VSBLTY Groupe Technologies Corp.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2021 and 2020

(Expressed in United States dollars)
(Unaudited)

VSBLTY Groupe Technologies Corp.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in United States dollars)

As at	Notes		June 30, 2021		December 31, 2020
			(Unaudited)		
ASSETS					
Current assets					
Cash		$	8,159,746	$	1,917,763
Trade and other receivables	15		401,173		134,981
Prepaid expenses	6		119,404		313,315
			8,680,323		2,366,059
Equipment, net	5		29,947		32,146
Right-of-use assets	10		153,671		178,809
Deposits	6		10,916		10,916
Loan receivable	7		473,742		-
Total assets		$	9,348,599	$	2,587,930
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current liabilities					
Accounts payable and accrued liabilities	8, 17	$	1,361,945	$	1,224,088
Deferred revenue			7,353		8,251
Current portion of lease liability	10		51,715		48,447
Convertible debentures	9		2,043,509		2,439,536
			3,464,522		3,720,322
Lease liability	10		128,480		155,299
Convertible debentures	9		-		1,062,193
Total liabilities			3,593,002		4,937,814
SHAREHOLDERS' EQUITY (DEFICIENCY)					
Share capital	11		27,515,823		15,703,032
Reserves	11		6,453,219		2,843,867
Obligation to issue warrants			19,127		19,127
Accumulated deficit			(27,936,928)		(20,705,606)
Accumulated other comprehensive income			(295,644)		(210,304)
Total shareholders' equity (deficiency)			5,755,597		(2,349,884)
Total liabilities and shareholders' equity (deficiency(		$	9,348,599	$	2,587,930

Nature of operations and going concern	1
Contingency	17
Subsequent events	18

APPROVED BY THE BOARD OF DIRECTORS:

"Jay Hutton" Director *"Alnesh Mohan"* Director

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

VSBLTY Groupe Technologies Corp.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in United States dollars)
(Unaudited)

	Notes	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenue					
License fees		$ 32,247	$ 49,871	$ 72,086	$ 81,693
Professional services		18,435	7,000	36,744	14,000
Software license development		-	440,000	-	815,000
Hardware and other		241,950	3,047	313,936	6,710
		292,632	499,918	422,766	917,403
Cost of sales		(201,128)	(485,575)	(279,931)	(830,548)
Gross profit		91,504	14,343	142,835	86,855
Sales and marketing expenses	12, 13	(344,753)	(286,111)	(901,139)	(693,946)
General and administrative expenses	12, 13	(813,464)	(625,480)	(1,644,085)	(1,340,759)
Research and development expenses	12, 13	(372,346)	(170,904)	(801,080)	(404,079)
Share-based payments	11(c)	(2,231,564)	(15,853)	(3,726,274)	(112,407)
Loss on disposal of equipment		-	-	-	(28,609)
Operating loss		(3,670,624)	(1,084,005)	(6,929,743)	(2,492,945)
Finance costs	9, 10	(142,458)	(230,781)	(300,147)	(414,094)
Interest income		-	97	-	97
Foreign exchange loss	9	(4,385)	(254)	(1,431)	(2,824)
Net loss for the period		(3,817,468)	(1,314,943)	(7,231,322)	(2,909,766)
Foreign currency translation		(58,976)	(121,326)	(85,340)	86,455
Comprehensive loss for the period		$ (3,876,444)	$ (1,436,269)	$ (7,316,662)	$ (2,823,311)
Loss per share – Basic and diluted		$ (0.02)	$ (0.02)	$ (0.05)	$ (0.04)
Weighted average shares outstanding – Basic and diluted		161,610,308	81,469,083	158,205,194	81,146,615

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 common shares	Share capital	Reserves	Obligation to issue warrants	Accumulated deficit	Accumulated other comprehensive income (loss)	Total shareholders' deficiency
Balance, December 31, 2019		80,313,071	$ 9,948,497	$ 2,357,422	$ 19,127	$ (14,173,281)	$ (51,231)	$ (1,899,466)
Convertible debt issuance	9	-	-	193,011	-	-	-	193,011
Convertible debt issuance costs	11(a)	107,000	17,198	(2,755)	-	-	-	14,443
Convertible debt conversion	9, 11(a)	928,567	176,047	(8,813)	-	-	-	167,234
Performance share issuance	11(d)	1,000,002	227,268	(227,268)	-	-	-	-
Share-based payments	11(c)	-	-	112,407	-	-	-	112,407
Foreign currency translation		-	-	-		-	86,455	86,455
Loss for the period		-	-	-		(2,909,766)	-	(2,909,766)
Balance, June 30, 2020		82,348,640	$ 10,369,010	$ 2,424,004	$ 19,127	$ (17,083,047)	$ 35,224	$ (4,235,682)
Balance, December 31, 2020		143,180,368	$ 15,703,032	$ 2,843,867	$ 19,127	$ (20,705,606)	$ (210,304)	$ (2,349,884)
Shares issued for public offering	11(a)	18,400,000	6,506,140	347,560	-	-	-	6,853,700
Shares issued for private placement	11(a)	1,162,384	414,015	-	-	-	-	414,015
Shares issued for warrant	11(b)	13,439,586	2,906,035	(218,129)				2,687,906
Shares issued for option	11(c)	325,000	152,383	(87,661)	-	-	-	64,722
Convertible debt conversion	11(b)	5,905,147	1,834,218	(158,692)	-	-	-	1,675,526
Share-based payments	11(c)	-	-	3,726,274	-	-	-	3,811,011
Foreign currency translation		-	-	-		-	(85,340)	(85,340)
Loss for the period		-	-	-		(7,231,322)	-	(7,231,322)
Balance, June 30, 2021		182,412,485	$ 27,515,823	$ 6,453,219	$ 19,127	$ (27,936,928)	$ (295,644)	$ 5,755,597

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)

	Six months ended June 30 2021		Six months ended June 30 2020	
Cash flows from operating activities				
Loss for the period	$	(7,231,322)	$	(2,909,766)
Adjustments for non-cash items:				
Depreciation		34,577		30,513
Accretion expense		163,895		208,760
Share-based payments		3,726,274		112,407
Foreign exchange gain		(31,929)		(28,801)
Loss on disposal of equipment		-		28,609
Changes in non-cash working capital items:				
Trade and other receivables		(266,192)		(495,682)
Prepaid expenses and deposits		193,911		231,259
Accounts payable and accrued liabilities		137,857		1,048,456
Deferred revenue		(898)		(3,825)
Net cash used in operating activities		(3,273,827)		(1,778,070)
Cash flows from investing activities				
Acquisition of equipment		(7,240)		(814)
Payment of loan proceeds		(473,742)		-
Net cash used in investing activities		(480,982)		(814)
Cash flows from financing activities				
Principal portion of lease payments		(23,551)		(17,513)
Proceeds from issuance of convertible debt		-		1,389,667
Convertible debt transactions costs		-		(136,637)
Proceeds from exercise of options		64,722		-
Proceeds from exercise of warrants		2,687,906		-
Proceeds from equity financing, net of share issuance costs		7,267,715		-
Proceeds from issuance of promissory notes		-		403,509
Net cash provided by financing activities		9,996,792		1,639,026
Net increase (decrease) in cash		6,241,983		(139,858)
Cash and cash equivalents, beginning of period		1,917,763		499,435
Cash and cash equivalents, end of period	$	8,159,746	$	395,577
Supplemental cash flow disclosures:				
Interest paid	$	277,783	$	99,436
Income taxes paid		-		-
Convertible debt converted into shares	$	1,710,561	$	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 June 30, 2021, the Company had not yet achieved profitable operations and has an accumulated deficit of $27,936,928 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 six months ended June 30, 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 August 23, 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.

(Expressed in United States dollars)

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
Cost			
Balance, December 31, 2019	$ 21,177	$ 64,284	$ 85,461
Additions	13,437	1,024	14,461
Disposal	(9,997)	(32,583)	(42,580)
Balance, December 31, 2020	$ 24,617	$ 32,725	$ 57,342
Additions	1,954	5,286	7,240
Balance, June 30, 2021	$ 26,571	$ 38,011	$ 64,582

	Computer equipment	Equipment	Total
Accumulated depreciation			
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	4,155	5,284	9,439
Balance, June 30, 2021	$ 10,624	$ 24,011	$ 34,635

	Computer equipment	Equipment	Total
Net book value			
Balance, December 31, 2020	$ 18,148	$ 13,998	$ 32,146
Balance, June 30, 2021	$ 15,947	$ 14,000	$ 29,947

(Expressed in United States dollars)

6. PREPAID EXPENSES

	June 30, 2021	December 31, 2020
Prepaid services and subscriptions	$ 61,469	$ 274,776
Prepaid insurance and rent	57,935	38,539
	119,404	313,315
Lease deposit	10,916	10,916
	$ 130,320	$ 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.

For the three month period ending June 30, 2021, the Company loaned $173,742 in additional funds under the same terms above. Subsequent to June 30, 2021, the Company formed a joint venture and the balance of the loan receivable will be repaid from the joint venture (note 18 (a)).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2021	December 31, 2020
Accounts payable	$ 859,676	$ 814,877
Accrued liabilities	369,514	187,894
Accrued interest	132,755	221,317
	$ 1,361,945	$ 1,224,088

(Expressed in United States dollars)

9. CONVERTIBLE DEBENTURES

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

		2020 Debentures		2019 Debentures		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		17,198		146,697		163,895
Foreign exchange loss		25,297		63,148		88,446
Converted to common shares		(749,831)		(960,730)		(1,710,561)
Balance, June 30, 2021	**$**	**354,858**	**$**	**1,688,651**	**$**	**2,043,509**

During the six months ended June 30, 2021, the Company recorded $126,552 (2020: $181,635) in interest expense included in finance costs. As at June 30, 2021, there was accrued interest of $132,755 (2020: $181,005) included in accounts payable and accrued liabilities.

During the six months ended June 30, 2021, $888,053 (CAD$1,107,540) of 2020 Debentures were converted in 3,715,831 common shares and 3,715,831 warrants. The fair value of the warrants was determined to be $nil. Upon conversion, the carrying value of debt which is $749,831 and equity conversion feature of $106,397 were transferred to share capital and warrant reserves with no gain or loss recorded.

During the six months ended June 30, 2021, $924,504 (CAD$1,298,600) of 2019 Debentures were converted in 2,189,316 common shares and 1,094,658 warrants of the Company. The fair value of the warrants was determined to be $63,292. Upon conversion, the carrying value of debt $960,730 and equity conversion feature of $139,733 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 June 30, 2021:

2021	$	1,738,960
2022		373,349
	$	**2,112,309**

(Expressed in United States dollars)

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.

Right-of-use assets		
At December 31, 2019	$	229,085
Depreciation expense		(50,276)
At December 31, 2020		178,809
Depreciation expense		(25,138)
At June 30, 2021	$	153,671

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

Lease liability		**June 30, 2021**		**December 31, 2020**
Current portion	$	51,715	$	48,447
Long-term portion		128,480		155,299
Total lease liability	$	180,195	$	203,746

At June 30, 2021, the Company is committed to minimum lease payments as follows:

Maturity analysis		**June 30, 2021**		**June 30, 2020**
Less than one year	$	67,425	$	65,878
One to five years		143,100		210,525
Total undiscounted lease liabilities	$	210,525	$	276,403

Amounts recognized in profit or loss		**June 30, 2021**		**June 30, 2020**
Interest on lease liabilities	$	9,701	$	11,843

Amounts recognized in the statement of cash flows		**June 30, 2021**		**June 30, 2020**
Interest paid	$	9,701	$	11,843
Principal payments on lease liabilities		23,551		17,514
Total cash outflows for leases	$	33,252	$	29,357

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 six months ended June 30, 2021, the Company issued an aggregate of:

- 18,400,000 units at $0.50 CAD per unit for gross proceeds of $9,200,000 CAD pursuant to a public offering. Each unit consists of one Common Share and one-half of one share purchase warrant. Each warrant entitles the holder to purchase one Common Share at a price of $0.65 CAD for a period of 60 months from the closing date. Cash finder's fee of $720,720 CAD was paid and 1,288,000 agent warrants were issued. Each agent warrant entitles the holder to purchase one Common Share at a price of $0.50 CAD for a period of 60 months from the closing date.
- 1,162,384 units at $0.50 per unit for gross proceeds of $581,192 CAD pursuant to a concurrent private placement to the public offering. Each unit consists of one Common Share and one-half of one share purchase warrant. Each warrant entitles the holder to purchase one Common Share at a price of $0.65 CAD for a period of 60 months from the closing date.
- 5,905,147 common shares on conversion of the Company's Debentures (see note 9);
- 13,439,586 common shares for the exercise of warrants for proceeds of $2,869,537 (CAD $3,627,899), as a result $218,129 has been reclassed from reserves; and
- 325,000 common shares for the exercise of options for proceeds of $152,383 (CAD$191,297), as a result $87,661 has been reclassed from reserves.

During the six months ended June 30, 2020, the Company issued an aggregate of:

- 928,567 common shares on conversion of the Company's Debentures;
- 107,000 common shares granted to brokers as transaction costs for the Company's debentures at fair value of $17,198; and
- 1,000,000 common shares upon the completion of certain bonus related to the issuance of performance shares.

(Expressed in United States dollars)

11. SHAREHOLDERS' EQUITY (continued)

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.

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 June 30, 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, $3,488,659 (CAD$4,367,471) has been recorded to share-based payments expense during the six month period ending June 30, 2021.

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		0.16
Granted	31,394,531		0.73		0.59
Exercised	(13,439,586)		0.25		0.20
Outstanding, June 30, 2021	**69,975,885**	**$**	**0.42**	**$**	**0.34**

(Expressed in United States dollars)

11. SHAREHOLDERS' EQUITY (continued)

b) Warrants (continued)

As at June 30, 2021, the following warrants were outstanding and exercisable:

Number of warrants outstanding	Exercise price ($CAD)	Exercise price ($USD)	Expiry date	Number of warrants exercisable
358,029	0.60	0.48	July 18, 2021	358,029
64,544	0.35	0.28	August 29, 2021	64,544
33,334	0.60	0.48	August 29, 2021	33,334
113,170	0.35	0.28	September 19, 2021	113,170
209,811	0.60	0.48	September 20, 2021	209,811
242,592	0.60	0.48	October 22, 2021	242,592
134,000	0.30	0.24	February 26, 2022	134,000
3,920,540	0.60	0.48	February 26, 2022	3,920,540
53,333	0.30	0.24	April 9, 2022	53,333
641,663	0.60	0.48	April 9, 2022	641,663
88,236	0.35	0.28	October 22, 2022	88,236
1,543,524	0.12	0.10	August 28, 2023	1,543,524
30,401,360	0.17	0.14	August 28, 2023	30,401,360
43,512	0.12	0.10	September 22, 2023	43,512
5,559,045	0.17	0.14	September 22, 2023	5,559,045
9,781,192	0.65	0.52	June 29, 2024	9,781,192
1,288,000	0.50	0.40	June 29, 2024	1,288,000
15,500,000	0.84	0.68	March 18, 2026	2,325,000
69,975,885	**$ 0.42**	**0.34**		**56,800,885**

As at June 30, 2021, the weighted average remaining contractual life of outstanding warrants is 2.73 years.

(Expressed in United States dollars)

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	0.59
Exercised	(325,00)	0.25	0.20
Forfeited	(450,000)	0.30	0.24
Outstanding, June 30, 2021	**8,555,000**	**$ 0.25**	**$ 0.21**
Exercisable, June 30, 2021	**6,798,750**	**$ 0.26**	**$ 0.21**

As at June 30, 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	0.33	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
2,725,000	0.17	0.14	October 6, 2025	1,425,000
700,000	0.17	0.14	October 9, 2025	525,000
300,000	0.25	0.20	November 24, 2025	150,000
150,000	0.73	0.59	March 8, 2026	37,500
8,555,000	**$ 0.26**	**$ 0.21**		**6,798,750**

(Expressed in United States dollars)

11. SHAREHOLDERS’ EQUITY (continued)

c) Options (continued)

As at June 30, 2021, the weighted average remaining contractual life of outstanding options is 2.87 years.

During the six months ended June 30, 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 $218,904.

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 six months ended June 30, 2021 and the year ended December 31, 2020 was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	June 30, 2021	December 31, 2020
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

d) Restricted Share Units (“RSU”)

During the six months ended June 30, 2021, the Company granted 133,500 RSUs with a fair value of $76,802. Share-based payments relating to options vesting during the year using the Black- Scholes option pricing model was $18,710. The RSUs vest 50% on December 31, 2021 and 50% on December 31, 2022.

The fair value of stock options granted during the six months ended June 30, 2021 and the year ended December 31, 2020 was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	June 30, 2021
Risk-free interest rate	0.23%
Expected volatility	100%
Dividend yield	0%
Expected life	3.00 years

(Expressed in United States dollars)

12. EXPENSES BY NATURE

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Marketing expenses	$ 287,680	$ 200,917	$ 793,397	$ 446,209
Meals and entertainment	1,240	819	2,326	15,409
Tradeshow expenses	833	-	833	44,091
Salaries and wages	55,000	84,375	104,583	188,237
Total sales and marketing expense	$ 344,753	$ 286,111	$ 901,139	$ 693,946
General and administrative expenses	$ 90,903	$ 80,879	$ 284,131	$ 174,529
Professional fees	66,327	70,311	161,713	128,378
Consulting fees	233,492	222,959	406,288	373,435
Management fees	199,729	127,500	347,104	297,134
Rent	3,036	4,862	6,172	10,276
Salaries and wages	164,293	72,817	315,935	194,970
Travel	7,624	1,115	14,608	49,279
Depreciation (note 5)	4,864	3,451	9,439	5,375
Lease-related depreciation (note 10)	12,569	12,569	25,138	25,138
Utilities	2,763	10,258	20,287	24,756
Bad debt expenses	-	-	3,437	-
Investor relations	-	503	-	31,813
Penalties and fees	965	-	965	-
Transfer agent and filing fees	26,899	19,262	48,868	25,676
Total general and administrative expense	$ 813,464	$ 625,480	$ 1,644,085	$ 1,340,759
Research and development contract labour expense	$ 198,363	$ 123,673	$ 474,332	$ 336,848
Consulting fees	88,275	-	168,540	-
Salaries and wages	85,708	47,231	158,208	67,231
Total research and development expenses	$ 372,346	$ 170,904	$ 801,080	$ 404,079

13. RELATED PARTY TRANSACTIONS

Key management compensation

During the six months ended June 30, 2021, remuneration of the Company’s key management personnel consisted of management fees of $346,000 (2020 - $300,667) and share-based payments of $75,318 (2020 - $24,756). Management fees are included in general and administrative expenses and sales and marketing expense.

(Expressed in United States dollars)

13. RELATED PARTY TRANSACTIONS (continued)

Other related party transactions

During the six months ended June 30, 2021 and 2020, other related party transactions consisted of the following:

		Six months ended June 30, 2021		Six months ended June 30, 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	$	194,683	$	187,787
Accounting and administrative fees paid to related entities, included in general and administrative expenses	$	1,425	$	27,304
Contract project development labour paid to a related entity, included in research and development expenses	$	185,000	$	15,000
Contract project development labour paid to a related entity, cost of sales	$	-	$	794,333
Interest expense for notes payable to related parties, excluding discount accretion	$	12,711	$	12,891

Related party balances

At June 30, 2021, $602,541 (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 June 30, 2021, $264,178 (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 June 30, 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 June 30, 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 $744,000 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 six months ended June 30, 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 June 30, 2021.

	Gross carrying amount	Weighted average loss rate	Loss allowance	Impaired
Current	$ 213,267	0.3%	$ (642)	No
31-60 days	17,268	1.6%	(276)	No
61-90 days	106,886	3.6%	(3,848	No
More than 90 days	62,048	10.60%	(6,577)	No
Total	$ 399,469		$ (11,343)	

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 June 30, 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 marker 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, thecarrying 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 June 30, 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) On July 9, 2021, the Company entered into an agreement with Retailigent Media, and Grupo Modelo to create a joint venture as a 33% participant ("Joint Venture"). As a participant, the Company will supply proprietary software for analytics, security and visual displays and will earn 33% of all profits. As of June 30, 2021, the Company had $473,742 in a loan receivable outstanding from Retailigent, the loan is expected to be paid back from the proceeds of the Joint Venture.

b) Subsequent to June 30, 2021, the Company issued 20,000 common shares related to the exercise of warrants for proceeds of $2,743 (CAD $3,400).

c) Subsequent to June 30, 2021, $193,616 (CAD$240,025) in principal of Debentures were converted into 400,041 common shares and 200,020 warrants.

d) On August 10, 2021, the Company issued 3,175,000 options to employees and consultants of the Company. Each options is exercisable into one share of the Company for $0.51 per share until August 10, 2026. The options vest as follows: 25% on November 10, 2021, 25% on February 10, 2022, 25% on May 10, 2022 and 25% on August 10, 2022.