

## **Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2021**

### **Background**

This management discussion and analysis (“**MD&A**”) of the financial position of VSBLTY Groupe Technologies Corp. (“**VSBLTY**”, the “**Company**” and “**us**,” “**our**” or “**we**”) and results of its operations for the year ended December 31, 2021 is prepared as at May 9, 2022. This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2021 and 2020 and the related notes thereto. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”). All currency amounts are expressed in United States dollars, unless otherwise noted.

### **Forward-Looking Information**

This discussion contains “forward-looking statements” that involve risks and uncertainties including statements under the heading “Developments during the year ended December 31, 2021” relating to timing of revenue and expectations relating to increased bookings. Such information, although considered to be reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. This MD&A may contain forward-looking statements that reflect the Company’s current expectations and projections about its future results. When used in this MD&A, words such as “estimate”, “intend”, “expect”, “anticipate” and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company’s future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company’s actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Such statements reflect our management’s current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and known or unknown risks and contingencies. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Please see the risk factors discussed under the heading “Risk Factors” in the Company’s annual information form and other public filings made by the Company with Canadian securities regulatory authorities, which are available under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

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

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

### **Non-IFRS Measures**

In this MD&A and elsewhere in the Company’s public disclosure, the Company makes reference to “bookings”, which is a non-IFRS financial measure. The Company believes that this non-IFRS financial measure is a useful performance indicator for investors with regard to operating and financial performance of the Company. Bookings is not a generally accepted financial measure under IFRS and does not have a standardized meaning prescribed by IFRS. Investors are cautioned that bookings, and any other non-IFRS financial measures, should not be considered as an alternative to revenue, earnings or cash flow, as determined in accordance with IFRS. As there is no standardized method of calculating bookings, our method of calculating bookings may differ from the methods used by other entities and, accordingly, our use of bookings may not be directly comparable to similarly titled measures used by other entities. Accordingly, this Non-IFR financial measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

### **Company Overview**

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

### **Overall Performance**

As a participant in retail solutions, the Company assists retailers in defining a digital growth and marketing strategy. While the Company brings specific solutions that help retailers take advantage of digital trends in retail often the team is called upon to provide comprehensive expertise and consulting to educate its customers on how to take advantage of the Company’s solutions. This can position the Company as a trusted resource, but also slows the selling process and lengthens the selling cycle. Over time, management of the

Company believes that the pace of deployment will increase, and sales cycles will shorten as retailers develop an understanding of the technology. However, this creates uncertainty for the management of the business and with respect to accurate projections and forecasting. The Company's goal is to establish a brand that is trusted by retailers and brands alike to guide them through the digital revolution in retail. The Company will focus its resources on leveraging this trust to generate revenue and continue to build its brand.

The digital-out-of-home (“**DOOH**”) market refers to digital advertising that is targeted to consumers outside their homes. Management of the Company believes that as advertisers continue to look for alternative markets, they will continue to seek media and channels that can deliver the same kind of measurability that the Internet can offer. DOOH is expected to grow to the extent that it can provide this measurability to major brands. Brands will pay for impressions delivered that have attribution, accountability and addressability. To date, DOOH has not been able to deliver this to the same extent as the Internet. The Company provides a platform and capability that is intended to deliver this measurability. In the security category, the Company has a similar issue. Most camera and sensor systems have a human dependency. The guiding philosophy of machine vision with machine learning is that computers and software can be leveraged to interpret live video. Dissecting, understanding and contextualizing live video is an important capability of the Company. One of the goals of the Company, and others pioneering the category, is to augment human operators interpreting video and flagging security operators to anomalous or extraordinary activity.

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

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

### **Channel Orientation**

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

Starting in 2019 and continuing into 2020 and 2021, the Company engaged several such channel partners on a SaaS basis. The Company's principal active channel partners are described in the following table:

Channel Partner	Description of Partnership
Sensormatic	<p>On August 15, 2019, the Company entered into an exclusive global reseller agreement with Sensormatic Solutions, the lead global retail solutions portfolio of Johnson Controls, Inc. The nature of the contract with JCI is a strategic global reseller and original equipment manufacturer relationship for all of the software products developed by VSBLTY. Subsequent to the signing of the contract in September, both organizations have been investing resources to train both technical and salespeople with product, installation and support knowledge. Sensormatic Solutions has approximately 185,000 retail customers worldwide. From this list of customers, VSBLTY and Sensormatic Solutions have developed a specific (targeted) list of customers that, in the opinion of management, are likely to purchase VSBLTY’s products. VSBLTY’s revenue projections associated with the Sensormatic Solutions agreement are based upon management’s expectations with respect to the Company’s ability to generate sales from Sensormatic Solutions’ existing customer-base, as well as management’s related deployment estimates.</p> <p>The Company previously estimated that the agreement would generate approximately US\$2M-US\$4M in SaaS revenue over a 2-year period.<sup>(1)(3)</sup> In the Spring of 2020, Sensormatic furloughed a large percentage of its workforce for a period of several months. This caused considerable delays in the launch plans surrounding Sensormatic IQ; the new marketing and product initiative that incorporates VSBLTY product. The product was launched on May 18, 2021. As a result of such delays, the estimated timeline for the Company’s revenue projections has been correspondingly pushed back by approximately 24 months. As at December 31, 2021, the agreement had not generated revenue.</p> <p>Since the second quarter of 2021, VSBLTY and Sensormatic have been developing a new shopper analytics product intended to create a new category of demographic analytics solutions for retail locations. Given Sensormatic’s leading position in the shopper analytics industry, management of VSBLTY believes this new product will generate additional momentum for the partnership. The product is expected to be introduced in the first half of 2022.</p>
Energetika <sup>(2)</sup>	<p>In September 2019, the Company and Energetika Sostenible y Ecologica SA de CV (“<b>Energetika</b>”) entered into a definitive contract, pursuant to which the Company agreed to provide DataCaptor (video analytics, crowd measurement) and VECTOR (Facial Recognition and weapons detection) to Energetika to provide real time crowd analytics and audience measurement for Latin American communities. For several months the Company had been working with Mexico City based Energetika to design, test, and pilot an integrated “security kit” for residential, neighborhood and law enforcement applications in the various communities around and within Mexico City. The testing involved the development of a proprietary and patent-able innovation meant to address the unique architectural demands of a scaled security camera network. The contract, which expires August 30, 2022, is renewable for successive terms. VSBLTY’s revenue projections associated with the Energetika agreement are based upon certain contracts already entered into by Energetika and additional contracts that are projected to be entered into within the term of the agreement. For the purposes of the Company’s projections, the average price per camera is expected to be \$9/USD per month, but will range between \$4 - \$14 depending upon the nature and type of algorithms deployed. Competitive forces and scale may impact the Company’s per-camera projected price, but management expects that additional features will be added to VSBLTY’s suite of products (for example, license plate recognition) that are expected to generate additional SaaS revenue per month per camera. While there is still a degree of uncertainty with respect to the pace of deployment and any additional contracts that must be executed for new orders or customers, the Company’s revenue projections are based upon the known number of deployments supported by existing end-user contracts.</p> <p>The Company previously estimated that the agreement would generate approximately US\$10M in SaaS revenue over a three-year period.<sup>(2)(3)</sup> There have been a number of deployment delays caused by, among other things, an extensive testing period to help define the locations and circumstances under which the deployment could run successfully and on which cameras. In addition, there was</p>

Channel Partner	Description of Partnership
	<p>a delay in building residential and public infrastructure caused by physical access restrictions during three successive Covid related lock down periods in Mexico City. The company sees no reason to adjust the expected revenue number but has suffered deployment delays. As a result of such delays, the estimated timeline for the Company's revenue projections has been correspondingly pushed back by approximately 24 months. As at December 31, 2021, the agreement had generated approximately US\$99,000 in revenue. While the number of cameras deployed in Mexico City currently exceeds 10,000, only a small fraction have been enabled with Artificial Intelligence logic from VSBLTY. This is mostly due to the additional capital expenditure required to add processing capability for large scale AI across the municipalities. This work is now underway to add processing logic to support an increasing number of cameras.</p>
UST Global	<p>On April 23, 2020, the Company entered into a global, multi-product strategic teaming agreement with UST Global Inc. ("<b>UST Global</b>"), pursuant to which the parties will collaborate to bring advanced digital display software solutions to retail clients. UST Global is an integrator with approximately 25,000 employees worldwide. In addition, UST Global has extensive long-term relationships with a number of large retail companies. VSBLTY's products are distinct from the products offered by UST Global, and as such, management expects that UST Global's customers will express interest in VSBLTY's products. VSBLTY's revenue projections associated with the UST Global agreement are based upon management's expectations with respect to its ability to successfully deploy its products to UST Global's customers. The Company previously estimated that the agreement would generate approximately US\$1M in SaaS revenue over a 2-year period.<sup>(1)(3)</sup> However, there have been a number of deployment delays caused by, among other things, UST Global's ability to complete the required knowledge transfer and pursuit model, as well as implementation delays attributed to COVID-19. As a result of such delays, the estimated timeline for the Company's revenue projections has been correspondingly pushed back by approximately 24 months. As at December 31, 2021, the agreement had not generated revenue.</p> <p>As of April 2022, there are several active engagements with UST Global. With retail expected to increase and with the increasing interest in the store as a medium channel VSBLTY remains committed to its partnership with UST Global and to the continued investment of resources.</p>
Radar USA	<p>On August 11, 2021, the Company entered into a license agreement with RADAR USA, Inc. ("<b>RADAR USA</b>") to develop a security product offering and associated services for sale in the United States and Canada. RADAR USA was formed in 2021 as a collaboration between VSBLTY and RADAR APP in Mexico, where the security network deployment has reached 10,000 cameras. Pursuant to the license agreement, VSBLTY has granted an exclusive license to RADAR USA in respect to certain market segments in the United States and Canada with a focus on Homeowners Associations, municipal governments and critical infrastructure. Under the license agreement, VSBLTY will receive a pre-paid, non-refundable fee of US\$2,000,000, payable based upon certain funding milestones. The upfront license fee represents a certain number of licenses beyond which a subsequent recurring license fee will apply. As at December 31, 2021, the agreement had generated approximately US\$20,000 in revenue. RADAR USA has completed a seed round in initial funding. The Company is aware of RADAR USA's development pipeline and management of the Company remains optimistic on RADAR USA's growth prospects. The Company expects to receive the full US\$2,000,000 pre-payment under the licensing agreement in the first half of 2022.</p>
EOS Linx	<p>On October 7, 2021, the Company entered into a five-year contract with EOS Linx LLC ("<b>EOS Linx</b>") to install its DataCaptor analytics solution in EOS Charge stations. Located at convenience and retail stores, shopping centers, and hotels, EOS Charge stations are universal electric vehicle chargers that are supported by solar power. As at December 31, 2021, the contract had generated approximately US\$41,000 in revenue. The electric vehicle marketplace is complicated by real estate rights, infrastructure enhancement and supply chain challenges. The company has experienced a delay in the revenue from this partner but remains convinced that the partner will meet original estimates.</p>

**Notes:**

- (1) The Company categorizes these agreements as reseller agreements. Under a reseller agreement, the applicable partner is granted the right to sell VSBLTY's products as part of the partner's existing suite of products (e.g. VSBLTY's software will be embedded within the partner's existing products) or as a stand-alone product to the partner's existing customers. Under these arrangements, consistent revenues will generally not begin until a few quarters after the applicable agreement is executed, as several months are required to sufficiently define the terms and scope of the collaboration, and to provide sufficient training to the reseller and its staff.
- (2) The Company categorizes this agreement as an integration/original equipment manufacturer agreement. Under an integration/original equipment manufacturer agreement, the applicable partner's key customers are already identified and, in many cases, orders for the Company's products from such customers are already secured (in full or in part). Accordingly, there is often an increased level of certainty connected with these arrangements. However, there is still a degree of uncertainty with respect to the pace of deployment, and any additional contracts that must be executed for new orders or customers. The Company's revenue projections are based upon the known number of deployments supported by existing end-user contracts.
- (3) Projection made on August 17, 2020. See the Company's short form prospectus dated August 17, 2020, copies of which are available under the Company's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com), for additional details regarding such revenue projections.

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

The relationships with certain of the Company's previously disclosed channel partners, such as News America Marketing In Store Partners LLC, KLA Laboratories, Inc. and Synect, LLC, have become non-strategic and subsequently de-emphasized or terminated by the Company. The Company expects that it will not generate any revenues from such previously disclosed channel partners.

In addition, to the above channel partners, the Company has the following key engagements:

**Winkel Media**

The joint venture, which was entered into between the Company, Retailigent, S.A. de C.V., and Group Modelo on July 9, 2021, operates under the name Winkel Media, S.A.P.I. de C.V. ("Winkel Media"), is a strategic engagement for VSBLTY. Winkel Media is both a customer and a key partner. VSBLTY derives license revenue from Winkel Media but also participates in the media revenue from the joint venture. Winkel Media is growing and currently provides a large portion of the Company's revenues. As at December 31, 2021, the Joint Venture has generated approximately \$1.3M in revenue for the Company.

Such revenues are expected to increase as the network continues to build. In addition, the Company expects that more technology will be licensed by Winkel Media as the services expand into related, technology enabled, advertising markets.

## **Austin GIS**

In August of 2021, the company purchased an approximate **12%** equity **fully diluted** interest in **Austin GIS, Inc. for an aggregate purchase price of US\$1,000,000**. The strategy of this entity is to focus on large infrastructure deals seeking financing and technology with an emphasis on large smart city infrastructure.

### **Developments during the year ended December 31, 2021**

- On January 15, 2021, the Company launched a 12-month online marketing campaign through AGORACOM for the purposes of targeting new potential investors that would be specifically interested in the Company's business model, as well as engaging current shareholders.
- On January 19, 2021, the Company partnered with Sky Packets, the New York City-based prominent developer of Wi-Fi Mesh networks and "Smart City" applications for municipalities and business improvement districts, to strategically deploy advanced security and "Smart City" solutions to U.S. and international customers.
- On February 1, 2021, the Company partnered with SYNQ, a Canadian innovative retail security and customer experiential technology company, to co-develop a public safety, security solution for Canadian Tire's third largest location located in Hillside Mall, Victoria, B.C.
- On February 4, 2021, the Company partnered with 911inform to provide tighter safety and security measures for schools, universities and campus environments. 911inform is an emergency management solution that provides first responders and on-site personnel with real-time situational awareness and pinpoint location data during an emergency. 911inform provides detailed maps and visuals of the affected area and gives authorities bidirectional communication and control of doors, cameras, phones, HVAC, fire and alarm systems, intercom, strobes and other IOT premised-based technologies.
- On February 9, 2021, the Company co-developed a first-of-its-kind high resolution camera with self-contained inference logic. Ability has been providing best-in-class ODM/OEM solutions for input digital imaging devices since its founding in 1965.
- On February 16, 2021, the Company partnered with EOS Linx to provide solar-powered security solutions at its deployments in the U.S. and Territories with the installation of VSBLTY's AI-driven Vector™ software. The state-of-the-art proprietary software, which includes facial detection of persons of interest, will sound a loud audio warning to any intruders, identify known subjects and send immediate alerts to company security and local law enforcement.
- On March 15, 2021, the Company entered into an agreement with Mexico's Grupo Modelo ("Modelo") (part of the AB InBev family of companies) and Retailgent Media have formalized an agreement (the "Agreement") to enter into a joint venture by the end of Q2 to install and manage an international in-store media network of up to 50,000 Modelorama stores and independent neighborhood bodegas in Mexico and across Latin America by the end of 2024, it was announced today. Active deployment is already underway in Mexico, Colombia, Peru, and Ecuador with 5000 locations to be installed by the end of 2021. In addition to being an international advertising network, it will provide real-time security for store owners, powered by artificial intelligence, as well as integration of store traffic and customer demographics with sales and critical operations-related data to help stores optimize their business.
- On April 13, 2021, the Company, along with RADARApp, jointly announced deployment of the world's first WiFi6- based surveillance network utilizing intelligent cameras in Benito Juarez, a

borough of Mexico City. Working with Intel, Ability Enterprise Co., Ltd. and Sky Packets, intelligent cameras are being installed in public spaces to provide detailed automated analytics to local law enforcement.

- On April 27, 2021 the Company entered into a non-binding Memorandum of Understanding with Ability Enterprise Co. Ltd. that will enable the two companies to work more closely together to target large customers worldwide. Ability has been providing best-in-class ODM/OEM solutions for input digital imaging devices since its founding in 1965.
- On May 6, 2021, the Company and Onyx Glass, a major international manufacturer of sophisticated glass with digital signage, today announced that the two firms have signed an agreement to jointly market and distribute the first patented, opaque/translucent to 100 percent transparent glass panels that attach to the inside of cooler doors. This highly differentiated product combines pioneering transparent display, computer vision, video, and analytics software for application in retail locations globally. Imbera, the world's number one commercial refrigeration producer and industry leader in customized design solutions, has agreed to be the manufacturing partner for the new product.
- On May 21, 2021, the Company announced it has expanded its partnership with Johnson Controls to further advance Sensormatic Solutions, its leading global retail solutions portfolio, to offer retailers the ability to increase consumer engagement at the point-of-purchase and discover demographic insights driving those purchase decisions.
- On June 9, 2021, the Company signed a four-year agreement with Tech Mahindra, a leading provider of digital transformation, consulting and business re-engineering services, to manage services for roll out, operations and analytics related to Intel/VSBLTY video cameras, screens and hardware required to establish the first international digital in-store media network in more than 50,000 Modelorama stores and neighborhood bodegas throughout Latin America.
- On June 24, 2021, the Company announced a partnership with RapidSOS to provide first responders and 911 telecommunicators with the ability to access incident data from its industry-leading Vector™ software through RapidSOS. Built in partnership with public safety, RapidSOS's emergency response data platform securely links life-saving data from over 350M connected devices directly to over 4,800 Emergency Communications Centers (ECCs) nationwide.
- On July 9, 2021, the Company entered into an agreement with Retailigent Media, and Grupo Modelo to create a joint venture as a 33% participant ("Joint Venture"). As a participant, the Company will supply proprietary software for analytics, security and visual displays and will earn 33% of all profits
- On August 11, 2021, the company entered into a license agreement with RADAR USA, Inc. to develop a security product offering and associated services for sale in the United States and Canada. Under the License Agreement, VSBLTY will receive a pre-paid, non-refundable fee of \$2,000,000 USD, payable based upon certain funding milestones.
- On August 12, 2021, the Company was approved to begin trading on the OTCQB Venture Market in the United States under the symbol "VSBGF".
- On October 7, 2021, the Company announced it has signed a five-year contract with EOS Linx to install its DataCaptor analytics solution in EOS Charge stations.
- On November 10, 2021, the Company announced it has signed a letter of intent with Phoenix Vision to collaborate on building a major media network starting with more than 600 convenience stores throughout the U.S.
- On November 24, 2021, the Company announced that a joint system integration with 911inform had been completed, tested, and deployed to multiple customers across the United States.
- During the year ended December 31, 2021, the Company recognized total revenue of \$2,169,516 an increase of \$1,562,052 from the year ended December 31, 2020. The increase is mainly a result of the efforts in installations of Modelorama stores. In addition, the Company closed bookings of



\$10.4 million in fiscal 2021 that are expected to be earned over the next two years. The Company expects the bookings momentum to continue in fiscal 2022.<sup>1</sup>

### **Critical Accounting Estimates and Policies**

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

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

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at December 31, 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 significant accounting policies applied in the preparation of the financial statements are in Note 3 of the audited financial statements for the years ended December 31, 2021 and 2020. Critical accounting estimates are in Note 4 of the audited financial statements for the years ended December 31, 2021 and 2020.

#### ***Initial adoption of new accounting standards***

Adoption of new accounting standards have been disclosed in Note 3 of the Company’s consolidated financial statements for the year ended December 31, 2021 and 2020.

#### ***Future accounting standards issued but not yet in effect***

Pronouncements that may have a significant impact to the Company have been disclosed in Note 3 of the Company’s consolidated financial statements for the year ended December 31, 2021 and 2020.

### **Share Capital**

Authorized share capital of the Company consists of an unlimited number of common shares with no par value (“**Common Shares**”).

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<sup>1</sup> Bookings is not a generally accepted measure of performance under IFRS. Investors are cautioned that bookings should not be construed as an alternative to revenue in accordance with IFRS as an indicator of the Company’s performance. The Company’s method of calculating bookings may differ from other companies and they may not be comparable to measures used by other companies. The Company considers bookings as definitive contracts signed during the period from which the Company will derive monthly revenue over the period of said contract. See “Non-IFRS Measures”.

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 consisted of one Common Share and one-half of one share purchase warrant. Each warrant entitled 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 fees of \$582,549 (CAD\$720,720) was paid and 1,288,000 agent warrants were issued. Each agent warrant entitled the holder to purchase one Common Share at a price of CAD\$0.50 until June 29, 2024.
- 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 consisted of one Common Share and one-half of one share purchase warrant. Each warrant entitled the holder to purchase one Common Share at a price of CAD\$0.65 until June 29, 2024.
- 8,766,101 Common Shares on conversion of the Company's Debentures (see note 11);
- 25,529,228 Common Shares for the exercise of warrants for proceeds of \$6,907,800 (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 \$491,716 (CAD\$618,821). As a result, \$241,024 (CAD\$302,946) has been reclassified from reserves.

For the year ended December 31, 2021, the Company incurred \$77,505 (CAD\$96,670) in legal costs recognized as share issuance costs.

### Selected Annual Information

The following table sets forth selected financial information for the Company for the fiscal years ended December 31, 2021 and 2020 and should be read in conjunction with the Company's financial statements and related notes thereto for such periods.

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

December 31,	2021	2020	2019
Total assets	\$ 7,965,252	\$ 2,587,930	\$ 1,271,574
Non-current financial liabilities	\$ 100,149	\$ 1,217,437	\$ 2,539,053
Revenues	\$ 1,600,022	\$ 607,404	\$ 105,706
Net loss for the period	\$ (16,237,326)	\$ (532,325)	\$ (7,367,024)
Loss per share – basic and diluted	\$ (0.09)	\$ (0.08)	\$ (0.10)
Weighted average shares outstanding	173,582,321	81,551,693	72,972,476

## 2021 vs 2020

Total assets as at December 31, 2021 and 2020 were \$7,965,252 and \$2,587,930, respectively. The increase in total assets was primarily a result of an increase in cash of \$3,015,061, trade and other receivables of \$1,315,934. This is also coupled with the fact that the Company made an investment of \$1,000,000 which were not present in 2020. The increase was offset by decreases in lease assets of \$50,275. The increase in cash is a result of the close of financings in June 2021 for gross proceeds of \$7.9M. Trade and other receivables increased due to amounts due under the Company's software contracts signed in 2020 and 2021.

Total non-current financial liabilities as at December 31, 2021 and 2020 were \$100,149 and \$1,217,437, respectively. The decrease in total non-current financial liabilities was primarily a result of \$1,062,193 in convertible debentures being converted in 2021.

During the years ended December 31, 2021 and 2020, the Company generated revenue of \$1,600,022 and \$607,404, respectively. The increase in revenues is primarily due to revenue recognized on the sale of hardware and software to Winkel. Revenue in the year ended December 31, 2020 was generated from clients involved in trials of products and proof of concept efforts who paid lower than market value for the products to participate in the testing.

Net loss incurred during the year end December 31, 2021 increased by \$9,705,001 from \$6,532,325 during the year ended December 31, 2020 to \$16,237,326 during the year ended December 31, 2021. The increase is primarily a result of an increase in share-based payments of \$5,948,543 during fiscal 2021, an increase of \$2,076,417 in general and administrative expenses, offset by a decrease in finance costs of \$560,598. The increase in share-based payments is due to the continuing vesting of options issued in 2020 as well as the vesting of an additional 4,350,000 options issued in 2021. Further, the Company issued 15,500,000 warrants to Modelo and granted 383,500 RSUs, all of which partially vested during fiscal 2021. The increase in general and administrative costs was a result of the global pandemic's effect on operations in 2020 versus 2021. The decrease in finance costs is mainly due to the conversion of convertible debt early during fiscal 2021. In 2020, accretion on the convertible debt was being recognized for the full year whereas accretion was only recognized up to the point of conversion in 2021.

## Summary of Quarterly Results

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

	Three months ended							
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Revenue	\$ 1,020,993	\$ 156,263	\$ 292,632	\$ 130,134	\$ (405,500)	\$ 95,501	\$ 499,918	\$ 417,485
Net loss for the period	\$ (4,987,405)	\$ (4,018,599)	\$ (3,819,089)	\$ (3,412,232)	\$ (2,330,726)	\$ (1,291,833)	\$ (1,314,943)	\$ (1,594,823)
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.02)

## Summary of Results During Prior Eight Quarters

Revenue for the three months ended December 31, 2021 increased significantly from the previous quarter by \$864,730. Increases relate to an increase in installations of hardware and software in connection with the Company's joint venture. Net loss decreased for the three months ended December 31, 2021 by \$986,806 compared to the three months ended September 30, 2021. This is mainly attributable to a decrease in share-based payments of \$943,038, impairment of inventory of \$843,998 and impairment of the bridge loan of \$641,866, offset by increases in salaries and marketing expenses and general and administrative expenses of \$147,168 and \$444,266, respectively. Share-based payments decreased because significant options granted during the three months ended September 30, 2021 vested immediately whereas fewer options were granted during the three months ended December 31, 2021 and the options that were granted vest over a period of time.

Net loss increased for the three months ended September 30, 2021 by \$199,510 compared to the three months ended June 30, 2021. This is attributable to an increase in sales and marketing expenses as well as general and administrative expenses, offset by a decrease in share-based payments.

Net loss increased for the three months ended June 30, 2021 by \$406,857 compared to the three months ended March 31, 2021. The increase is attributable to an increase in share-based payments of \$736,854 as a result of warrants issued in the period in connection with an agreement with Mexico's Grupo Modelo and Retailigent Media. The increase in expenses is offset by an increase in revenue of \$162,498 and gross profit of \$40,173.

Net loss increased for the three months ended March 31, 2021 by \$1,081,506 compared to the three months ended December 31, 2020. The increase is attributable to an increase in share-based payments of \$1,307,169 as a result of warrants issued in the period in connection with an agreement with Mexico's Grupo Modelo and Retailigent Media. In the quarter ended December 31, the Company recognized \$203,509 on the forgiveness of a loan that was non-recurring.

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

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

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

Net loss decreased for the three months ended March 31, 2020 compared to the three months ended December 31, 2019 primarily due to an increase in revenue during the three months as the Company had

an increase in software license development revenue of \$375,000. The Company also had a decrease in general and administrative expenses of \$190,948, and a decrease in share-based payment expenses in the quarter of \$253,472.

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

### Results of Operations – For the year ended December 31, 2021 and 2020

The results of operations for the years ended December 31, 2021 and 2020 are summarized below:

	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	9	(4,830,721)	(2,754,304)
Impairment of inventory	18, 19	(843,998)	-
Research and development expenses	17(b)(c)(d)	(1,569,263)	(1,365,696)
Share-based payments		(6,238,678)	(290,135)
<b>Operating loss</b>		(14,318,683)	(5,882,450)
	13, 16		
Finance costs	6	(427,284)	(987,882)
Loss on disposal of equipment	15	-	(28,609)
Government grant		-	203,509
Interest income	8	9,350	109
Impairment of loan receivable	11	(641,866)	-
Loss on joint venture		(25,725)	
Foreign exchange loss/(gain)		10,881	(31,655)
<b>Net loss for the period</b>		(16,237,326)	(6,532,325)
Foreign currency translation		(233,855)	(159,073)
<b>Comprehensive loss for the period</b>		\$ (16,471,181)	\$ (6,691,398)

### Revenue

During the year ended December 31, 2021 and 2020, the Company generated revenue of \$1,600,022 and \$607,404, respectively. License fee revenue decreased by \$58,002, mainly due to a greater number of subscriptions entered into in the later part of fiscal 2021. Professional services revenue increased by \$224,921 as a result of increased installation and support offered on new installations. Hardware and other revenue increased by \$1,199,147 mainly due to the sale of hardware to Winkel.

### *Cost of sales*

During the year ended December 31, 2021 and 2020, cost of sales was \$1,429,502 and \$412,751, respectively. The increase in cost of sales of \$1,016,751 was mainly due to the decrease in margin due to the change in sales mix earned on hardware versus software and licensing.

### *Operating expenses*

	Year ended December 31, 2021	Year ended December 31, 2020
Marketing expenses	\$ 1,562,881	\$ 1,070,506
Meals and entertainment	13,411	17,843
Tradeshaw 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	\$ 738,889	\$ 403,315
Professional fees	403,715	273,004
Consulting fees	1,105,142	836,281
Management fees	1,169,384	561,621
Rent	12,692	10,113
Salaries and wages	830,881	372,816
Travel	101,192	58,249
Depreciation (note 5)	25,958	13,157
Lease-related depreciation (note 14)	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
Research and development contract labour expense	\$ 867,105	\$ 1,149,134
Consulting fees	317,666	-
Salaries and wages	384,492	216,562
Total research and development expenses	\$ 1,569,263	\$ 1,365,696

The above table provides a breakdown of the various expense categories, by nature, for the years ended December 31, 2021 and 2020. The increase in expenses of \$2,658,210 consists of an increase in sales and marketing of \$378,226, general and administrative costs of \$2,076,417 and research and development of \$203,567.

Sales and marketing expenses increased by \$378,226 primarily due to marketing expenses increasing by \$492,375 which was offset by decreases in salaries and wages of \$125,292. The increase in marketing relates to increased promotional efforts in the period.

General and administrative expenses increased by \$2,076,417 mainly due to increases in management fees, consulting fees, and insurance premiums as compared to the prior period as well as the inclusion of severance pay to the former CTO of the Company. This is coupled with an increase of \$222,797 in bad debt expense recognized in 2021 compared to 2020.

Research and development costs increased by \$203,567 during the period as a result of hiring internal contractors on development projects increasing contractor fees to \$317,666, and salaries and wages increase by \$167,930 as the Company hired an internal director of engineering to the team.

### ***Share-based payments***

On March 15, 2021, the Company issued warrants in connection with an agreement with Grupo Modelo and Retailigent Media. During the year ended December 31, 2021, the Company recognized \$4,723,712 in share-based payments related to this issuance.

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

During the year ended December 31, 2021, the Company granted 383,500 RSUs 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

### ***Other income and expenses***

Other expense for the year ended December 31, 2021 consisted of finance costs of \$427,284 (2020 – \$987,882) which includes contractual interest expense and accretion of debt discounts which decreased due to the conversion of debentures into common shares and warrants during the period.

### **Reconciliation of Use of Proceeds from Financing Activities**

On June 29, 2021, the Company closed its overnight marketed short form prospectus financing pursuant to which the Company issued 18,400,000 units for gross proceeds of \$7,436,250 (CAD\$9,200,000) and a concurrent non-brokered U.S. private placement of 1,162,384 units for gross proceeds of \$475,466 (CAD \$581,192). Funds raised in the financings were used in accordance with the use of proceeds set forth in the Company's short form prospectus dated June 24, 2021, and the Company did not experience any variances.

### **Liquidity and Capital Resources**

The accompanying financial statements have been prepared on a basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company anticipates that it will have sufficient resources to meet the working capital requirements of the Company for at least the next 12 months. This assessment is based on the Company's current cash from a short-form prospectus financing completed June 29, 2021.

During the year ended December 31, 2021, working capital increased to \$3,552,569 from a working capital deficit of \$1,354,263 as at December 31, 2020. The \$4,876,832 increase in working capital is attributable to an increase in cash of \$7,251,661 from a short-form prospectus financing and concurrent private placement. The Company also received proceeds of \$6,894,159 from the exercise of options and warrants in the period.

### ***Cash Flows***

Historically and prospectively, our primary sources of liquidity and capital resources have been and will continue to be proceeds from the issuance of debt and Common Shares. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to generate profits

and positive cash flows from operations in order to cover its operating costs. Management intends to fund any shortfalls through debt or equity financings. However, we cannot be certain that our business will generate sufficient cash flow from operations, that our anticipated earnings from operations will be realized, or that future borrowings will be available or otherwise to enable us to service our indebtedness or to make anticipated capital expenditures. Our future operating performance and our ability to service our debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control. See “Financial Risk Management” of this MD&A for a discussion of the risks related to our liquidity and capital structure.

As at December 31, 2021, the Company had cash of \$4,932,824 (2020 - \$1,917,763). The increase in cash and cash equivalents compared to the balance at December 31, 2020 was primarily due to proceeds from the completion of a short-form prospectus financing and a concurrent private placement, as well as exercise of warrants and options.

Net cash used in operating activities for the year ended December 31, 2021 was \$9,277,802 (2020 - \$5,230,213). We continue to generate net losses and negative cash flows from operating activities due to the expenses we are incurring related to development as well as general and administrative expenses. During the year ended December 31, 2021, the Company incurred \$8,250,525 (2020 - \$5,592,315) of general and administrative, research and development and sales and marketing expenses. Cash used in operations for the current period was significantly affected by increases in these expense categories. The Company has had continuing net losses and negative cash flow from operating activities, including a loss from operations of \$15,162,681 for the year ended December 31, 2021 (2020 - \$5,687,797).

Net cash used in investing activities for the year ended December 31, 2021 was \$1,694,654 (2020 - \$14,460). The increase relates to a loan provided by the Company to Winkel, the acquisition of equity investments, and the purchase of equipment.

Net cash provided by financing activities for the year ended December 31, 2021 was \$13,987,517 (2020 - \$6,663,001). The increase was primarily a result of proceeds from the close of a short-form prospectus financings for net proceeds of \$7,251,661 and the exercise of warrants and options in the period of \$6,894,159 as compared to proceeds from a close of short-form prospectus financings for net proceeds of \$4,210,715, net convertible debt financing proceeds in the prior period of \$1,248,391, and proceeds from exercise of warrants of \$939,695 in 2020.

### ***Other Factors Affecting Liquidity***

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

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



## Related Party Transactions

### *Key management compensation*

During the 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 years 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 <sup>2</sup> , included in cost of sales	\$ -	\$ 7,290
Marketing expenses paid to a related entity <sup>2</sup> , 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 <sup>2</sup> , included in general and administrative	\$ 1,338	\$ 54,810
Contract project development labor paid to a related entity <sup>3</sup> , included in research and development expenses	\$ 185,000	\$ 561,666
Contract project development labour paid to a related entity, cost of sales <sup>3</sup>	\$ -	\$ 340,623
Interest expense for convertible debt <sup>4</sup> and notes payable <sup>5</sup> 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.

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

<sup>3</sup> InterKnowlogy, LLC, an entity controlled by Tim Huckaby, former Chief Technology Officer of the Company.

<sup>4</sup> Related parties holding 2019 convertible debentures include Guy Lombardo and Jay Hutton.

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

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.

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

### ***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.

### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's outstanding convertible debt bears interest at fixed rates. As a result, at December 31, 2021, the Company is not exposed significant interest rate risk.

### *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity by raising capital through the issuance of debt and equity. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

### **Off-Balance Sheet Arrangements**

None.

### **Proposed Transactions**

None.

### **Contingencies**

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

During the year ended December 31, 2020, a demand letter was received by the Company from Interknowlogy, a related company, pertaining to outstanding payment and corresponding late charges. The Company had contested the work performed by InterKnowlogy and is in the midst of negotiating with InterKnowlogy on the payable. As at 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.

### **Disclosure of Outstanding Share Data**

The total number of outstanding Common Shares, warrants, restricted share units and stock options as of the date of this MD&A are 206,087,500, 51,370,081, 341,750 and 14,325,833, respectively.

### **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 15(c).
- h) Subsequent to December 31, 2021, the Company granted 3,625,000 stock options. The options are exercisable at \$0.81 per share until January 27, 2027.