to share-based payments incurred for \$290,135 (2019 - \$1,396,955). The decrease was offset by increases in finance costs incurred for \$987,882 (2019 - \$241,932).

Summary of Quarterly Results

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

	Three months ended							
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Revenue	\$ (405,500)	\$95,501	\$499,918	\$417,485	\$ 2,122	\$ (2,499)	\$ 27,816	\$ 65,267
Net loss for the period	\$ (2,330,726)	\$(1,291,833)	\$(1,314,943)	\$(1,594,823)	\$ (1,821,249)	\$ (1,444,018)	\$ (2,174,136)	\$(1,927,621)
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ (0.24)

Summary of Results During Prior Eight Quarters

Net loss increased for the three months ended December 31, 2020 by \$1,038,893 compared to the three months ended September 30, 2020. The increase is attributable to the reversal of \$440,000 in revenue related to the change in scope of the Company's software license development project due to COVID-19 related restrictions, marketing expenses increased by \$216,305 and share-based compensation expensed increased by \$194,110 due to the issuance of stock options in October 2020 to employees, officers, directors and consultants of the Company.

Net loss decreased for the three months ended September 30, 2020 by \$23,110 compared to the three months ended June 30, 2020. Decreases in general and administrative fees of \$36,671, and an increase in gross profit of \$43,610, offset by an increase in development costs of \$48,699. Gross profit increased due to several SaaS contracts for services over the course of fiscal 2020. Development costs increased due to an increase in contractor related services. General and administrative fees decreased due to a decrease in consulting fees of \$42,107 and decreased professional fees of \$24,526, offset by an increase of \$23,135 in administrative fees.

Net loss decreased for the three months ended June 30, 2020 by \$279,880 compared to the three months ended March 31, 2020, primarily due to decreases in share-based payments of \$80,701 and decreases in development fees of \$89,502. The Company completed the majority of development costs in the prior period and has shifted its focus to implementation and sales. The Company also experienced decreases in travel of \$47,049 and tradeshow expenses of \$44,091 due to limitations surrounding the COVID-19 pandemic.

Net loss decreased for the three months ended March 31, 2020 compared to the three months ended December 31, 2019 primarily due to an increase in revenue during the three months as the Company had an increase in software license development revenue of \$375,000. The Company also had a decrease in general and administrative expenses of \$190,948, and a decrease in share-based payment expenses in the quarter of \$253,472.

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

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

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

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

Results of Operations – For the year ended December 31, 2020

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

	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
Total Revenue		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(c)	(290,135)	(1,396,955)
Gain on disposal of equipment	13	(5,882,450)	1,252
Operating loss		(5,716,406)	(6,766,260)
Listing expense	5	-	(491,568)
Finance costs	9,10,12	(910,122)	(241,932)
Change in fair value of derivative liability	9	-	60,162
Gain on settlement of debt	9,10	-	102,095
Gain on loan forgiveness		203,509	-
Interest income		109	5,186
Foreign exchange (loss) gain	9	(31,655)	(34,707)
Net loss		(6,532,325)	(7,367,024)
Other comprehensive income			
Exchange differences on translating foreign operations		(159,073)	(51,231)
Total comprehensive loss	\$	(6,691,398)	\$ (7,418,255)

Revenue

During the years ended December 31, 2020 and 2019, the Company generated revenue of \$607,404 and \$105,706, respectively. Revenue for the 2019 period was generated from clients involved in trials of products and proof of concept efforts who paid lower than market value for the products to participate in the testing. The increase in revenue of \$501,698 consists of an increase of \$375,000 was related to a specific software license development, an increase in hardware sales of \$11,269, professional services \$10,110 and license fees of \$105,519.

Cost of sales

During the years ended December 31, 2020 and 2019, cost of sales was \$412,751 and \$41,299, respectively. The increase in cost of sales of \$371,452 was mainly due to the increase in software licensing development of \$336,199.

Operating expenses

	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

The above table provides a breakdown of the various expense categories, by nature, for the years ended December 31, 2020 and 2019. The increase in expenses of \$157,351 is primarily a result of an increase of general and administrative expenses and salaries and wages of \$187,940 and \$134,012 respectively. General and administrative expenses increased mainly due to increases in various insurance expenses. Salaries and wages increased due to the transition of external contract expenses to in-house employees and independent contractors. The increase is offset by decreases in travel of \$173,537 related to travel restrictions during COVID-19.

Share-based payments

Share-based payments for the years ended December 31, 2020 and 2019 were \$290,135 and \$1,396,955, respectively. The decrease in share-based payments was a result of granting 4,100,000 in the current period compared to 6,555,000 of stock options to certain directors, officers, employees and consultants of the Company.

Listing expense

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

Other income and expenses

Other income for the year ended December 31, 2020 consisted primarily of a gain of \$203,509, related to the forgiveness of the Company's Paychex Protection Loan.

Other income for the year ended December 31, 2019 consisted primarily of a gain on change in fair value of derivative liability of \$60,162. The gain resulted from conversion of the Company's convertible debentures in the period, resulting in extinguishment of the derivative liability.

Other expense for the year ended December 31, 2020 consisted on finance costs of \$241,932 (2019 – \$241,932) which includes contractual interest expense and accretion of debt discounts which increased due to several private placements of convertible debentures during the period.

Liquidity and Capital Resources

The accompanying financial statements have been prepared on a basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company anticipates that it will not have sufficient resources to meet the working capital requirements of the Company for at least the next 12 months. This assessment is based on the Company's current cash, as well as the net proceeds from warrant exercises subsequent to year-end. Management intends to finance operations through revenue contracts expected in fiscal 2021, equity and debt financing agreements, including exercise of warrants issued in the short-form prospectus.

During the year ended December 31, 2020, working capital decreased to a deficit of \$1,354,263 from a working capital surplus of \$340,136 at December 31, 2019. The \$1,694,399 decrease in working capital is attributable to the current portion of convertible debentures that come due in the following 12 months of \$2,439,591. This was offset by increases in cash of \$1,418,328 generated from convertible debenture and private placement financings completed during the year.

Cash Flows

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

As at December 31, 2020, the Company had cash of \$1,917,763 (2019 - \$499,435). The increase in cash and cash equivalents compared to the year ended December 31, 2019 was primarily due to convertible debenture and private placement financings completed during the year.

Net cash used in operating activities for the year ended December 31, 2020 was \$5,230,213 (2019 - \$5,671,706). We continue to generate net losses and negative cash flows from operating activities due to the expenses we are incurring related to development as well as general and administrative expenses. During the year ended December 31, 2020, the Company incurred \$5,716,406 (2019 - \$5,434,964) of general and administrative, research and development and sales and marketing expenses. Cash used in operations for the current period was significantly affected by increases in these expense categories. The Company has had continuing net losses and negative cash flow from operating activities, including a loss from operations of \$6,454,565 for the year ended December 31, 2020 (2019 - \$6,937,458).

Net cash used in investing activities for the year ended December 31, 2020 was \$14,460 (2019 - \$1,804,691 provided). The decrease was primarily due to cash acquired in the RTO in the 2019, partially offset by acquisition of equipment in the period.

Net cash provided by financing activities for the year ended December 31, 2020 was \$6,663,001 (2019 - \$3,533,623). The increase was primarily a result of an increase in proceeds from closing a private placement through a short-form prospectus financing and issuing convertible debentures and exercise of warrants, partially offset by convertible debt transaction costs.

Principal Debt Arrangements

2020 Debentures

During the nine months ended September 30, 2020, the Company closed the following private placement offerings of convertible debentures (collectively, the “2020 Debentures”):

- February 26, 2020 - unsecured, brokered convertible debentures for gross proceeds of \$613,989 (CAD\$870,000) and unsecured, non-brokered convertible debentures for gross proceeds of \$526,626 (CAD\$760,380).
- 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.

2019 Debentures

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

- July 18, 2019 unsecured convertible debentures for gross proceeds of \$570,956 (CAD\$745,500);
- August 29, 2019 unsecured, brokered convertible debentures for \$875,952 (CAD\$1,165,000);
- September 19, 2019 unsecured convertible debentures for gross proceeds of \$1,398,777 (CAD\$1,857,120) of which \$1,273,656 (CAD\$1,691,000) was brokered and \$125,121 (CAD\$166,120) was non-brokered; and
- October 22, 2019 unsecured convertible debentures for gross proceeds of \$836,927 (CAD\$1,095,598) of which \$342,227 (CAD\$448,000) was brokered and \$494,700 (CAD\$647,598) was non-brokered.

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

Other Factors Affecting Liquidity

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

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

Financial Risk Management

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

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Foreign exchange risks are closely monitored and attempts are made to match foreign cash inflows and outflows. As at December 31, 2019, the Company is exposed to foreign exchange risk through a portion of its cash and cash equivalents denominated in Canadian dollars. The Company mitigates foreign exchange risk by monitoring foreign exchange rate trends and evaluating reinvestment opportunities when possible. The Company does not currently hedge its foreign exchange risk. Based on current exposures as at 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, cash equivalents and trade and other receivables are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalents 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).

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.

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.

Related Party Transactions

Key management compensation

During the year ended December 31, 2020, remuneration of the Company's key management¹ consisted of management fees in the amount of \$630,667 (2019 - \$678,000) and share-based payments of \$120,290 (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 year ended December 31, 2020 and 2019, other related party transactions consisted of the following:

	December 31, 2020	December 31, 2018
Creative services paid to a related entity ² , included in cost of sales	\$ 7,290	\$ 15,043
Marketing expenses paid to a related entity ² , included in sales and marketing expenses	\$ 318,797	272,465
Accounting and administrative fees paid to related entities ² included in general and administrative expenses	\$ 54,810	134,846
Contract project development labor paid to a related entity ³ , included in research and development expenses	\$ 561,666	551,312
Contract project development labour paid to a related entity, cost of sales ³	\$ 340,623	-
Interest expense for convertible debt ⁴ and notes payable ⁵ to related parties, 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, 2019, \$276,622 (2019 - \$270,781) in convertible debentures were due to related parties, excluding discounts.

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

¹ Key management personnel include Jay Hutton, Chief Executive Officer; Heather Sim, Chief Financial Officer; Laurette Pitts, former Chief Financial Officer, Fred Potok, Chief Sales Officer; Jan Talamo, Chief Creative Officer; Linda Rosanio, Chief Operating Officer; and Tim Huckaby, Chief Technology Officer.

² Traffic Marketing LLC (dba Think-Traffic LLC), a shareholder and entity controlled by Kate Talamo who is a close family member of Jan Talamo, Chief Creative Officer and Linda Rosanio, Chief Operating Officer of the Company.

³ InterKnowlogy, LLC, an entity controlled by Tim Huckaby, Chief Technology Officer of the Company.

⁴ Related parties holding 2019 convertible debentures include Guy Lombardo and Jay Hutton.

Interknowlogy and Think-Traffic, LLC in the normal course of business. During the year ended December 31, 2020, the Company terminated its commercial relationship with InterKnowlogy LLC.

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

Additional Disclosure for IPO Venture Issuers Without Significant Revenue

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

	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

The Company does not anticipate paying dividends at this time.

Off-Balance Sheet Arrangements

None.

Proposed Transactions

None.

Contingencies

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.

Disclosure of Outstanding Share Data

The total number of outstanding common shares, warrants, restricted share units and stock options as of the date of this MD&A are 160,288,754, 60,243,952, 133,500 and 8,680,000, respectively.

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 (“Funding Amount”) 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 (ninety) days from the execution of this Agreement, the funds shall be returned to the Company bearing no interest;
 - b. In the event that Project materializes within 12 (twelve) 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 operating 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.