

**VSBLTY Groupe Technologies Corp.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

(Expressed in United States dollars)  
(Unaudited)



**VSBLTY Groupe Technologies Corp.**

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in United States dollars)

(Unaudited)

|  | Notes     | Three months ended March 31, |                |
|--|-----------|------------------------------|----------------|
|  |           | 2021                         | 2020           |
| Revenue  |           |                              |                |
| License fees   | \$        | 39,839                       | \$ 31,822      |
| Professional services                                      |           | 18,309                       | 7,000          |
| Software license development                               |           | -                            | 375,000        |
| Hardware and other   |           | 71,986                       | 3,663          |
|  |           | 130,134                      | 417,485        |
| Cost of sales  |           | (78,803)                     | (344,973)      |
| Gross profit   |           | 51,331                       | 72,512         |
| Sales and marketing expenses                               | 12, 13    | (556,386)                    | (407,835)      |
| General and administrative expenses                        | 12, 13    | (830,621)                    | (715,279)      |
| Research and development expenses                          | 12, 13    | (428,734)                    | (233,175)      |
| Share-based payments                                       | 11(b),(c) | (1,494,710)                  | (96,554)       |
| Loss on disposal of equipment                              |           | -                            | (28,609)       |
| <b>Operating loss</b>                                      |           | (3,259,120)                  | (1,408,940)    |
| Finance costs  | 9         | (157,689)                    | (183,313)      |
| Foreign exchange loss                                      |           | 2,955                        | (2,570)        |
| <b>Net loss for the period</b>                             |           | (3,413,854)                  | (1,594,823)    |
| Foreign currency translation                               |           | (26,364)                     | 207,781        |
| <b>Comprehensive loss for the period</b>                   | \$        | (3,440,218)                  | \$ (1,387,042) |
| Loss per share – Basic and diluted                         | \$        | (0.02)                       | \$ (0.02)      |
| Weighted average shares outstanding –<br>Basic and diluted |           | 154,842,999                  | 80,822,126     |

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

**VSBLTY Groupe Technologies Corp.**

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN DEFICIENCY

(Expressed in United States dollars)

(Unaudited)

|                                     | Notes | Number of<br>common<br>shares | Share<br>capital | Reserves     | Obligation to<br>issue<br>warrants | Accumulated<br>deficit | Accumulated<br>other<br>comprehensive<br>income (loss) | Total<br>shareholders'<br>deficiency |
|-------------------------------------|-------|-------------------------------|------------------|--------------|------------------------------------|------------------------|--|--------------------------------------|
| <b>Balance, December 31, 2019</b>   |       | 80,313,071                    | \$ 9,948,497     | \$ 2,357,422 | \$ 19,127                          | \$ (14,173,281)        | \$ (51,231)  | \$ (1,899,466)                       |
| Convertible debt issuance           |       | -                             | -                | 152,572      | -                                  | -                      | -  | 152,572                              |
| Convertible debt issuance costs     | 11(a) | 87,000                        | 14,063           | 16,755       | -                                  | -                      | -  | 30,818                               |
| Convertible debt conversion         | 11(b) | 928,567                       | 176,047          | (9,782)      | -                                  | -                      | -  | 166,265                              |
| Share-based payments                | 11(c) | -                             | -                | 96,554       | -                                  | -                      | -  | 96,554                               |
| Foreign currency translation        |       | -                             | -                | -            | -                                  | -                      | 207,781  | 207,781                              |
| Loss for the period                 |       | -                             | -                | -            | -                                  | (1,594,823)            | -  | (1,594,823)                          |
| <b>Balance, March 31, 2020</b>      |       | 81,328,638                    | \$ 10,138,607    | \$ 2,613,521 | \$ 19,127                          | \$ (15,768,104)        | \$ 156,550   | \$ (2,840,299)                       |
| <b>Balance, December 31, 2020</b>   |       | 143,180,368                   | \$ 15,703,032    | \$ 2,843,867 | \$ 19,127                          | \$ (20,705,606)        | \$ (210,304)   | \$ (2,349,884)                       |
| Shares issued for warrant exercises | 11(b) | 11,546,620                    | 2,618,300        | (209,982)    | -                                  | -                      | -  | 2,408,318                            |
| Shares issued for option exercises  | 11(c) | 200,000                       | 111,106          | (63,926)     | -                                  | -                      | -  | 47,180                               |
| Convertible debt conversion         | 11(b) | 5,080,754                     | 1,470,572        | (172,211)    | -                                  | -                      | -  | 1,298,361                            |
| Share-based payments                | 11(c) | -                             | -                | 1,494,710    | -                                  | -                      | -  | 1,494,710                            |
| Foreign currency translation        |       | -                             | -                | -            | -                                  | -                      | (26,364)   | (26,364)                             |
| Loss for the period                 |       | -                             | -                | -            | -                                  | (3,413,854)            | -  | (3,413,854)                          |
| <b>Balance, March 31, 2021</b>      |       | 160,007,742                   | \$ 19,903,010    | \$ 3,892,458 | \$ 19,127                          | \$ (24,119,460)        | \$ (236,668)   | \$ (541,533)                         |

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

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

|  | <b>Three months ended March 31</b> |                    |
|--|------------------------------------|--------------------|
|  | <b>2021</b>                        | <b>2020</b>        |
| <b>Cash flows from operating activities</b>      |                                    |                    |
| Loss for the period                              | \$ (3,413,854)                     | \$ (1,594,823)     |
| Adjustments for non-cash items:                  |                                    |                    |
| Depreciation                                     | 17,143                             | 14,493             |
| Accretion expense                                | 85,329                             | 94,953             |
| Share-based payments                             | 1,494,710                          | 96,554             |
| Foreign exchange gain                            | (25,716)                           | (38,864)           |
| Loss on disposal of equipment                    | -                                  | 28,609             |
| Changes in non-cash working capital items:       |                                    |                    |
| Trade and other receivables                      | (78,900)                           | (412,759)          |
| Prepaid expenses and deposits                    | 128,258                            | 146,818            |
| Accounts payable and accrued liabilities         | 1,467                              | 421,888            |
| Deferred revenue                                 | (4,820)                            | (1,105)            |
| <b>Net cash used in operating activities</b>     | <b>(1,796,383)</b>                 | <b>(1,244,236)</b> |
| <b>Cash flows from investing activities</b>      |                                    |                    |
| Payment of loan proceeds                         | (300,000)                          | -                  |
| <b>Net cash used in investing activities</b>     | <b>(300,000)</b>                   | <b>-</b>           |
| <b>Cash flows from financing activities</b>      |                                    |                    |
| Principal portion of lease payments              | (11,629)                           | (7,085)            |
| Proceeds from issuance of convertible debt       | -                                  | 1,225,767          |
| Convertible debt transactions costs              | -                                  | (99,295)           |
| Proceeds from exercise of options                | 47,180                             | -                  |
| Proceeds from exercise of warrants               | 2,408,317                          | -                  |
| <b>Net cash provided by financing activities</b> | <b>2,442,868</b>                   | <b>1,119,387</b>   |
| <b>Net increase (decrease) in cash</b>           | <b>347,485</b>                     | <b>(124,849)</b>   |
| Cash and cash equivalents, beginning of period   | 1,917,763                          | 499,435            |
| <b>Cash and cash equivalents, end of period</b>  | <b>\$ 2,265,248</b>                | <b>\$ 374,586</b>  |
| <b>Supplemental cash flow disclosures:</b>       |                                    |                    |
| Interest paid                                    | \$ 209,474                         | \$ 99,436          |
| Income taxes paid                                | -                                  | -                  |
| Convertible debt converted into shares           | \$ 1,298,362                       | \$ 176,047         |

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

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

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

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at March 31, 2021, the Company had not yet achieved profitable operations and has an accumulated deficit of \$24,119,460 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 three months ended March 31, 2021, 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.

## **2. BASIS OF PRESENTATION**

### **a) Statement of compliance**

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

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 31, 2021.

## **2. BASIS OF PRESENTATION (continued)**

### **b) Basis of measurement**

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

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

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

### **c) Basis of consolidation**

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

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

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited financial statements for the year ended December 31, 2020. These condensed consolidated interim statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### a) Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and determined that there are no standards that are relevant to the Company.

### 4. USE OF JUDGMENTS AND ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant estimates and critical judgments were the same as those applied to the financial statements as at and for the year ended December 31, 2020.

### 5. EQUIPMENT

|  | Computer equipment | Equipment | Total     |
|--|--------------------|-----------|-----------|
| <b>Cost</b>                                      |                    |           |           |
| 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<br>and March 31, 2021 | \$ 24,617          | \$ 32,725 | \$ 57,342 |

|                                 | Computer equipment | Equipment | Total     |
|---------------------------------|--------------------|-----------|-----------|
| <b>Accumulated depreciation</b> |                    |           |           |
| Balance, December 31, 2019      | \$ 13,470          | \$ 12,541 | \$ 26,011 |
| Additions                       | 2,996              | 10,161    | 13,157    |
| Disposal                        | (9,997)            | (3,975)   | (13,972)  |
| Balance, December 31, 2020      | 6,469              | 18,727    | 25,196    |
| Additions                       | 2,023              | 2,552     | 4,575     |
| Balance, March 31, 2021         | \$ 8,492           | \$ 21,279 | \$ 29,771 |

|                            | Computer equipment | Equipment | Total     |
|----------------------------|--------------------|-----------|-----------|
| <b>Net book value</b>      |                    |           |           |
| Balance, December 31, 2020 | \$ 18,148          | \$ 13,998 | \$ 32,146 |
| Balance, March 31, 2021    | \$ 16,125          | \$ 11,446 | \$ 25,571 |



## 6. PREPAID EXPENSES

|                                    | December 31, 2020 | December 31, 2020 |
|------------------------------------|-------------------|-------------------|
| Prepaid services and subscriptions | \$ 139,819        | \$ 274,776        |
| Prepaid insurance and rent         | 42,238            | 38,539            |
|                                    | 185,057           | 313,315           |
| Lease deposit                      | 10,916            | 10,916            |
|                                    | \$ 195,973        | \$ 324,231        |

## 7. LOAN RECEIVABLE

On January 27, 2021, the Company entered into a loan agreement whereby the Company provided \$300,000 to fund developments through the purchase of equipment and deploy the first phase of a digital store network. The loan has the following terms:

- 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;
- 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.

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

|                     | March 31, 2021 | December 31, 2020 |
|---------------------|----------------|-------------------|
| Accounts payable    | \$ 729,361     | \$ 814,877        |
| Accrued liabilities | 400,775        | 187,894           |
| Accrued interest    | 95,419         | 221,317           |
|                     | \$ 1,225,555   | \$ 1,224,088      |

## 9. CONVERTIBLE DEBENTURES

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

|                                | 2020              |                     | 2019         |             |                     |
|--------------------------------|-------------------|---------------------|--------------|-------------|---------------------|
|                                | Debt              | Debt                | Debt         | Debt        | Total               |
| 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        |
| Accretion                      | 10,252            | 74,987              | -            | -           | 85,329              |
| Foreign exchange loss          | 25,933            | 8,671               | -            | -           | 34,662              |
| Converted to common shares     | (716,397)         | (615,831)           | -            | -           | (1,332,228)         |
| <b>Balance, March 31, 2021</b> | <b>\$ 381,981</b> | <b>\$ 1,907,363</b> | <b>\$ -</b>  | <b>\$ -</b> | <b>\$ 2,289,344</b> |

## 9. CONVERTIBLE DEBENTURES (continued)

During the three months ended March 31, 2021, \$850,796 (CAD\$1,077,540) of 2020 Debentures were converted in 3,591,799 common shares and 3,591,799 warrants. The fair value of the warrants was determined to be \$nil. Upon conversion, the carrying value of debt which is \$716,397 and equity conversion feature of \$128,526 were transferred to share capital and warrant reserves with no gain or loss recorded.

During the three months ended March 31, 2021, \$691,350 (CAD\$875,600) of 2019 Debentures were converted in 1,459,332 common shares and 729,666 warrants of the Company. The fair value of the warrants was determined to be \$83,426. Upon conversion, the carrying value of debt \$615,831 and equity conversion feature of \$118,708 were transferred to share capital and warrant reserves with no gain or loss recorded.

The following is a schedule of future minimum repayments of convertible debentures as of March 31, 2021:

|      |    |                  |
|------|----|------------------|
| 2021 | \$ | 1,924,738        |
| 2022 |    | 364,606          |
|      | \$ | <b>2,289,344</b> |

## 10. LEASES

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

|                            |            |
|----------------------------|------------|
| <b>Right-of-use assets</b> |            |
| At December 31, 2019       | \$ 229,085 |
| Depreciation expense       | (50,276)   |
| At December 31, 2020       | 178,809    |
| Depreciation expense       | (12,568)   |
| At March 31, 2021          | \$ 166,241 |

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

|                        |                       |                          |
|------------------------|-----------------------|--------------------------|
| <b>Lease liability</b> | <b>March 31, 2021</b> | <b>December 31, 2020</b> |
| Current portion        | \$ 50,061             | \$ 48,447                |
| Long-term portion      | 142,056               | 155,299                  |
| Total lease liability  | \$ 192,117            | \$ 203,746               |

At March 31, 2021, the Company is committed to minimum lease payments as follows:

|                                      |                          |                          |
|--------------------------------------|--------------------------|--------------------------|
| <b>Maturity analysis</b>             | <b>December 31, 2020</b> | <b>December 31, 2020</b> |
| Less than one year                   | \$ 67,036                | \$ 66,647                |
| One to five years                    | 160,115                  | 177,131                  |
| Total undiscounted lease liabilities | \$ 227,151               | \$ 243,778               |

## 10. LEASES (continued)

| Amounts recognized in profit or loss | March 31, 2021 | March 31, 2020 |
|--------------------------------------|----------------|----------------|
| Interest on lease liabilities        | \$ 4,997       | \$ 6,031       |

  

| Amounts recognized in the statement of cash flows | March 31, 2021 | March 31, 2020 |
|---|----------------|----------------|
| Interest paid                                     | \$ 4,997       | \$ 6,031       |
| Principal payments on lease liabilities           | 11,629         | 7,085          |
| Total cash outflows for leases                    | \$ 16,626      | \$ 13,116      |

## 11. SHAREHOLDERS' EQUITY

### a) Share capital

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

During the three months ended March 31, 2021, the Company issued an aggregate of:

- 5,083,754 common shares on conversion of the Company's Debentures (see note 9);
- 11,546,620 common shares for the exercise of warrants for proceeds of \$2,408,318 (CAD\$3,011,477), as a result \$209,982 has been reclassified from reserves; and
- 200,000 common shares for the exercise of warrants for proceeds of \$47,180 (CAD\$60,000), as a result \$63,926 has been reclassified from reserves.

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

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

### b) Warrants

On March 15, 2021, the Company entered into a letter of intent with Mexico's Grupo Modelo ("Modelo") and Retailigent Media formalizing an agreement (the "Agreement") to enter into a joint venture by the end of June 2021 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 issued 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:

- 15% vested immediately upon execution;
- 15% vest upon the execution of a definitive agreement for the formation of a joint venture;
- 20% vest upon the joint venture installed and operating in at least 1,500 locations;
- 20% vest upon the joint venture installed and operating in at least 5,000 locations;
- 15% will vest upon the joint venture installed and operating in at least 20,000 locations; and
- 15% will vest upon the joint venture installed and operating in at least 30,000 locations.

## 11. SHAREHOLDERS' EQUITY (continued)

The vesting conditions are not related to the market price of the equity instruments of the Company and, as a result, they are non-market performance conditions. At March 31, 2021, management estimated when certain conditions will be met. These warrants had a fair value of \$0.57 per warrant using the Black Scholes model with the following inputs: i) exercise price: \$0.84; ii) share price: \$0.78; iii) term: 5.00 years; iv) volatility: 100%; v) discount rate: 0.74%. As a result, \$1,365,971 (CAD\$1,720,150) has been recorded to share-based payments expense.

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, 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                                    |
| Granted                            | 19,850,644         | 0.79                                    | 0.63                                    |
| Exercised                          | (11,546,620)       | 0.26                                    | 0.21                                    |
| <b>Outstanding, March 31, 2021</b> | <b>60,324,964</b>  | <b>\$ 0.38</b>                          | <b>\$ 0.30</b>                          |

As at March 31, 2021, the following warrants were outstanding and exercisable:

| Number of warrants outstanding | Exercise price (\$CAD) | Exercise price (\$USD) | Expiry date        | Number of warrants exercisable |
|--------------------------------|------------------------|------------------------|--------------------|--------------------------------|
| 66,429                         | 0.35                   | 0.28                   | August 29, 2021    | 66,429                         |
| 33,334                         | 0.60                   | 0.48                   | August 29, 2021    | 33,334                         |
| 113,170                        | 0.35                   | 0.28                   | September 19, 2021 | 113,170                        |
| 172,312                        | 0.60                   | 0.48                   | September 20, 2021 | 172,312                        |
| 292,591                        | 0.60                   | 0.48                   | October 22, 2021   | 292,591                        |
| 134,000                        | 0.30                   | 0.24                   | February 26, 2022  | 134,000                        |
| 3,941,373                      | 0.60                   | 0.48                   | February 26, 2022  | 3,941,373                      |
| 53,333                         | 0.30                   | 0.24                   | April 9, 2022      | 53,333                         |
| 541,663                        | 0.60                   | 0.48                   | April 9, 2022      | 541,663                        |
| 88,236                         | 0.35                   | 0.28                   | October 22, 2022   | 88,236                         |
| 1,548,336                      | 0.12                   | 0.10                   | August 28, 2023    | 1,548,336                      |
| 32,237,630                     | 0.17                   | 0.13                   | August 28, 2023    | 32,537,630                     |
| 43,512                         | 0.12                   | 0.10                   | September 22, 2023 | 43,512                         |
| 5,559,045                      | 0.17                   | 0.13                   | September 23, 2023 | 5,559,045                      |
| 15,500,000                     | 0.84                   | 0.67                   | March 18, 2026     | 2,325,000                      |
| <b>60,324,964</b>              | <b>\$ 0.38</b>         | <b>0.30</b>            |                    | <b>47,149,964</b>              |

As at March 31, 2020, the weighted average remaining contractual life of outstanding warrants is 2.94 years.

## 11. SHAREHOLDERS' EQUITY (continued)

### c) Options

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

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

|                                    | Number of options | Weighted average exercise price (\$CAD) | Weighted average exercise price (\$USD) |
|------------------------------------|-------------------|---|---|
| Outstanding, December 31, 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                                 |
| Granted                            | 150,000           | 0.73                                    | 0.58                                    |
| Exercised                          | (200,000)         | 0.30                                    | 0.24                                    |
| Forfeited                          | (450,000)         | 0.30                                    | 0.24                                    |
| <b>Outstanding, March 31, 2021</b> | <b>8,680,000</b>  | <b>\$ 0.27</b>                          | <b>\$ 0.22</b>                          |
| <b>Exercisable, March 31, 2021</b> | <b>5,886,250</b>  | <b>\$ 0.27</b>                          | <b>\$ 0.22</b>                          |

As at March 31, 2021, the following stock options were outstanding and exercisable:

| Number of options outstanding | Exercise price (\$CAD) | Exercise price (\$USD) | Expiry date       | Number of options exercisable |
|-------------------------------|------------------------|------------------------|-------------------|-------------------------------|
| 4,130,000                     | \$ 0.30                | \$ 0.24                | February 15, 2023 | 4,130,000                     |
| 75,000                        | 0.41                   | 0.32                   | August 8, 2022    | 56,250                        |
| 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  | 250,000                       |
| 2,850,000                     | 0.17                   | 0.13                   | October 6, 2025   | 712,500                       |
| 700,000                       | 0.17                   | 0.13                   | October 9, 2025   | 437,500                       |
| 300,000                       | 0.25                   | 0.25                   | November 24, 2025 | 75,000                        |
| 150,000                       | 0.73                   | 0.58                   | March 8, 2026     | -                             |
| <b>8,680,000</b>              | <b>\$ 0.27</b>         | <b>\$ 0.22</b>         |                   | <b>5,886,250</b>              |

## 11. SHAREHOLDERS' EQUITY (continued)

As at March 31, 2021, the weighted average remaining contractual life of outstanding options is 3.14 years.

During the three months ended March 31, 2021, the Company granted 150,000 options with a fair value of \$89,065. Share-based payments relating to options vesting during the year using the Black-Scholes option pricing model was \$160,994.

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

The fair value of stock options granted during the three months ended March 31, 2021 and the year ended December 31, 2020 was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

| <b>Assumptions</b>      | <b>March 31, 2021</b> | <b>December 31, 2020</b> |
|-------------------------|-----------------------|--------------------------|
| Risk-free interest rate | 0.74%                 | 0.31 – 1.62%             |
| Expected volatility     | 100%                  | 100%                     |
| Dividend yield          | 0%                    | 0%                       |
| Expected life           | 5.00 years            | 5.00 years               |

VSBLTY Groupe Technologies Corp.  
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For the three months ended March 31, 2021 and 2020  
(Expressed in United States dollars)  
(Unaudited)

**12. EXPENSES BY NATURE**

|  | <b>Three months ended<br/>March 31, 2021</b> | <b>Three months ended<br/>March 31, 2020</b> |
|--|--|--|
| Marketing expenses                               | \$ 505,717                                   | \$ 245,292                                   |
| Meals and entertainment                          | 1,086  | 14,590                                       |
| Tradeshaw expenses                               | -  | 44,091                                       |
| Salaries and wages                               | 49,583                                       | 103,862                                      |
| <b>Total sales and marketing expense</b>         | <b>\$ 556,386</b>                            | <b>\$ 407,835</b>                            |
| General and administrative expenses              | \$ 193,228                                   | \$ 93,650                                    |
| Professional fees                                | 95,386                                       | 58,067                                       |
| Consulting fees                                  | 172,796                                      | 150,476                                      |
| Management fees                                  | 147,375                                      | 169,634                                      |
| Rent   | 3,136  | 5,414  |
| Salaries and wages                               | 151,642                                      | 122,153                                      |
| Travel   | 6,984  | 48,164                                       |
| Depreciation (note 6)                            | 4,575  | 1,924  |
| Lease-related depreciation (note 10)             | 12,569                                       | 12,569                                       |
| Utilities  | 17,524                                       | 14,498                                       |
| Bad debt expenses                                | 3,437  | -  |
| Investor relations                               | -  | 32,316                                       |
| Transfer agent and filing fees                   | 21,969                                       | 6,414  |
| <b>Total general and administrative expense</b>  | <b>\$ 830,621</b>                            | <b>\$ 715,279</b>                            |
| Research and development contract labour expense | \$ 275,969                                   | \$ 213,175                                   |
| Consulting fees                                  | 80,265                                       | -  |
| Salaries and wages                               | 72,500                                       | 20,000                                       |
| <b>Total research and development expenses</b>   | <b>\$ 428,734</b>                            | <b>\$ 233,175</b>                            |

**13. RELATED PARTY TRANSACTIONS**

*Key management compensation*

During the three months ended March 31, 2021, remuneration of the Company's key management personnel consisted of management fees of \$162,000 (2020 - \$165,667) and share-based payments of \$48,100 (2020 - \$24,756). Management fees are included in general and administrative expenses and sales and marketing expense.

### 13. RELATED PARTY TRANSACTIONS (continued)

*Other related party transactions*

During the three months ended March 31, 2021 and 2020, other related party transactions consisted of the following:

|  | Three months ended<br>March 31, 2021 | Three months ended<br>March 31, 2020 |
|--|--------------------------------------|--------------------------------------|
| Creative services paid to a related entity controlled by an officer, included in cost of sales               | \$ 12,675                            | \$ -                                 |
| Marketing expenses paid to a related entity, included in sales and marketing expenses                        | \$ 47,524                            | \$ 84,189                            |
| Accounting and administrative fees paid to related entities, included in general and administrative expenses | \$ 825                               | \$ 7,256                             |
| Contract project development labour paid to a related entity, included in research and development expenses  | \$ 120,000                           | \$ 15,000                            |
| Contract project development labour paid to a related entity, cost of sales                                  | \$ -                                 | \$ 333,333                           |
| Interest expense for notes payable to related parties, excluding discount accretion                          | \$ 6,863                             | \$ 6,547                             |

*Related party balances*

At March 31, 2021, \$522,759 (December 31, 2020 - \$353,740) was due to related parties and is included in accounts payable and accrued liabilities. The amounts were non-interest bearing and due on demand.

At March 31, 2021, \$279,920 (December 31, 2020 - \$276,622) in convertible debentures were due to related parties, excluding discounts.

### 14. CAPITAL MANAGEMENT

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

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



## 15. FINANCIAL RISK MANAGEMENT

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

### *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Foreign exchange risks are closely monitored, and attempts are made to match foreign cash inflows and outflows. As at March 31, 2021, the Company is primarily exposed to foreign exchange risk through its cash and cash equivalents denominated in Canadian dollars. The Company mitigates foreign exchange risk by monitoring foreign exchange rate trends and evaluating reinvestment opportunities when possible. The Company does not currently hedge its foreign exchange risk. Based on current exposures as at March 31, 2021 and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the United States dollar would result in a gain or loss of approximately \$176,000 in the Company's condensed consolidated statements of loss and comprehensive loss.

### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash 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 three months ended March 31, 2021, the Company incurred \$3,437 in bad debt expense (2020 - \$Nil).

The following table provides disclosures about credit risk exposure and expected credit losses on individual trade and other receivables as at March 31, 2021.

|                   | <b>Gross<br/>carrying<br/>amount</b> | <b>Weighted<br/>average loss<br/>rate</b> | <b>Loss<br/>allowance</b> | <b>Impaired</b> |
|-------------------|--------------------------------------|---|---------------------------|-----------------|
| Current           | \$ 99,805                            | 0.3%                                      | \$ (299)                  | No              |
| 31-60 days        | 28,213                               | 1.6%                                      | (451)                     | No              |
| 61-90 days        | -                                    | 3.6%                                      | -                         | No              |
| More than 90 days | 85,863                               | 10.60%                                    | (9101)                    | No              |
| <b>Total</b>      | <b>\$ 213,881</b>                    |   | <b>\$ (9,851)</b>         |                 |

### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at March 31, 2021, the Company is not exposed to significant interest rate risk.

## 15. 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 through equity financing obtained through the issuance of equity and common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

## 16. 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 market data (unobservable inputs).

The Company's financial instruments consist of cash, trade and other receivables, accounts payable, 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.

## 17. 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 March 31, 2021, included in accounts payable is a liability of \$522,759 (including \$150,186 late payment interest charges), based on the statement of work.

## **18. SUBSEQUENT EVENTS**

- a) Subsequent to March 31, 2021, the Company issued 1,218,196 common shares related to the exercise of warrants for proceeds of \$181,604 (CAD \$228,692).
- b) Subsequent to March 31, 2021, \$307,714 (CAD\$387,500) in principal of Debentures were converted into 695,832 common shares and 397,915 warrants.
- c) Subsequent to March 31, 2021, the Company issued 83,500 restricted share units (“RSUs”) to employees of the Company exercisable at \$0.72 per unit. The RSUs vest 50% on December 31, 2021 and 50% on December 31, 2022.