

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2021

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 three months ended March 31, 2021 is prepared as at May 31, 2021. This MD&A should be read in conjunction with the condensed consolidated interim financial statements for the three months ended March 31, 2021 and 2020 and the related notes thereto and 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 three months ended March 31, 2021” 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 the Company’s annual information form and other public filings made by the Company with Canadian securities regulatory authorities, which are available under the Company’s SEDAR profile at www.sedar.com.

This MD&A contains future-oriented financial information and financial outlook information (collectively, “**FOFI**”) regarding the Company’s prospective revenue, operating losses, expenses and research and development operations, which are subject to the same assumptions, risk factors, limitations and qualifications as set forth above. FOFI contained in this MD&A was prepared using the same accounting principles that the Company expects to use in preparing its financial statements for the applicable periods covered by such FOFI. FOFI was made as of the date of this MD&A and was provided for the purpose of describing anticipated sources, amounts and timing of revenue generation, and are not an estimate of

profitability or any other measure of financial performance. In particular, revenue estimates do not take into account the cost of such estimated revenue, including the cost of goods and the cost of sales. VSBLTY disclaims any intention or obligation to update or revise any FOFI contained in this MD&A, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. FOFI contained in this MD&A should not be used for purposes other than for which it is disclosed herein. Please see the risk factors discussed under the heading “Risk Factors” in the Company’s annual information form and other public filings made by the Company with Canadian securities regulatory authorities, which are available under the Company’s SEDAR profile at www.sedar.com.

Company Overview

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

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at March 31, 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.

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’s 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 the Company’s past 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.

Channel Orientation

The Company has established and will continue to develop and augment a comprehensive channel network. As a matter of strategic importance, the Company has targeted and secured several key channel partners. The goal of a channel partner network is to provide for the means of consumer engagement acceleration. With many well-trained channels, the Company can focus on the imperative of building world class software products, and less on the customer acquisition process. However, the Company has no intention of disengaging from building, addressing and fulfilling market demand. In this regard, the channel network functions as market accelerator and force multiplier.

Starting in 2019 and continuing into 2020 and 2021, the Company engaged several such channel partners on a SaaS basis:

Channel Partner	Description of Partnership
Sensormatic	<p>On August 15, 2019, the Company entered into an exclusive global reseller agreement with Sensormatic Solutions, the lead global retail solutions portfolio of Johnson Controls, Inc. The nature of the contract with JCI is a strategic global reseller and original equipment manufacturer relationship for all of the software products developed by VSBLTY. Subsequent to the signing of the contract in September, both organizations have been investing resources to train both technical and salespeople with product, installation and support knowledge. Sensormatic Solutions has approximately 185,000 retail customers worldwide. From this list of customers, VSBLTY and Sensormatic Solutions have developed a specific (targeted) list of customers that, in the opinion of management, are likely to purchase VSBLTY’s products. VSBLTY’s revenue projections associated with the Sensormatic Solutions agreement are based upon management’s expectations with respect to the Company’s ability to generate sales from Sensormatic Solutions’ existing customer-base, as well as management’s related deployment estimates.</p> <p>The Company previously estimated that the agreement would generate approximately US\$2M-US\$4M in SaaS revenue over a 2-year period.⁽¹⁾⁽³⁾ In the Spring of 2020, Sensormatic furloughed</p>

Channel Partner	Description of Partnership
	<p>a large percentage of its workforce for a period of several months. This caused considerable delays in the launch plans surrounding Sensormatic IQ; the new marketing and product initiative that incorporates VSBLTY product. The product was launched on May 18, 2021. As a result of such delays, the estimated timeline for the Company’s revenue projections has been correspondingly pushed back by approximately 12 months. As at March 31, 2021, the agreement had not generated revenue.</p>
Energetika ⁽²⁾	<p>In September 2019, the Company and Energetika Sostenable y Ecologica SA de CV (“Energetika”) entered into a definitive contract, pursuant to which the Company agreed to provide DataCaptor (video analytics, crowd measurement) and VECTOR (Facial Recognition and weapons detection) to Energetika to provide real time crowd analytics and audience measurement for Latin American communities. For several months the Company had been working with Mexico City based Energetika to design, test, and pilot an integrated “security kit” for residential, neighborhood and law enforcement applications in the various communities around and within Mexico City. The testing involved the development of a proprietary and patent-able innovation meant to address the unique architectural demands of a scaled security camera network. The contract, which expires August 30, 2022, is renewable for successive terms. VSBLTY’s revenue projections associated with the Energetika agreement are based upon certain contracts already entered into by Energetika and additional contracts that are projected to be entered into within the term of the agreement. For the purposes of the Company’s projections, the average price per camera is expected to be \$9/USD per month, but will range between \$4 - \$14 depending upon the nature and type of algorithms deployed. Competitive forces and scale may impact the Company’s per-camera projected price, but management expects that additional features will be added to VSBLTY’s suite of products (for example, license plate recognition) that are expected to generate additional SaaS revenue per month per camera. While there is still a degree of uncertainty with respect to the pace of deployment and any additional contracts that must be executed for new orders or customers, the Company’s revenue projections are based upon the known number of deployments supported by existing end-user contracts.</p> <p>The Company previously estimated that the agreement would generate approximately US\$10M in SaaS revenue over a three-year period.⁽²⁾⁽³⁾ There have been a number of deployment delays caused by, among other things, an extensive testing period to help define the locations and circumstances under which the deployment could run successfully and on which cameras. In addition, there was a delay in building residential and public infrastructure caused by physical access restrictions during three successive lock down periods in Mexico City. As a result of such delays, the estimated timeline for the Company’s revenue projections has been correspondingly pushed back by approximately 12 months. As at March 31, 2021, the agreement had generated approximately US\$99,000 in revenue.</p>
News America Marketing	<p>On October 10, 2019, the Company and News America Marketing In-Store Services L.L.C. (“NAM”) entered into a market software as a service (“SaaS”) agreement, pursuant to which the parties agreed to jointly deliver advanced digital in-store media analytics to retailers and brand marketers. NAM is currently the exclusive in-store media provider for approximately 65,000 retail locations, with a particularly strong presence in grocery stores. The Company previously estimated that the agreement would generate approximately US\$1M in SaaS revenue over a 2-year period.⁽¹⁾⁽³⁾ In 2020, NAM was acquired by Charlesbank Capital Partners and the business of NAM shifted away from digital media and toward traditional coupon and in store print marketing. As a result, the relationship between the Company and NAM became non-strategic and was subsequently de-emphasized. As at March 31, 2021, the agreement had not generated revenue. Currently, the Company expects that it may not generate revenue from this agreement.</p>
KLA Labs	<p>On February 13, 2020, the Company entered into a memorandum of understanding with KLA Laboratories, Inc. (“KLA”), pursuant to which the parties agreed to partner in the KLA Rity 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</p>

Channel Partner	Description of Partnership
	<p>environments and facilities. As a provider of digital systems for sporting and entertainment facilities, KLA has existing stadium and venue relationships. A number of these facilities have expressed an interest in computer vision and ancillary capabilities for security. VSBLTY's revenue projections associated with the KLA agreement are based upon management's expectations with respect to its ability to successfully deploy its products to sporting and entertainment facilities over the next two years.</p> <p>The Company previously estimated that the agreement would generate approximately US\$1M in SaaS revenue over a 2-year period.⁽¹⁾⁽³⁾ Due to DKL's reliance on arenas and large venues, many of which have been closed during the COVID-19 pandemic, KLA's business has slowed down considerably since March 2020. As a result of such delays, the estimated timeline for the Company's revenue projections has been correspondingly pushed back by approximately 12 months. As at March 31, 2021, the agreement had not generated revenue.</p>
UST Global	<p>On April 23, 2020, the Company entered into a global, multi-product strategic teaming agreement with UST Global Inc. ("UST Global"), pursuant to which the parties will collaborate to bring advanced digital display software solutions to retail clients. UST Global is an integrator with approximately 25,000 employees worldwide. In addition, UST Global has extensive long-term relationships with a number of large retail companies. VSBLTY's products are distinct from the products offered by UST Global, and as such, management expects that UST Global's customers will express interest in VSBLTY's products. VSBLTY's revenue projections associated with the UST Global agreement are based upon management's expectations with respect to its ability to successfully deploy its products to UST Global's customers. The Company previously estimated that the agreement would generate approximately US\$1M in SaaS revenue over a 2-year period.⁽¹⁾⁽³⁾ However, there have been a number of deployment delays caused by, among other things, UST Global's ability to complete the required knowledge transfer and pursuit model, as well as implementation delays attributed to COVID-19. As a result of such delays, the estimated timeline for the Company's revenue projections has been correspondingly pushed back by approximately 12 months. As at March 31, 2021, the agreement had not generated revenue.</p>
Synect Media	<p>On July 8, 2020, the Company entered into a supply and licensing agreement with Synect, LLC ("Synect Media"). Synect Media is an integrated media company providing digital signage and information pedestal systems in approximately 2200 locations within airports in the United States. The objective of the agreement is to add computer vision to all of the deployments that Synect Media currently has installed, as well as to provide additional capabilities for new installations. The Company is working on a deployment plan with Synect Media that is expected to generate revenue on a per end point per month basis. VSBLTY's revenue projections associated with the Synect Media agreement are based upon management's expectations with respect to its ability to successfully deploy its products to Synect Media's customers. The Company previously estimated that the agreement would generate approximately US\$1.3M in SaaS revenue over a 3-year period.⁽¹⁾⁽³⁾ Due to Synect Media's reliance on airport digital signage, Synect Media's business has slowed down considerably since March 2020. As a result of such delays, the estimated timeline for the Company's revenue projections has been correspondingly pushed back by approximately 12 months. As at March 31, 2021, the agreement had not generated revenue.</p>

Notes:

- (1) The Company categorizes these agreements as reseller agreements. Under a reseller agreement, the applicable partner is granted the right to sell VSBLTY's products as part of the partner's existing suite of products (e.g. VSBLTY's software will be embedded within the partner's existing products) or as a stand-alone product to the partner's existing customers. Under these arrangements, consistent revenues will generally not begin until a few quarters after the applicable agreement is executed, as several months are required to sufficiently define the terms and scope of the collaboration, and to provide sufficient training to the reseller and its staff.
- (2) The Company categorizes this agreement as an integration/original equipment manufacturer agreement. Under an integration/original equipment manufacturer agreement, the applicable partner's key customers are already

identified and, in many cases, orders for the Company's products from such customers are already secured (in full or in part). Accordingly, there is often an increased level of certainty connected with these arrangements. However, there is still a degree of uncertainty with respect to the pace of deployment, and any additional contracts that must be executed for new orders or customers. The Company's revenue projections are based upon the known number of deployments supported by existing end-user contracts.

- (3) Projection made on August 17, 2020. See the Company's short form prospectus dated August 17, 2020, copies of which are available under the Company's issuer profile on SEDAR at www.sedar.com, for additional details regarding such revenue projections.

Although certain financial projections in the above table are based on reasonable expectations developed by the Company's management, the assumptions and estimates underlying the financial projections are subject to significant business, economic, and competitive uncertainties and contingencies, many of which will be beyond the control of the Company. The assumptions used by the Company's management to derive these financial projections include: a. the Company's ability to successfully develop its products; b. the Company's pricing targets remaining in place; c. the Company's ability to successfully deploy its products to its channel partners' customers; d. the Company's channel partners' timely delivery of all ancillary components and services; and e. the Company's ability to maintain performance and quality as projects advance and product volume increases. Accordingly, the financial projections are only estimates and are necessarily speculative in nature. It is expected that some – and perhaps all – of the assumptions in the financial projections will not be realized and that actual results will vary from the projections. Such variations may be material and may increase over time. In light of the foregoing, readers are cautioned not to place undue reliance on the financial projections. Please see the risk factors discussed under the heading "Risk Factors" in the Company's annual information form and other public filings made by the Company with Canadian securities regulatory authorities, which are available under the Company's SEDAR profile at www.sedar.com.

Developments during the three months ended March 31, 2021

- On January 15, 2021, the Company launched a 12-month online marketing campaign through AGORACOM for the purposes of targeting new potential investors that would be specifically interested in the Company's business model, as well as engaging current shareholders. The Company is paying \$0 in cash for the program due to AGORACOM's cashless and fully compliant shares for services program.
- On January 19, 2021, the Company partnered with Sky Packets, the New York City-based prominent developer of Wi-Fi Mesh networks and "Smart City" applications for municipalities and business improvement districts, to strategically deploy advanced security and "Smart City" solutions to U.S. and international customers.
- On February 1, 2021, the Company partnered with SYNQ, a Canadian innovative retail security and customer experiential technology company, to co-develop a public safety, security solution for Canadian Tire's third largest location located in Hillside Mall, Victoria, B.C.
- On February 4, 2021, the Company partnered with 911inform to provide tighter safety and security measures for schools, universities and campus environments. 911inform is an emergency management solution that provides first responders and on-site personnel with real-time situational awareness and pinpoint location data during an emergency. 911inform provides detailed maps and visuals of the affected area and gives authorities bidirectional communication and control of doors, cameras, phones, HVAC, fire and alarm systems, intercom, strobes and other IOT premised-based technologies.
- On February 9, 2021, the Company co-developed a first-of-its-kind high resolution camera with self-contained inference logic. Ability has been providing best-in-class ODM/OEM solutions for input digital imaging devices since its founding in 1965.

- On February 16, 2021, the Company partnered with EOS Linx to provide solar-powered security solutions at its deployments in the U.S. and Territories with the installation of VSBLTY's AI-driven Vector™ software. The state-of-the-art proprietary software, which includes facial detection of persons of interest, will sound a loud audio warning to any intruders, identify known subjects and send immediate alerts to company security and local law enforcement.
- On March 15, 2021, the Company entered into an agreement with Mexico's Grupo Modelo ("Modelo") (part of the AB InBev family of companies) and Retailigent Media have formalized an agreement (the "Agreement") to enter into a joint venture by the end of Q2 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, it was announced today. Active deployment is already underway in Mexico, Colombia, Peru, and Ecuador with 5000 locations to be installed by the end of 2021. In addition to being an international advertising network, it will provide real-time security for store owners, powered by artificial intelligence, as well as integration of store traffic and customer demographics with sales and critical operations-related data to help stores optimize their business.

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 condensed interim consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, the condensed interim 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 condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at March 31, 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 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 three months ended March 31, 2021, the Company issued an aggregate of:

- 5,080,754 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 options for proceeds of \$47,180(CAD\$60,000), as a result \$63,926 has been reclassified from reserves.

Summary of Quarterly Results

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

	Three months ended							
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Revenue	\$ 130,134	\$ (405,500)	\$95,501	\$499,918	\$417,485	\$ 2,122	\$ (2,499)	\$ 27,816
Net loss for the period	\$ (3,413,854)	\$ (2,330,726)	\$(1,291,833)	\$(1,314,943)	\$(1,594,823)	\$ (1,821,249)	\$ (1,444,018)	\$ (2,174,136)
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.03)

Summary of Results During Prior Eight Quarters

Net loss increased for the three months ended March 31, 2021 by \$1,083,128 compared to the three months ended December 31, 2020. The increase is attributable to an increase in share-based payments of \$1,307,169 as a result of warrants issued in the period in connection with an agreement with Mexico's Grupo Modelo and Retailigent Media. In the quarter ended December 31, the Company recognized \$203,509 on the forgiveness of a loan that was non-recurring.

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 three months ended March 31, 2021 and 2020

The results of operations for the three months ended March 31, 2021 and 2020 are summarized below:

	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),	(1,494,710)	(96,554)
Loss on disposal of equipment		-	(28,609)
Operating loss		(3,259,120)	(1,408,940)
Finance costs		(157,689)	(183,313)
Foreign exchange gain (loss)		2,955	(2,570)
Net loss for the period		(3,413,854)	(1,594,823)
Foreign currency translation		(26,364)	207,781
Comprehensive loss for the period	\$	(3,440,218)	\$ (1,387,042)
Loss per share – Basic and diluted	\$	(0.02)	\$ (0.02)
Weighted average shares outstanding –		154,842,999	80,822,126

Revenue

During the three months ended March 31, 2021 and 2020, the Company generated revenue of \$130,134 and \$417,485, respectively. Of the total revenue for the 2020 period, \$375,000 was earned on a software license development agreement. License fee revenue increased by \$8,017, professional services revenue increased by \$11,309 and hardware and other revenue increased by \$68,323.

Cost of sales

During the three months ended March 31, 2021 and 2020, cost of sales was \$78,803 and \$344,973, respectively. The decrease in cost of sales of \$266,170 was mainly due to software licensing development of \$336,199 that did not recur in the current period.

Operating expenses

	Three months ended		Three months ended	
Marketing expenses	\$	505,717	\$	245,292
Meals and entertainment		1,086		14,590
Tradeshows expenses		-		44,091
Salaries and wages		49,583		103,862
Total sales and marketing expense	\$	556,386	\$	407,835
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		3,427		-
Investor relations		-		32,316
Transfer agent and filing fees		21,969		6,414
Total general and administrative expense	\$	830,621	\$	715,279
Research and development contract labour expense	\$	275,969	\$	213,175
Consulting fees		80,265		-
Salaries and wages		72,500		20,000
Total research and development expenses	\$	428,734	\$	233,175

The above table provides a breakdown of the various expense categories, by nature, for the three months ended March 31, 2021 and 2020. The increase in expenses of \$459,452 consists of an increase in sales and marketing of \$148,551, general and administrative costs of \$115,342 and research and development of \$195,559. Research and development costs increased by \$80,265 during the period as a result of hiring internal contractors on development projects, and salaries and wages increase by \$62,794 as the Company hired an internal director of engineering to the team. General and administrative expenses increased by \$99,578 mainly due to increases in insurance premiums as compared to the prior period. Marketing expenses increased by \$260,245 and was offset by decreases in salaries and wages of \$54,279. The increase in marketing relates to increased promotional efforts in the period.

Share-based payments

Share-based payments for the three months ended March 31, 2021 and 2020 were \$1,494,710 and \$96,554, respectively. On March 15, 2021, the Company issued warrants in connection with an agreement with Grupo Modelo and Retailigent Media. During the three months ended March 31, 2021, the Company recognized \$1,365,971 in share-based payments related to this issuance.

Other income and expenses

Other expense for the three months ended March 31, 2021 consisted on finance costs of \$157,689 (2020 – \$183,313) which includes contractual interest expense and accretion of debt discounts which increased due to several private placements of convertible debentures during the period.

Reconciliation of Use of Proceeds from Financing Activities

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). Collectively, such financings are referred to in this Use of Proceeds section as the “**2020 Prospectus Offering**”.

The following table sets out a comparison of how the Company intended to use the net proceeds from the 2020 Prospectus Offering and its actual use of proceeds from 2020 Prospectus Offering as at March 31, 2021, an explanation of variances and the impact of variances on the ability of the Company to achieve its business objectives and milestones.

Intended Use of Proceeds of the 2020 Prospectus Offering (CAD)		Actual Use of Proceeds of the 2020 Prospectus Offering (CAD)	Variance – (Over) / Under Expenditure (CAD)	Explanation of Variance and Impact on Business Objectives
General & Administrative Expenses	\$2,801,000 ⁽¹⁾	\$1,922,718	\$878,282	The Company is on track with projected spending in General and Administrative Expenses
<ul style="list-style-type: none">• Scaled deployment of major integrated drug retailer project				

Intended Use of Proceeds of the 2020 Prospectus Offering (CAD)		Actual Use of Proceeds of the 2020 Prospectus Offering (CAD)	Variance – (Over) / Under Expenditure (CAD)	Explanation of Variance and Impact on Business Objectives
Sales & Marketing <ul style="list-style-type: none"> • Advance development and deployment activities in Mexico • Partner success (Sensormatic/UST Global) • Expand partner network in EU/Middle East • Expansion of security model to South America • Participation in European Development Showcase (Milan Innovation District) • Technical migration to “near edge compute” (computer clusters at the edge) to take advantage of a new generation of Intel-based processors (VPU: Visual Processing Units) to lower cost and increase efficiency for large networks 	\$828,000 ⁽²⁾	\$792,804	\$35,196	The Company incurred additional expenses related to promotional activities that were not planned for. Additional funds required will be allocated from warrant proceeds.
Research & Development <ul style="list-style-type: none"> • Code Completion V.Next • Programmatic Enhancement • Phone-based application development for ease of display navigation • Technical migration to “near edge compute” • Object Recognition Pilot 	\$1,088,000 ⁽³⁾	\$942,783	\$145,217	The Company incurred additional expenses by switching from external contractors to internally managed contractors. Additional funds required will be allocated from warrant proceeds.

Intended Use of Proceeds of the 2020 Prospectus Offering (CAD)		Actual Use of Proceeds of the 2020 Prospectus Offering (CAD)	Variance – (Over) / Under Expenditure (CAD)	Explanation of Variance and Impact on Business Objectives
Interest Expense	\$547,000 ⁽⁴⁾	\$263,095	\$283,905	The Company is on track with interest payments and expects to make the remaining interest payments in July of 2021.
Capital Expenditures	\$25,000	\$12,128	\$12,872	The Company is on track with expected capital expenditures.
Working Capital Deficiency	\$83,000	\$561,257	\$(478,257)	The Company utilized the funds in paying creditors, however due to the pandemic customer payments have been delayed.
Unallocated General Working Capital	\$1,533,000	\$(1,700,082)	\$3,233,082	The Company received proceeds from warrant exercises in the period, these funds have been used against any unallocated general working capital.
Total	\$6,905,000	\$2,794,703	\$4,110,297	

Notes:

- (1) General and administrative expenses were expected to include, among other things, \$404,000 in legal fees, audit fees, accounting fees, and administrative expenses, \$851,000 in management fees, \$368,000 in consultants fees, \$411,000 in salaries and wages, \$537,000 in office expenses including rent, phone service, administrative expenses, and similar items, \$163,000 for directors and officers insurance, \$35,000 for regulatory compliance, filings and payments to the transfer agent for the Company, and \$32,000 in travel expenses.
- (2) Sales & marketing expenses were expected to include \$365,000 in salaries and wages, \$419,000 in product marketing, and \$44,000 in corporate marketing. The Company expected that resources would be used towards specific sales and marketing objectives, including to advance development and deployment activities in Mexico (\$50,000) and scaled deployments with Sensormatic/UST Global) (\$25,000), as well as for general marketing and sales activities. In addition, the Company expected that additional available resources would be used towards the expansion of the Company's security model to South America (\$100,000), participation in the European Development Showcase (Milan Innovation District) (\$50,000), the technical migration to

“near edge compute” (computer clusters at the edge) (\$75,000) and for the Company’s object recognition pilot (\$75,000).

- (3) Research & development expenses were expected to include \$388,000 in salaries and wages and \$700,000 in materials expense and other. The Company expected that resources would be used towards specific research and development objectives, including code completion for V.Next software (\$250,000), as well as for maintenance of the Company’s existing software modules and enhancing existing product offerings. In addition, the Company expected that additional resources would be used towards adding programmatic capability to the Company’s core platform (\$250,000), phone-based application development for ease of display navigation (\$125,000), technical migration to “near edge compute” (computer clusters at the edge) (\$75,000) and the Company’s object recognition pilot (\$75,000).
- (4) Interest expense consists of interest on convertible debentures.

Although the Company intended to use the proceeds from the 2020 Prospectus Offering as set forth above, the actual allocation of the net proceeds may vary depending on future developments or unforeseen events.

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 the period 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 three months March 31, 2021, working capital decreased to a deficit of \$539,598 from \$1,354,263 at December 31, 2020. The \$814,665 decrease in working capital is attributable to an increase in cash of \$347,485 and a decrease in convertible debentures of \$1,212,385 as a result of conversions in the period. This was offset by the issuance of a loan of \$300,000.

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 March 31, 2021, the Company had cash of \$2,265,248 (2020 - \$1,917,763). The increase in cash and cash equivalents compared to the balance at December 31, 2020 was primarily due to proceeds from the exercise of warrants.

Net cash used in operating activities for the three months ended March 31, 2021 was \$1,796,383 (2020 - \$1,244,236). 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 three months ended March 31, 2021, the Company incurred \$1,815,741 (2020 - \$1,356,289) 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 \$3,412,233 for the three months ended March 31, 2021 (2020 - \$1,594,823).

Net cash used in investing activities for the three months ended March 31, 2021 was \$300,000 (2020 - \$Nil). The increase relates to a loan provided by the Company to Retailgil.

Net cash provided by financing activities for the three months ended March 31, 2021 was \$2,442,868 (2020 - \$1,119,387). The increase was primarily a result of an increase in proceeds from the exercise of warrants and options in the period of \$2,455,498 as compared to proceeds from convertible debt financing proceeds in the prior period of \$1,225,767.

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.

Related Party Transactions

Key management compensation

During the three months ended March 31, 2021, remuneration of the Company's key management¹ consisted of management fees in the amount of \$162,000 (2020 - \$165,667) and share-based payments of \$48,100 (2020 - \$24,756). Management fees are included in general and administrative, sales and marketing and research and development expenses.

Other related party transactions

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

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.

	Three months ended March 31, 2021	Three months ended March 31, 2020
Creative services paid to a related entity ² , included in cost of sales	\$ 12,675	\$ -
Marketing expenses paid to a related entity ² , included in sales and marketing expenses	\$ 47,524	\$ 84,189
Accounting and administrative fees paid to related entities ² included in general and administrative expenses	\$ 825	\$ 7,256
Contract project development labor paid to a related entity ³ , included in research and development expenses	\$ 120,000	\$ 15,000
Contract project development labour paid to a related entity, cost of sales ³	\$ -	\$ 333,333
Interest expense for convertible debt ⁴ and notes payable ⁵ 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.

VSBLTY, Inc. is party to a contract with Think-Traffic, LLC (“Think-Traffic”) and InterKnowlogy, LLC (“InterKnowlogy”) and for the provision marketing and support services and project development contract labor respectively. VSBLTY, Inc. can terminate these contracts at any time. VSBLTY, Inc. expects to continue making payments to InterKnowlogy and Think-Traffic in the normal course of business. During the year ended December 31, 2020, the Company terminated its commercial relationship with InterKnowlogy.

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

²Traffic 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.

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).

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 March 31, 2021, 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.

Additional Disclosure for IPO Venture Issuers Without Significant Revenue

During the three months ended March 31, 2021 and 2020, the Company incurred the following research and development and general and administrative expenses:

	Three months ended	Three months ended
Marketing expenses	\$ 505,717	\$ 245,292
Meals and entertainment	1,086	14,590
Tradeshaw expenses	-	44,091
Salaries and wages	49,583	103,862
Total sales and marketing expense	\$ 556,386	\$ 407,835
General and administrative expenses	\$ 193,228	\$ 93,650
Professional fees	95,386	58,067
Consulting fees	266,054	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
Total general and administrative expense	\$ 923,879	\$ 715,279
Research and development contract labour expense	\$ 275,969	\$ 213,175
Salaries and wages	72,500	20,000
Total research and development expenses	\$ 348,469	\$ 233,175

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, 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.

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) 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 of the Company.
- 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.