VSBLTY Groupe Technologies Corp.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

(Expressed in United States dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of VSBLTY Groupe Technologies Corp.

Opinion

We have audited the consolidated financial statements of VSBLTY Groupe Technologies Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

DMCL

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

May 9, 2022

MOORE

An independent firm
associated with Moore
Global Network Limited

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

As at	Notes		December 31, 2021		December 31, 2020
ASSETS					
Current assets					
Cash		$	4,932,824	$	1,917,763
Trade and other receivables	5,19		1,315,934		134,981
Prepaid expenses	7		329,727		313,315
Inventory	8		177,216		-
			6,755,701		2,366,059
Equipment, net	6		70,101		32,146
Right-of-use assets	16		128,534		178,809
Investments	10		1,000,000		-
Prepaid expenses - noncurrent	7		10,916		10,916
Total assets		$	7,965,252	$	2,587,930
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current liabilities					
Accounts payable and accrued liabilities	12, 23	$	2,467,110	$	1,224,088
Deferred revenue			11,028		8,251
Current portion of lease liability	16		55,150		48,447
Convertible debentures	13		360,085		2,439,536
Loans payable	14		339,759		-
			3,233,132		3,720,322
Lease liability	16		100,149		155,299
Convertible debentures	13		-		1,062,193
Total liabilities			3,333,281		4,937,814
SHAREHOLDERS' EQUITY (DEFICIENCY)					
Share capital	17		33,347,460		15,703,032
Reserves	17		8,297,272		2,843,867
Obligation to issue shares	17		355,203		-
Obligation to issue warrants	17		19,127		19,127
Accumulated deficit			(36,942,932)		(20,705,606)
Accumulated other comprehensive income			(444,159)		(210,304)
Total shareholders' equity (deficiency)			4,631,971		(2,349,884)
Total liabilities and shareholders' equity (deficiency)		$	7,965,252	$	2,587,930

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Contingency	24
Subsequent events	26

APPROVED BY THE BOARD OF DIRECTORS:

"Jay Hutton" Director *"Thomas Hays"* Director

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

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

	Notes		Year ended December 31, 2021		2020
Revenue					
License fees	3, 20	$	94,796	$	152,798
Professional services	3, 20		258,473		32,000
Software license development	3, 20		-		375,000
Hardware and other	3, 20		1,246,753		47,606
			1,600,022		607,404
Cost of sales	3		(1,429,502)		(412,751)
Gross profit			170,520		194,653
Sales and marketing expenses	18, 19		(1,850,541)		(1,472,315)
General and administrative expenses	18, 19		(4,830,721)		(2,754,304)
Impairment of inventory	9		(843,998)		-
Research and development expenses	18, 19		(1,569,263)		(1,365,696)
Share-based payments	17(b)(c)(d)		(6,238,678)		(290,135)
Operating loss			(15,162,681)		(5,687,797)
Finance costs	13, 16		(438,410)		(987,882)
Loss on disposal of equipment	6		-		(28,609)
Government grant	15		-		203,509
Interest income			9,350		109
Impairment of loan receivable	9		(630,741)		-
Loss on joint venture	11		(25,725)		-
Foreign exchange gain/(loss)			10,881		(31,655)
Net loss for the year			(16,237,326)		(6,532,325)
Other Comprehensive loss (items that will not be reclassified to profit or loss)					
Exchange difference on translation between presentation and functional currencies			(233,855)		(159,073)
Comprehensive loss for the year		$	(16,471,181)	$	(6,691,398)
Loss per share – Basic and diluted		$	(0.09)	$	(0.08)
Weighted average shares outstanding – Basic and diluted			173,582,321		81,551,693

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

VSBLTY Groupe Technologies Corp.
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
(Expressed in United States dollars)

	Notes	Number of common shares	Share capital	Reserves	Obligation to issue warrants	Obligation to issue shares	Accumulated deficit	Accumulated other comprehensive income (loss)	Total shareholders' income (deficiency)
Balance, December 31, 2019		80,313,071	$ 9,948,497	$ 2,357,422	$ 19,127	$ -	$ (14,173,281)	$ (51,231)	$ (1,899,466)
Units issued for cash	17(a)	52,180,741	3,935,838	377,293	-	-	-	-	4,313,131
Convertible debt issuance	13	-	-	193,011	-	-	-	-	193,011
Convertible debt issuance costs	17(a)	107,000	17,198	(2,755)	-	-	-	-	15,369
Convertible debt conversion	13, 17(a)	2,432,375	210,432	24,422	-	-	-	-	489,639
Performance share issuance	17(e)	1,000,002	227,268	(227,268)	-	-	-	-	-
Exercise of warrants		7,147,179	1,042,203	(102,508)	-	-	-	-	939,695
Share-based payments	17(c)	-	-	290,135	-	-	-	-	290,135
Foreign currency translation		-	-	-	-	-	-	(159,073)	(159,073)
Loss for the year		-	-	-	-	-	(6,532,325)	-	(6,532,325)
Balance, December 31, 2020		143,180,368	$ 15,703,032	$ 2,843,867	$ 19,127	$ -	$ (20,705,606)	$ (210,304)	$ (2,349,884)
Shares issued for public offering	17(a)	18,400,000	6,428,752	347,443	-	-	-	-	6,776,195
Shares issued for private placement	17(a)	1,162,384	475,466	-	-	-	-	-	475,466
Shares issued for warrant exercises	17(b)	25,529,228	6,907,800	(619,536)	-	355,203	-	-	6,643,467
Shares issued for option exercises	17(c)	1,499,167	491,716	(241,024)	-	-	-	-	250,692
Convertible debt conversion	17(b)	8,766,101	3,340,694	(272,156)	-	-	-	-	3,068,538
Share-based payments	17(c)	-	-	6,238,678	-	-	-	-	6,238,678
Foreign currency translation		-	-	-	-	-	-	(233,855)	(233,855)
Loss for the year		-	-	-	-	-	(16,237,326)	-	(16,237,326)
Balance, December 31, 2021		198,537,248	$ 33,347,460	$ 8,297,272	$ 19,127	$ 355,203	$ (36,942,932)	$ (444,159)	$ 4,631,971

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

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

	Year ended December 31, 2021	2020
Cash flows from operating activities		
Loss for the year	$ (16,237,326)	$ (6,532,325)
Adjustments for non-cash items:		
Depreciation	76,233	63,433
Accretion expense	222,923	462,344
Share-based payments	6,238,678	290,135
Bad debt expense	235,472	12,675
Impairment of inventory	843,998	-
Impairment of loan receivable	630,741	-
Interest on late payment penalty	-	150,186
Foreign exchange gain	(80,269)	(28,040)
Loss on disposal of equipment	-	28,609
Forgiveness of loan payable	-	(203,509)
Changes in non-cash working capital items:		
Trade and other receivables	(1,416,425)	(103,465)
Inventory	(1,021,213)	-
Prepaid expenses and deposits	(16,412)	115,182
Accounts payable and accrued liabilities	1,243,020	510,136
Deferred revenue	2,777	4,426
Net cash used in operating activities	(9,277,802)	(5,230,213)
Cash flows from investing activities		
Acquisition of equipment	(63,913)	(14,460)
Purchase of investment	(1,000,000)	-
Loan issuance	(630,741)	-
Net cash used in investing activities	(1,694,654)	(14,460)
Cash flows from financing activities		
Principal portion of lease payments	(48,447)	(39,309)
Proceeds from issuance of convertible debt	-	1,389,667
Convertible debt transactions costs	-	(141,276)
Proceeds from exercise of options	250,692	-
Proceeds from exercise of warrants	6,643,467	939,695
Proceeds from equity financing, net of share issuance costs	7,251,661	4,210,715
Repayment of promissory notes	-	(200,000)
Proceeds from issuance of promissory notes	-	300,000
Repayment of loan payable	(109,856)	-
Proceeds from Emergency loan	-	203,509
Net cash provided by financing activities	13,987,517	6,663,001
Net increase in cash	3,015,061	1,418,328
Cash, beginning of year	1,917,763	499,435
Cash, end of year	$ 4,932,824	$ 1,917,763
Supplemental cash flow disclosures:		
Interest paid	$ 420,194	$ 22,673
Income taxes paid	$ -	$ -
Promissory notes and accrued interest settled for shares	$ -	$ 102,416
Convertible debt converted into shares	$ 2,961,922	$ 532,028
Issuance of performance shares	$ -	$ 227,268

The accompanying notes are an integral part of these Consolidated 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 as well as a provider of technology for security services. The Company’s shares trade on the Canadian Securities Exchange under the symbol “VSBY”, the OTCQB Venture Market under the symbol “VSGBF”, and the Frankfurt stock exchange under the symbol “5VS”.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at December 31, 2021, the Company had not yet achieved profitable operations and has an accumulated deficit of $36,942,932 since its inception. The continuing operations of the Company are dependent upon its ability to develop a viable business and to attain profitable operations and generate funds there from. This indicates the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs with capital market equity financings. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

The outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company’s business activities. The extent to which the coronavirus may impact the Company’s business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. During the year ended December 31, 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were authorized for issue by the Board of Directors on May 9, 2022.

2. BASIS OF PRESENTATION (continued)

b) Basis of measurement

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

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

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

c) Basis of consolidation

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

Subsidiaries	**Percentage ownership**		**Country of incorporation**
	December 31, 2021	**December 30, 2020**	
VSBLTY Inc.	100%	100%	United States
VSBLTY Mexico, S. DE R.L. DE C.V.[1]	100%	Nil	Mexico

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

[1] VSBLTY Mexico, S. DE R.L. DE C.V. was incorporated on August 10, 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Foreign currency transactions

Functional and presentation currency
The functional currency of the Company is determined based on the currency of the primary economic environment in which the Company operates. The functional currency of the Company, is the Canadian dollar. The functional currency of the Company's wholly owned subsidiaries and joint venture, Winkel Media, S.A.P.I. de C.V., is the United States dollar. The presentation currency of the Company is the United States dollar.

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

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

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

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

b) Accounts receivable

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Accounts receivable (continued)

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

c) Inventory

Inventory is comprised of finished goods of hardware kits related to the installation of software in stores and are measured at the lower of cost and net realizable value. The cost of inventories is determined using the first-in, first-out method. Cost includes acquisition costs net of discounts, and other costs incurred to bring inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

d) Equipment

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

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

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

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

e) Impairment of tangible assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Impairment of tangible assets

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

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

f) Valuation of equity units issued in private placements

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

g) Loss per share

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

h) Revenue recognition

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Revenue recognition (continued)

Contracts with multiple products or services

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

Nature of products and services

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

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

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

During the year ended December 31, 2020, the Company entered into software license development arrangements which are being recognized over time using the as-invoiced practical expedient based on achievement of development milestones. The Company did not enter into any software license development arrangements in 2021.

Professional services revenue for creative services provided to develop and execute brand messaging used in hardware units as well as installation and support for hardware units is recognized. Professional services may also include consulting services and installation services. Professional service revenue is recognized upon the completion of the service.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Revenue recognition (continued)

Hardware and equipment sales are accounted for as hardware revenue. Hardware revenue is recognized when control of the product has transferred under the terms of an enforceable contract and, where required, installation services have been completed.

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

When the period between the receipt of consideration and revenue recognition is greater than one year, the Company determines whether the financing component is significant to the contract. Where a contract is determined to have a significant financing component, the transaction price is adjusted to reflect the financing. The discount rate used in adjusting the promised amount of consideration is the rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception. This rate is not subsequently adjusted for any other changes over the contract term. The accretion of the interest income is recognized in the finance income line in the consolidated statements of loss and comprehensive loss.

i) Cost of Sales

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

j) Embedded derivatives

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Leases

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

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

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

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

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

k) Financial instruments

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Financial instruments (continued)

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Income taxes

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

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

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

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

m) Share-based payments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Research and Development Expenditure

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

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

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

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. As at December 31, 2021, the Corporation had not recognized any internally-generated intangible assets.

o) Investment in associates/joint ventures

Associates are entities over which the Company has significant influence, but not control. Significant influence is generally presumed to exist where the Company has between 20 percent and 50 percent of the voting rights, but can also arise where the Company holds less than 20 percent of the voting rights, but it has power to be actively involved and influential in policy decisions affecting the entity. The Company accounts for its investment in associates and joint ventures using the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's shares of profit or loss of the associate. The Company's share of income or loss of associates is recognized in the consolidated statement of loss prior to the date that it became an investment entity.

Dilution gains and losses arising from changes in interests in investments in associates where significant influence is retained are recognized in the consolidated statements of loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Investment in associates/joint ventures (continued)

At each reporting date, the Company determines whether there is any objective evidence that the investment in the associate is impaired or if previously recorded impairment should be reversed. If impairment is determined to exist, the amount of the impairment is recognized in the statement of income (loss). The amount of impairment is calculated as the difference between the recoverable amount of the investment in the associate and its carrying value.

If objective evidence of reversal exists, the reversal is recognized in net income in the period the reversal occurs, and is limited by the carrying value that would have been determined, from the application of equity accounting method, had no impairment charge been recognized in prior periods.

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

Judgments

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

Going concern

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

Functional currency

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

4. USE OF JUDGMENTS AND ESTIMATES (continued)

Contingencies

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

Significant Influence of Joint Venture

Management has assessed the level of influence that the Company has on its joint venture, Winkel Media, S.A.P.I. de C.V. ("Winkel") of which the Company owns 33.33%. This is because the Company has the power to participate in financial and operating policy decisions as well as the rights to 33% of the profits of Winkel. The Company has the right to appoint two out of the six members of the board of directors. Significant transactions of Winkel must be approved with at least one of member of the board from each of the three parties. Based on the above factors, management has assessed that the Company has significant influence, but not control of Winkel.

Significant Influence of Investment in Austin GIS.

Management has also assessed that the Company does not have significant influence on it's investment in Austin GIS. This is because the Company only has an approximate 10% holding of Austin GIS, does not have any interchange of managerial personnel, nor are there any material transactions between the Company and Austin GIS. Further, the Company only holds one out of a total seven seats on the board of directors.

Fair value of investments measured at FVTPL

The Company's investments are recorded in the Consolidated Statements of Financial Position at fair value. Management uses their judgment to select a variety of methods and make assumptions that are not always supported by quantifiable market prices or rates. Judgment is required in order to determine the appropriate valuation methodology under this standard and subsequently in determining the inputs into the valuation model used. These judgments include assessing the future earnings potential of investee companies, appropriate earnings multiples to apply, adjustments to comparable multiples, liquidity and net assets. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistently and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in making these estimates in these Financial Statements. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these Financial Statements and the differences may be material. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values of various assets and liabilities. The fair values of financial instruments with quoted bid and ask prices are based on the price within the bid-ask spread that are most representative of fair value and may include closing prices in exchange markets.

(Expressed in United States dollars)

4. USE OF JUDGMENTS AND ESTIMATES (continued)

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

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

Leases
Under IFRS 16, the Company assesses whether a contract contains a lease and, if so, recognizes a lease liability by discounting the future lease payments over the non-cancelable term of the lease, using the Company's estimated incremental borrowing rate. Differences in the estimated incremental borrowing rate could result in materially different lease liabilities and assets.

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

Discount rate on contracts with a significant financing component
Under IFRS 15, the Company assesses whether or not there is a significant financing component of revenue contracts and if so, take into consideration the effects of the time value of money. It was determined that there is a significant financing component to the Company's revenue transactions throughout the year with Winkel, the Company's joint venture, based on the timing of expected payments in the future. The Company must use a discount rate that would reflect the credit characteristics of Winkel as the party receiving financing under the contract. As the credit risk of the newly formed joint venture is difficult to identify, management assesses the credit risk of the its joint venture partner Grupo Modelo, a subsidiary of Anheuser-Busch InBev SA/NV. The Company has a one-time exercise right to demand payment from Grupo Modelo for payment of up to $1.6M (Note 11). As such, the credit risk of Grupo Modelo, and its immediate parent company, was assessed and estimated to be 5%.

5. TRADE AND OTHER RECEIVABLES

	December 31, 2021	December 31, 2020
Trade receivables	$ 309,302	$ 91,128
Trade receivable – Winkel (Note 11)	1,220,860	-
Sales tax receivable and other	33,920	56,528
Provision for doubtful accounts	(248,148)	(12,675)
	$ 1,315,934	$ 134,981

(Expressed in United States dollars)

5. TRADE AND OTHER RECEIVABLES (Continued)

During the year ended December 31, 2021, the Company recorded a provision for doubtful accounts of $235,472 (December 31, 2020 - $12,675).

6. 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	53,271	10,642	63,913
Balance, December 31, 2021	$ 77,888	$ 43,367	$ 121,255

	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	14,808	11,150	25,958
Balance, December 31, 2021	$ 21,277	$ 29,877	$ 51,154

	Computer equipment	Equipment	Total
Net book value			
Balance, December 31, 2020	$ 18,148	$ 13,998	$ 32,146
Balance, December 31, 2021	$ 56,611	$ 13,490	$ 70,101

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

7. PREPAID EXPENSES

	December 31, 2021	December 31, 2020
Current		
Prepaid services and subscriptions	$ 293,136	$ 274,776
Prepaid insurance and rent	36,591	38,539
Total Current	$ 329,727	$ 313,315
Non-Current		
Lease deposit	$ 10,916	$ 10,916
Total Non-Current	$ 10,916	$ 10,916

8. INVENTORY

Inventory consists of installation hardware components that have not yet been installed into stores for Winkel and includes computers hardware, cameras and monitors. As at December 31, 2021, the Company had $1,021,213 (2020 - $Nil) in inventory.

As at December 31, 2021, the Company determined that the value of inventory may only be realized through sale up to the total amount of accounts receivable guaranteed through the joint venture (note 11). Therefore, the Company recorded an impairment on inventory of $843,998.

9. 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.

During the period from January 27, 2021 to December 31, 2021, the Company loaned $341,866 in additional funds under the same terms above. On July 9, 2021, the Company formed the joint venture, Winkel and the balance of the loan receivable will be repaid from the joint venture (Note 11).

The loan has been recorded at amortized cost using an effective interest rate of 5% which causes the carrying amount to be lower than the principal with a difference of $42,342 recognized as a financing expense. The Company recorded accretion income of $31,217.

As at December 31, 2021, the Company determined that the balance of the loan of $630,741 may not be collectible and impaired the value of the loan to $Nil.

10. INVESTMENT IN AUSTIN GIS

On August 30, 2021, the Company acquired 12.33% or 1,000,000 Preferred shares of Austin GIS Inc. (“Austin”), a privately held American corporation, at $1.00 per share through a series A funding. The Class A Preferred Shares may be converted at anytime into common shares of Austin at the option of the holder at a conversion price pursuant to the subscription agreement. Each Class A Preferred Share will automatically be converted into common shares:

(i) immediately prior to the closing of an initial public offering, provided that the offering price per share is not less than $3.00 and the aggregate gross proceeds are not less than $20,000,000;

(ii) immediately prior to the closing of a business combination, merger, consolidation or share exchange transaction with the special purpose acquisition company in which the common shares of the surviving entity is listed on the New York Stock Exchange, Nasdaq, or another exchange approved by the Board of Directors. The Company must also not be valued at a price per share less than $3.00 and the aggregate gross proceeds to the Company are not less than $20,000,000;

10. INVESTMENT IN AUSTIN GIS (Continued)

(iii) any other public company transaction similar to point (ii); and
(iv) upon receipt by the Company of a written request for such conversion from the holders of a majority of the Preferred Shares outstanding;

Management has determined that the Company does not have significant influence over the investment in Austin GIS, and the investment has been accounted for as a financial instrument.

The investment in Austin GIS represents an investment in a private company for which there is no active market and for which there are no publicly available quoted market prices. As such, the Company has classified its investment in Austin GIS as Level 2 in the fair value hierarchy.

In respect of the investment in Austin GIS, management considered the fair value of $1,000,000 to be indicative of the fair value of the investment in Austin GIS as there have been no changes in the circumstances that would change management's assessment of fair value. The fair value of the investment is consistent with the implied value based on the price of the most recent equity transaction.

11. INVESTMENT IN JOINT VENTURE

Investment in Winkel

On July 9, 2021, the Company entered into an agreement with Retailigent Media, and Grupo Modelo (a subsidiary of Anheuser-Busch InBev SA/NV) to create a joint venture as a 33.33% participant of Winkel. As a participant, the Company earns revenue through sales of proprietary software for analytics, security and visual displays to Winkel. The Company will earn 33.33% of all profits in exchange for a start-up contribution of $25,725 and the provision of a bridge loan of up to $1,600,000 to fund operations. As of December 31, 2021, the Company had provided $874,291 of the bridge loan, the balance of which is expected to be paid back from the proceeds of advertising sales from Winkel.

As at December 31, 2021, the Company has a 33.33% equity interest in Winkel. Management has determined that the Company has significant influence over the joint venture and accordingly is using the equity method to account for this investment.

Transactions with Winkel

During the year ended December 31, 2021, the Company earned revenue on the provision of hardware and software to Winkel for total proceeds of $1,283,830. The Company has a one-time right to demand payment for up to $1,600,000 in accounts receivable due from Winkel, from its joint venture partner, Grupo Modelo in exchange for ownership of equipment held by Winkel.

(Expressed in United States dollars)

11. INVESTMENT IN JOINT VENTURE (continued)

It has been agreed between the parties that receipt of payment for the services and goods provided totalling $1,283,830 will be received beginning September of 2022. Due to the length of time between provision of goods and services, the Company has assessed that the revenue contracts have a significant financing component. As such, the Company recognizes interest income at each reporting period and will accrete the accounts receivable balance to recognize the significant financing component. The interest rate of 5.0% is determined based on the estimated discount rate of Group Modelo.

Carrying value of accounts receivable due from Winkel, December 31, 2020	$	-
Revenue earned on contracts with Winkel		1,283,830
Financing component		(72,514)
Interest income		9,345
Elimination of 33.33% interest in profit		(31,789)
Carrying value of accounts receivable due from Winkel, December 31, 2021	$	1,188,872

Summarized statement of financial position of Winkel as at December 31, 2021

Current		
Cash	$	119,768
Other assets		51,450
		171,218
Non-Current		
Equipment		1,532,832
Total Assets	$	1,704,050
Current		
Accounts payable and accrued liabilities	$	1,545,351
Deferred revenue		5,453
		1,550,804
Non-Current		
Bridge Loan		642,772
Total Liabilities		2,193,576
Equity		(489,525)
Total Liabilities and Equity	$	1,704,050

Summarized statement of loss of Winkel for the year ended December 31, 2021

Depreciation	$	124,095
General and administrative expenses		444,040
Net loss for the period	$	(566,700)
Company’s 33.33% share of net loss	$	(188,881)

11. INVESTMENT IN JOINT VENTURE (continued)

Reconciliation with the carrying amount of the investment

Carrying value of investment at December 31, 2020	$	-
Contribution		25,725
Recognized share of loss for the period		(25,725)
Carrying value of investment at December 31, 2021	$	-

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2021		December 31, 2020	
Accounts payable	$	1,787,281	$	814,877
Accrued liabilities		595,741		187,894
Accrued interest (Notes 13,14)		84,088		221,317
	$	2,467,110	$	1,224,088

13. CONVERTIBLE DEBENTURES

During the year ended December 31, 2020, the Company closed the following private placement offerings of convertible debentures (collectively, the "2020 Debentures"):

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

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

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

(Expressed in United States dollars)

13. CONVERTIBLE DEBENTURES (continued)

In connection with the issuance of the debentures the Company:

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

Transaction costs were allocated between the debt and equity components of the debentures on a relative fair value basis.
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		31,231		191,413		222,624
Foreign exchange loss		12,694		35,767		48,461
Converted to common shares		(745,980)		(2,320,712)		(3,066,692)
Matured		-		(346,059)		(346,059)
Balance, December 31, 2021	**$**	**360,085**	**$**	**-**	**$**	**360,085**

During the year ended December 31, 2021, the Company recorded $222,923 (2020: $462,344) in accretion expense and $186,161 (2020: $388,509) in interest expense included in finance costs. As at December 31, 2021, there was accrued interest of $18,372 (2020: $221,317) included in accounts payable and accrued liabilities.

During the year ended December 31, 2021, $885,171 (CAD$1,107,540) of 2020 Debentures were converted into 3,715,831 common shares and 3,715,831 warrants. Using the residual method, the fair value of the warrants was determined to be $Nil. Upon conversion, the carrying value of debt which of $772,832 and equity conversion feature of $106,051 were transferred to share capital and warrant reserves.

During the year ended December 31, 2021, $2,409,563 (CAD$3,014,883) of 2019 Debentures were converted in 5,050,270 common shares and 2,525,135 warrants of the Company. Using the residual method, the fair value of the warrants was determined to be $104,063. Upon conversion, the carrying value of debt which is $2,295,705 and equity conversion feature of $294,827 were transferred to share capital and warrant reserves.

(Expressed in United States dollars)

13. CONVERTIBLE DEBENTURES (continued)

During the year ended December 31, 2021, a principal amount of $346,058 (CAD$439,500) and accrued interest of $103,556 (CAD$439,500) relating to the 2019 Debentures matured unconverted.

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

2022	$	360,085
	$	**360,085**

14. LOANS PAYABLE

Balance, December 31, 2020	$	-
Additions		346,058
Repayments		(6,299)
At December 31, 2021	$	339,759

During the year ended December 31, 2021, $346,058 (CAD $439,500) in convertible debt matured unconverted, as the amounts are past due they are considered to be in default and the Company is obligated to continue accruing interest based on the original terms on the agreement. Amounts are unsecured, bear interest at 10%, and are due on demand.

15. NOTES PAYABLE

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

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

(Expressed in United States dollars)

16. 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.

		Total
Cost		
Balance, December 31, 2019, 2020 and 2021	$	254,858

		Total
Accumulated depreciation		
Balance, December 31, 2019	$	25,773
Additions		50,276
Balance, December 31, 2020		76,049
Additions		50,275
Balance, December 31, 2021	$	126,324

		Total
Net book value		
Balance, December 31, 2020	$	178,809
Balance, December 31, 2021	$	128,534

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

Lease liability		December 31, 2021		December 31, 2020
Current portion	$	55,150	$	48,447
Long-term portion		100,149		155,299
Total lease liability	$	155,299	$	203,746

The Company is committed to minimum lease payments as follows:

Maturity analysis		December 31, 2021		December 31, 2020
Less than one year	$	68,203	$	66,647
One to five years		108,928		177,131
Total undiscounted lease liabilities	$	177,131	$	243,778

Amounts recognized in profit or loss		December 31, 2021		December 31, 2020
Interest on lease liabilities	$	18,200	$	22,673

Amounts recognized in the statement of cash flows		December 31, 2021		December 31, 2020
Interest paid	$	18,200	$	22,673
Principal payments on lease liabilities		48,447		39,309
Total cash outflows for leases	$	66,647	$	61,982

17. 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 year ended December 31, 2021, the Company issued an aggregate of:

- 18,400,000 units for gross proceeds of $7,436,250 (CAD$9,200,000) 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 $582,549 (CAD$720,720) 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 CAD$0.50 for a period of 60 months from the closing date. Using the residual method the warrants were determined to have a fair value of $Nil;
- For the year ended December 31, 2021, the Company incurred $77,505 (CAD$96,670) in legal costs recognized as share issuance costs;
- 1,162,384 units at for gross proceeds of $475,466 (CAD$588,239) 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 CAD$0.65 for a period of 60 months from the closing date. Using the residual method the warrants were determined to have a fair value of $Nil;
- 8,766,101 common shares on conversion of the Company's Debentures (see note 13);
- 25,529,228 common shares for the exercise of warrants for proceeds of $6,643,467 (CAD $8,658,610), as a result $619,536 (CAD$776,047) has been reclassified from reserves; and
- 1,499,167 common shares for the exercise of options for proceeds of $250,692 (CAD$618,821), as a result $241,024 (CAD$302,946) has been reclassified from reserves.

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

- 42,619,345 units in a short-term prospectus filing for gross proceeds of $3,896,776 (CAD$5,114,321). Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at CAD$0.17 per share for a period of 24 months. The warrants were allocated a fair value of $183,247 (CAD$240,892) using the residual method. In connection with the issuance the Company:
    - Issued 2,983,354 broker warrants, valued at $157,544 (CAD$206,747) based on their grant date fair value determined using Black-Scholes Option Pricing Model with the following weighted average assumptions: expected dividend yield - 0%, expected volatility - 100%, risk-free interest rate – 0.32% and an expected life - 3 years. Each broker warrant issued entitles the holder to purchase one share at a price of CAD$0.12 per share for a period of 24 months from the closing date; and
    - Incurred $454,473 (CAD$596,447) in directly attributable cash transaction costs for consulting fees, agent commissions, legal fees and out-of-pocket expenses.

17. SHAREHOLDERS' EQUITY (continued)

a) Share capital (continued)

- 9,561,396 units in a non-brokered private placement for gross proceeds of $876,059 (CAD$1,147,368). Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at CAD$0.17 per share for a period of 24 months. The warrants were allocated a fair value of $36,502 (CAD$47,897) using the residual method. In connection with the issuance the Company incurred $5,231 (CAD$6,851) in legal fees and out-of-pocket expenses;
- 2,432,375 common shares on conversion of the Company's Debentures (see note 12);
- 7,147,179 common shares for the exercise of warrants for proceeds of $938,695 (CAD$1,204,546), as a result $131,516 has been reclassed from reserves;
- 107,000 common shares granted to brokers as transaction costs for the Company's debentures at fair value of $17,198 (see note 12); and
- 1,000,002 common shares upon the completion of certain bonus related to the issuance of performance shares.

b) Warrants

On July 9, 2021, the Company formed a joint venture, Winkel (Note 11). In connection with the agreement, the Company issued 15,500,000 warrants to Grupo Modelo. 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 (vested, Note 11);
- 15% vest upon the execution of a definitive agreement for the formation of a joint venture (vested, Note 11);
- 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 December 31, 2021, management expects that all of the above vesting conditions will vest and estimated when certain conditions will be met. These warrants had a total fair value of $8,845,763, or $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, $4,723,712 (CAD$5,921,621) has been recorded to share-based payments expense during the year ended December 31, 2021.

During the year ended December 31, 2021, the Company received $355,203 (CAD$452,075) relating to the exercise of 1,272,550 warrants with exercise prices ranging from $0.13 - $0.51 (CAD$0.17 – CAD$0.65). As at December 31, 2021, shares relating to the exercise had not been issued.

(Expressed in United States dollars)

17. SHAREHOLDERS' EQUITY (continued)

b) Warrants (continued)

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	8,405,430	$ 0.43	$ 0.33
Granted	57,169,777	0.18	0.14
Exercised	(7,147,179)	0.16	0.13
Expired	(6,407,088)	0.40	0.31
Outstanding, December 31, 2020	52,020,940	0.20	0.15
Granted	32,791,673	0.72	0.57
Exercised	(25,529,228)	0.31	0.24
Expired	(1,384,336)	0.59	0.47
Outstanding, December 31, 2021	**57,889,049**	**$ 0.44**	**$ 0.34**

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

Number of warrants outstanding	Exercise price ($CAD)	Exercise price ($USD)	Expiry date	Number of warrants exercisable
1,283,870	0.60	0.47	February 26, 2022	1,283,870
30,000	0.30	0.24	April 9, 2022	30,000
226,664	0.60	0.47	April 9, 2022	226,664
838,258	0.12	0.09	August 28, 2023	838,258
25,308,320	0.17	0.13	August 28, 2023	25,308,320
5,559,045	0.17	0.13	September 22, 2023	5,559,045
8,964,892	0.65	0.51	June 29, 2024	8,964,892
188,000	0.50	0.39	June 29, 2024	188,000
15,500,000	0.84	0.66	March 18, 2026	4,650,000
57,889,049	**$ 0.44**	**0.34**		**47,049,049**

As at December 31, 2021, the weighted average remaining contractual life of outstanding warrants is 2.44 years.

(Expressed in United States dollars)

17. 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	4,350,000		0.60		0.47
Exercised*	(1,499,167)		0.22		0.18
Expired	(50,000)		0.30		0.24
Forfeited	(450,000)		0.30		0.24
Outstanding, December 31, 2021	**11,530,833**	**$**	**0.38**	**$**	**0.30**
Exercisable, December 31, 2021	**10,553,750**	**$**	**0.34**	**$**	**0.27**

*On October 21, 2021, the Company issued 125,000 shares for the exercise of 125,000 options. These options were exercised in error and the value associated with the shares was recorded as $nil. Subsequent to year-end, the issued shares were returned to Treasury.

(Expressed in United States dollars)

17. SHAREHOLDERS' EQUITY (continued)

c) Options (continued)

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

Number of options outstanding		Exercise price ($CAD)		Exercise price ($USD)	Expiry date	Number of options exercisable
3,910,000	$	0.30	$	0.24	February 15, 2023	3,910,000
75,000		0.41		0.32	August 8, 2022	75,000
50,000		0.30		0.24	December 15, 2024	50,000
250,000		0.30		0.24	January 12, 2025	250,000
2,475,000		0.17		0.13	October 6, 2025	2,475,000
150,000		0.17		0.13	October 9, 2025	150,000
300,000		0.25		0.20	November 24, 2025	300,000
150,000		0.73		0.57	March 8, 2026	112,500
3,162,500		0.51		0.40	August 10, 2026	2,656,250
183,333		0.60		0.47	August 20, 2026	50,000
250,000		0.57		0.45	August 23, 2026	250,000
275,000		0.75		0.59	September 20, 2026	275,000
30,000		0.97		0.76	October 1, 2026	-
120,000		1.62		1.28	November 18, 2026	-
150,000		1.25		0.98	December 15, 2026	-
11,530,833	**$**	**0.35**	**$**	**0.26**		**10,553,750**

As at December 31, 2021, the weighted average remaining contractual life of outstanding options is 3.16 years.

During the year ended December 31, 2021, the Company granted 4,350,000 options to employees, officers, directors and consultants of the Company with a fair value of $1,550,680 (CAD$1,943,924). Share-based payments relating to options vesting during the year using the Black- Scholes option pricing model was $1,446,204 (CAD$1,833,264).

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

Assumptions	December 31, 2021	December 31, 2020
Risk-free interest rate	0.74 – 1.26%	0.31 – 1.62%
Expected volatility	100%	100%
Dividend yield	0%	0%
Expected life	5.00 years	5.00 years

(Expressed in United States dollars)

17. SHAREHOLDERS' EQUITY (continued)

d) Restricted Share Units ("RSU")

During the year ended December 31, 2021, the Company granted 383,500 RSUs to officers and employees of the Company with a fair value of $261,508. Share-based payments relating to RSUs vesting during the year using the Black- Scholes option pricing model was $68,762. The RSUs vest as follows:

- 133,500 RSUs, vesting 50% on each of December 31, 2021 and December 31, 2022;
- 100,000 RSUs, vesting 33% on each of August 23, 2022 and August 23, 2023, and 34% on August 23, 2024; and
- 150,000 RSUs, vesting 33% on each of December 15, 2022 and December 15, 2023, and 34% on December 15, 2024.

As at December 31, 2021, 66,750 RSUs had vested and 316,750 were unvested. The fair value of RSUs granted during the year ended December 31, 2021 was estimated using the fair value of the shares on the grant date.

18. EXPENSES BY NATURE

		Year ended December 31, 2021		Year ended December 31, 2020
Marketing expenses (Note 19)	$	1,562,881	$	1,070,506
Meals and entertainment		13,411		17,843
Tradeshow expenses		59,666		44,091
Salaries and wages		214,583		339,875
Total sales and marketing expense	$	1,850,541	$	1,472,315
General and administrative expenses (Note 19)	$	738,889	$	403,315
Professional fees		403,715		273,004
Consulting fees (Note 19)		1,105,142		836,281
Management fees (Note 19)		1,169,384		561,621
Rent		12,692		10,113
Salaries and wages		830,881		372,816
Travel		101,192		58,249
Depreciation (note 6)		25,958		13,157
Lease-related depreciation (note 16)		50,275		50,276
Utilities		43,511		42,174
Bad debt expenses		235,472		12,675
Investor relations		-		58,485
Penalties and fees		960		-
Transfer agent and filing fees		112,650		62,138
Total general and administrative expense	$	4,830,721	$	2,754,304
Contract labour expense (Note 19)	$	867,105	$	1,149,134
Consulting fees (Note 19)		317,666		-
Salaries and wages		384,492		216,562
Total research and development expenses	$	1,569,263	$	1,365,696

(Expressed in United States dollars)

19. RELATED PARTY TRANSACTIONS

Key management compensation

During the year ended December 31, 2021, remuneration of the Company's key management personnel consisted of management fees of $1,178,102 (2020 - $630,667), director fees of $6,618 (2020 -$nil) and share-based payments of $1,044,158 (2020 - $102,290). Management fees are included in general and administrative expenses and sales and marketing expense and director fees are included in general and administrative expenses.

Other related party transactions

During the year ended December 31, 2021 and 2020, other related party transactions consisted of the following:

		December 31, 2021		December 31, 2020
Revenue earned on the sale of hardware to Winkel, included in hardware revenue	$	1,083,677	$	-
Revenue earned on the provision of installation services to Winkel, included in professional services revenue	$	104,872	$	-
Revenue earned on the sale of software to Winkel, included in license fee revenue	$	22,767	$	-
Creative services paid to a related entity controlled by an officer, included in cost of sales	$	-	$	7,290
Marketing expenses paid to a related entity, included in sales and marketing expenses	$	439,335	$	318,797
Director fees, included in general and administrative expenses	$	6,618	$	-
Accounting and administrative fees paid to related entities, included in general and administrative expenses	$	1,338	$	54,810
Contract project development labour paid to a related entity, included in research and development expenses	$	185,000	$	561,666
Contract project development labour paid to a related entity, cost of sales	$	-	$	340,623
Interest expense for notes payable to related parties, excluding discount accretion	$	13,281	$	26,376

Related party balances

At December 31, 2021, $912,810 (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 December 31, 2021, $1,220,860 (December 31, 2020 - $Nil) was due from Winkel and is included in trade and other receivables. The amount is interest bearing at 5.0% per annum and repayment is due on September 1, 2022.

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

(Expressed in United States dollars)

20. OPERATING SEGMENTS

The Company operates in one reportable segment being the development and sale of software as a service, including any required hardware to operate the software.

Geographic information related to the Company's assets and location of its customers is as follows:

	December 31, 2021				December 31, 2020			
	United States	Mexico	Other	Total	United States	Mexico	Other	Total
Revenue	$302,223	$719,471	$578,328	$1,600,022	$ 506,949	$93,250	$ 7,205	$607,404
Inventory	$ -	$151,904	$ 25,312	$ 177,216	$ -	$ -	$ -	$ -
Property and equipment	$ 70,101	$ -	$ -	$ 70,101	$ 32,146	$ -	$ -	$ 32,146
Lease asset	$128,534	$ -	$ -	$ 128,534	$ 178,809	$ -	$ -	$178,809

During the year ended December 31, 2021, the Company had one major customer, its joint venture Winkel, that represented 75% (2020 – $Nil) of the total revenue earned in the year. As at December 31, 2021, there was a balance of $1,220,860 (2020 - $Nil) due from Winkel included in accounts receivable.

21. 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. There have been no changes to how the Company manages its capital.

22. FINANCIAL RISK MANAGEMENT

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

Foreign exchange risk
Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Foreign exchange risks are closely monitored, and attempts are made to match foreign cash inflows and outflows. As at December 31, 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 December 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 $431,000 in the Company's 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. For trade receivables, the Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of sales over a period of 12 months before December 31, 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect the current forward-looking information on economic factors affecting the ability of customers to settle receivables. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, business failure, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments over the negotiated contract period.

The Company's aging of trade receivables was as follows:

	December 31, 2021	December 31, 2020
Current	$ 1,274,469	$ 56,528
31- 60 days	-	4,906
61 - 90 days	-	-
91+ days	41,465	69,184
Total	$ 1,315,934	$ 134,981

22. FINANCIAL RISK MANAGEMENT (Continued)

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 December 31, 2021, the Company is not exposed to 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 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.

23. 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, loans receivable, accounts payable, lease liabilities, convertible debentures, and loans payable. The carrying value of the Company's financial instruments approximate their fair values due to their short-term maturities. The fair value of convertible debentures approximate their carrying value, excluding discounts, due to minimal changes in interest rates and the Company's credit risk since issuance of the instruments.

24. CONTINGENCY

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

During the year ended December 31, 2020, a demand letter was received by the Company from Interknowlogy, LLC ("Interknowlogy"), a related company, pertaining to outstanding payment and corresponding late charges. The Company had contested the work performed by Interknowlogy and is in the midst of negotiating with Interknowlogy on the payable. As at December 31, 2021, included in accounts payable is a liability of $587,759 (including $77,760 late payment interest charges), based on the statement of work.

(Expressed in United States dollars)

25. INCOME TAXES

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

		December 31, 2021		December 31, 2020
Net loss before taxes	$	(16,237,326)	$	(6,532,325)
Statutory tax rate		29.7%		29.7%
Expected income tax recovery	$	(4,384,000)	$	(1,764,000)
Non-deductible items		1,695,000		80,000
Change in foreign tax and foreign exchange rates		(109,000)		395,000
Share issue cost		(21,000)		(120,000)
Adjustment to prior years provision versus statutory tax returns		(734,000)		61,000
Change in deferred tax assets not recognized		3,553,000		1,348,000
Total income tax expense (recovery)	$	-	$	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. Deferred tax assets (liabilities) as at December 31, 2021 and 2020 are as follows:

		December 31, 2021		December 31, 2020
Convertible debentures and notes payable	$	(100,000)	$	(158,000)
Share and debt issue costs		170,000		222,000
Leases		(3,000)		-
Tax loss carryforwards		4,832,000		2,618,000
		4,899,000		2,682,000
Unrecognized deferred tax asset		(4,899,000)		(2,682,000)
Net deferred tax asset	$	-	$	-

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

		December 31, 2021		December 31, 2020
Share issue costs	$	629,000	$	822,000
Debt		(369,000)		(587,000)
Leases		(14,000)		2,000
Tax loss carryforwards		21,589,000		11,776,000
Unrecognized deductible temporary differences	$	21,835,000	$	12,013,000

As at December 31, 2021, the Company had net operating tax loss carry forwards in the United States of $14,710,000 which can be applied to reduce future United States taxable income and will expire between 2022 and 2033. In addition, the Company had non-capital tax loss carry forwards in Canada of $6,879,000 which can be applied to reduce future Canadian Taxable income and will expire between 2026 and 2037.

26. SUBSEQUENT EVENTS

a) Subsequent to December 31, 2021, the Company entered into an office lease agreement with a term of three years and two months, commencing on February 1, 2022.

b) Subsequent to December 31, 2021, the Company issued 6,518,968 common shares related to the exercise of warrants for proceeds of $1,230,583 (CAD $1,600,944).

c) Subsequent to December 31, 2021, 457,466 warrants expired unexercised.

d) Subsequent to December 31, 2021, the Company issued 970,000 common shares related to the exercise of options for proceeds of $190,748 (CAD $242,520).

e) Subsequent to December 31, 2021, the Company issued 41,750 common shares related to the vesting of RSUs.

f) Subsequent to December 31, 2021, the Company issued 144,534 common shares as consideration for services provided, pursuant to an agreement entered into on January 15, 2021.

g) Subsequent to December 31, 2021, 125,000 shares were returned to Treasury to resolve 125,000 options exercised in error. See Note 16(c).

h) On January 26, 2022, the Company granted 3,765,000 stock options. The options are exercisable at $0.81 per share until January 27, 2027.