

VSBLTY Groupe Technologies Corp.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2022

(Expressed in United States dollars)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements for VSBLTY Groupe Technologies Corp. (the “Company”) have been prepared by management in accordance with International Financing Reporting Standards (“IFRS”). These condensed consolidated interim financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company’s auditors. The Company’s Audit Committee and Board of Directors have reviewed and approved these condensed consolidated interim financial statements. In accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators, the Company’s independent auditors have not performed a review of these condensed consolidated interim financial statements.

VSBLTY Groupe Technologies Corp.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in United States dollars)

As at	Notes	March 31, 2022 (Unaudited)		December 31, 2021
ASSETS				
Current assets				
Cash		\$	2,629,737	\$ 4,932,824
Trade and other receivables	17, 19		2,477,448	1,315,934
Lease receivable	14		30,034	-
Prepaid expenses	6		295,311	329,727
Inventory	7		1,046,609	177,216
			6,479,139	6,755,701
Equipment, net	5		86,680	70,101
Right-of-use assets	14		241,400	128,534
Lease receivable	14		97,791	-
Investment	8		1,000,000	1,000,000
Prepaid expenses - noncurrent	6		19,979	10,916
Total assets		\$	7,924,989	\$ 7,965,252
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	10, 17	\$	3,569,152	\$ 2,467,110
Deferred revenue	11		229,680	11,028
Current portion of lease liability	14		117,004	55,150
Convertible debentures	12		-	360,085
Loans payable	13		700,676	339,759
			4,616,512	3,233,132
Lease liability	14		280,703	100,149
Total liabilities			4,897,215	3,333,281
SHAREHOLDERS' EQUITY				
Share capital	15		34,758,498	33,347,460
Reserves	15		9,241,754	8,297,272
Obligation to issue shares	15		4,201	355,203
Obligation to issue warrants	15		19,127	19,127
Accumulated deficit			(40,593,490)	(36,942,932)
Accumulated other comprehensive income			(402,316)	(444,159)
Total shareholders' equity			3,027,774	4,631,971
Total liabilities and shareholders' equity		\$	7,924,989	\$ 7,965,252
Nature of operations and going concern	1			
Contingency	21			
Subsequent events	22			

APPROVED BY THE BOARD OF DIRECTORS:

"Jay Hutton"
Director
"Thomas Hays"
Director

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

VSBLTY Groupe Technologies Corp.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in United States dollars)

(Unaudited)

	Notes	Three months ended March 31,	
		2022	2021
Revenue			
License fees	\$	76,359	\$ 39,839
Professional services		146,863	18,309
Hardware and other		1,019,240	71,986
		1,242,462	130,134
Cost of sales		(1,515,380)	(78,803)
Gross margin		(272,918)	51,331
Sales and marketing expenses	16, 17	(868,130)	(556,386)
General and administrative expenses	16, 17	(716,166)	(830,621)
Research and development expenses	16, 17	(501,987)	(428,734)
Share-based payments	15(b)(c)(d)	(1,132,442)	(1,494,710)
Operating loss		(3,491,643)	(3,259,120)
Finance costs	12, 14	(27,589)	(157,689)
Loss on loan impairment	9	(153,614)	-
Interest income		18,549	-
Foreign exchange gain		3,739	2,955
Net loss for the period		(3,650,558)	(3,413,854)
Foreign currency translation		41,843	(26,364)
Comprehensive loss for the period	\$	(3,608,715)	\$ (3,440,218)
Loss per share – Basic and diluted	\$	(0.02)	\$ (0.02)
Weighted average shares outstanding – Basic and diluted		202,316,380	154,842,999

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

VSBLTY Groupe Technologies Corp.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(Expressed in United States dollars)

(Unaudited)

	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' (deficiency) equity
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 warrant exercises	15(b)	11,546,620	2,618,300	(209,982)	-	-	-	-	2,408,318
Shares issued for option exercises	15(c)	200,000	111,106	(63,926)	-	-	-	-	47,180
Convertible debt conversion	15	5,080,754	1,470,572	(172,211)	-	-	-	-	1,298,361
Share-based payments	15	-	-	1,494,710	-	-	-	-	1,494,710
Foreign currency translation		-	-	-	-	-	-	(26,364)	(26,364)
Loss for the period		-	-	-	-	-	(3,413,854)	-	(3,413,854)
Balance, March 31, 2021		160,007,742	\$ 19,903,010	\$ 3,892,458	\$ -	\$ -	\$ (24,119,460)	\$ (236,668)	\$ (541,533)
Balance, December 31, 2021		198,537,247	\$ 33,347,460	\$ 8,297,272	\$ 19,127	\$ 355,203	\$ (36,942,932)	\$ (444,159)	\$ 4,631,971
Shares issued for warrant exercises	15(b)	4,566,304	932,994	(14,426)	-	(355,203)	-	-	563,365
Shares issued for option exercises	15(c)	970,000	341,088	(149,916)	-	-	-	-	191,173
Shares issued for RSUs vested	15(d)	41,750	23,619	(23,619)	-	-	-	-	-
Shares issued for services	15	144,534	113,337	-	-	-	-	-	113,337
Shares returned to treasury	15	(125,000)	-	-	-	-	-	-	-
Subscriptions received		-	-	-	-	4,201	-	-	4,201
Share-based payments	15	-	-	1,132,442	-	-	-	-	1,132,442
Foreign currency translation		-	-	-	-	-	-	41,843	41,843
Loss for the period		-	-	-	-	-	(3,650,558)	-	(3,650,558)
Balance, March 31, 2022		204,134,835	\$ 34,758,498	\$ 9,241,754	\$ 19,127	\$ 4,201	\$ (40,593,490)	\$ (402,316)	\$ 3,027,774

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

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

	Three months ended March 31	
	2022	2021
Cash flows from operating activities		
Loss for the period	\$ (3,650,558)	\$ (3,413,854)
Adjustments for non-cash items:		
Depreciation	25,721	17,143
Accretion expense	4,372	85,329
Interest expense	11,602	-
Share-based payments	1,132,442	1,494,710
Foreign exchange loss (gain)	44,701	(25,716)
Bad debt expense	39,028	-
Marketing fees paid in shares	113,337	-
Changes in non-cash working capital items:		
Trade and other receivables	(1,200,542)	(78,900)
Inventory	(878,456)	-
Prepaid expenses and deposits	34,416	128,258
Accounts payable and accrued liabilities	1,102,042	1,467
Deferred revenue	218,652	(4,820)
Net cash used in operating activities	(3,003,243)	(1,796,383)
Cash flows from investing activities		
Acquisition of equipment	(26,341)	
Payment of loan proceeds	-	(300,000)
Net cash used in investing activities	(26,341)	(300,000)
Cash flows from financing activities		
Principal portion of lease payments	(15,243)	(11,629)
Lease receivable repayment	1,000	-
Repayment of loans payable	(18,000)	-
Subscriptions received	4,201	-
Proceeds from exercise of options	191,173	47,180
Proceeds from exercise of warrants	563,366	2,408,317
Net cash provided by financing activities	726,497	2,442,868
Net increase (decrease) in cash	(2,303,087)	347,485
Cash and cash equivalents, beginning of period	4,932,824	1,917,763
Cash and cash equivalents, end of period	\$ 2,629,737	\$ 2,265,248
Supplemental cash flow disclosures:		
Interest paid	\$ 51,586	\$ 209,474
Income taxes paid	-	-
Convertible debt converted into shares	\$ -	\$ 1,298,362

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

1. NATURE OF OPERATIONS AND GOING CONCERN

VSBLTY Groupe Technologies Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on August 1, 2018. The Company’s head office is located at Suite 206, 595 Howe Street, Vancouver, British Columbia, V6C 2T5 and its registered office is located at The Corporation Trust Center, 1201 Orange Street, City of Wilmington, New Castle County, DE 19801. The Company is a retail technology and marketing company with a variety of applications to drive brand engagement and puts insights in motion to drive sales, 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 condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at March 31, 2022, the Company had not yet achieved profitable operations and has an accumulated deficit of \$40,593,490 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.

2. BASIS OF PRESENTATION

a) Statement of compliance

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

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 19, 2022.

2. BASIS OF PRESENTATION (continued)

b) Basis of measurement

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

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

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

c) Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, VSBLTY, Inc and VSBLTY Mexico, S. DE R.L. DE C.V... All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited financial statements for the year ended December 31, 2021. These condensed consolidated interim statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Accounting standards issued but not yet effective

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

4. USE OF JUDGMENTS AND ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant estimates and critical judgments were the same as those applied to the financial statements as at and for the year ended December 31, 2021.

5. EQUIPMENT

	Computer equipment		Equipment		Total
Cost					
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
Additions		8,269		18,072	26,341
Balance, March 31, 2022	\$	86,157	\$	61,439	\$ 147,596

	Computer equipment		Equipment		Total
Accumulated depreciation					
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
Additions		6,478		3,284	9,762
Balance, March 31, 2022	\$	27,755	\$	33,161	\$ 60,916

	Computer equipment		Equipment		Total
Net book value					
Balance, December 31, 2021	\$	56,611	\$	13,490	\$ 70,101
Balance, March 31, 2022	\$	58,402	\$	28,278	\$ 86,680

6. PREPAID EXPENSES

	March 31, 2022	December 31, 2021
Current		
Prepaid services and subscriptions	\$ 124,297	\$ 293,136
Prepaid insurance and rent	79,062	36,591
Advance on equipment	91,952	-
Total Current	\$ 295,311	\$ 329,727
Non-Current		
Lease deposit	\$ 19,979	\$ 10,916
Total Prepaid Expenses	\$ 315,290	\$ 340,643

7. 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 March 31, 2022, the Company had \$1,046,609 (December 31, 2021 - \$177,216) in inventory.

8. 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;

8. 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.

9. INVESTMENT IN JOINT VENTURE

Investment in Winkel

As at March 31, 2022 and 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.

Summarized statement of financial position of Winkel as at March 31, 2022

Current	
Cash	\$ 24,644
Other assets	51,450
	<u>76,094</u>
Non-Current	
Equipment	2,475,257
Total Assets	\$ 2,551,350
Current	
Accounts payable and accrued liabilities	\$ 2,627,750
Deferred revenue	3,731
	<u>2,631,481</u>
Non-Current	
Bridge Loan	796,221
Total Liabilities	3,427,702
Equity	(876,351)
Total Liabilities and Equity	\$ 2,551,350

9. INVESTMENT IN JOINT VENTURE (Continued)

Summarized statement of loss of Winkel for the three months ended March 31, 2022

Revenue	\$	1,722
Depreciation		(137,299)
General and administrative expenses		(251,249)
Net loss for the period	\$	(386,826)
Company's 33.33% share of net loss	\$	(127,653)

As the Company's carrying value of the investment was \$Nil as at January 1, 2022 and because no additional contributions were made to increase the carrying value during the quarter, no share of loss is recognized during the three months ended March 31, 2022.

Bridge Loan to Winkel

As at March 31, 2022, the Company had a bridge loan receivable from Winkel of \$784,355, of which \$630,741 was impaired as of December 31, 2021. The Company determined that the remaining loan of \$153,614 may not be collectible and impaired the value of the loan to \$Nil.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2022	December 31, 2021
Accounts payable	\$ 3,120,240	\$ 1,787,281
Accrued liabilities	393,328	595,741
Accrued interest	55,584	84,088
	\$ 3,569,152	\$ 2,467,110

11. DEFERRED REVENUE

The Company's deferred revenue consists of the following:

	March 31, 2022	December 31, 2021
Customer deposits on contracts	\$ 134,444	\$ 11,028
Unearned revenue on license fees	95,236	-
	\$ 229,680	\$ 11,028

12. CONVERTIBLE DEBENTURES

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

	2020		2019		
	Debentures		Debentures		Total
Balance, December 31, 2020	\$	1,062,193	\$	2,439,536	\$ 3,501,729
Accretion		31,367		191,556	222,923
Foreign exchange loss		12,505		40,354	52,859
Converted to common shares		(745,980)		(2,215,942)	(2,961,922)
Matured		-		(455,504)	(455,504)
Balance, December 31, 2021	\$	360,085	\$	-	\$ 360,085
Accretion		4,372		-	4,372
Foreign exchange loss		893		-	893
Matured		(365,350)		-	(365,350)
Balance, March 31, 2022	\$	-	\$	-	\$ -

During the three months ended March 31, 2022, the Company recorded \$4,372 (2021 - \$85,329) in accretion expense and \$7,228 (2021 - \$67,452) in interest expense included in finance costs. As at March 31, 2022, there was accrued interest of \$33,058 (December 31, 2021 - \$18,372) included in accounts payable and accrued liabilities.

During the three months ended March 31, 2022, \$365,350 in convertible debentures matured unconverted.

13. LOANS PAYABLE

Loans payable	
Balance, December 31, 2020	\$ -
Additions	346,058
Repayments	(6,299)
Balance, December 31, 2021	\$ 339,759
Additions	365,350
Repayments	(18,000)
Foreign exchange	13,567
Balance, March 31, 2022	\$ 700,676

During the three months ended March 31, 2022, \$365,350 in convertible debt matured unconverted. Amounts are unsecured, bear interest at 10%, and are due on demand. During the three months ended March 31, 2022, the Company recorded \$11,602 (2021 - \$Nil) in interest expense included in finance costs.

VSBLTY Groupe Technologies Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2022
(Expressed in United States dollars)
(Unaudited)

14. LEASES

The Company leases certain assets under lease agreements. The lease liability consists of two leases for office space. The leases have an imputed interest rate of 10% per annum and expire between 2024 and 2025.

Right-of-use assets	
Balance, December 31, 2020	\$ 178,809
Depreciation expense	(50,275)
Balance, December 31, 2021	128,534
Additions	128,827
Depreciation expense	(15,959)
Balance, March 31, 2022	\$ 241,400

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

Lease liability	March 31, 2022	December 31, 2021
Current portion	\$ 117,004	\$ 55,150
Long-term portion	280,703	100,149
Total lease liability	\$ 397,707	\$ 155,299

At March 31, 2022, the Company is committed to minimum lease payments as follows:

Maturity analysis	March 31, 2022	December 31, 2021
Less than one year	\$ 151,536	\$ 68,203
One to five years	309,025	108,928
Total undiscounted lease liabilities	\$ 460,741	\$ 177,131

Amounts recognized in profit or loss	March 31, 2022	March 31, 2021
Interest on lease liabilities	\$ 4,847	\$ 4,997

Amounts recognized in the statement of cash flows	March 31, 2022	March 31, 2021
Interest paid	\$ 4,847	\$ 4,997
Principal payments on lease liabilities	15,243	11,629
Total cash outflows for leases	\$ 20,090	\$ 16,626

On March 15, 2022, the Company entered into a sublease agreement related to office space. At September 30, 2021 and 2020, the Company's lease receivable related to office leases is as follows:

Lease receivable	March 31, 2022	December 31, 2021
Current portion	\$ 30,034	\$ -
Long-term portion	97,791	-
Total lease receivable	\$ 127,825	\$ -

14. LEASES (Continued)

Maturity analysis	March 31, 2022	December 31, 2021
Less than one year	\$ 41,470	\$ -
One to five years	108,843	-
More than five years	-	-
Total undiscounted lease receivable	\$ 150,313	\$ -

15. SHAREHOLDERS' EQUITY

a) Share capital

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

During the three months ended March 31, 2022, the Company issued an aggregate of:

- 4,566,304 common shares for the exercise of warrants for proceeds of \$918,568 (CAD\$1,167,625) of which \$355,203 was reclassified from obligation to issue shares, and as a result, \$14,426 has been reclassified from reserves;
- 970,000 common shares for the exercise of options for proceeds of \$191,173 (CAD\$242,250), and as a result \$149,916 has been reclassified from reserves;
- 41,750 common shares were issued related to the vesting of RSUs, and as a result \$23,619 has been reclassified from reserves;
- 144,534 common shares were issued for consulting services with a fair value of \$113,337; and
- 125,000 common shares issued in error were returned to treasury.

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

- 5,083,754 common shares on conversion of the Company's Debentures (see note 12);
- 11,546,620 common shares for the exercise of warrants for proceeds of \$2,408,318 (CAD\$3,011,477), as a result \$209,982 has been reclassified from reserves; and
- 200,000 common shares for the exercise of options for proceeds of \$47,180 (CAD\$60,000), as a result \$63,926 has been reclassified from reserves.

15. SHAREHOLDERS' EQUITY (Continued)

b) Warrants

On July 9, 2021, the Company formed a joint venture, Winkel (Note 9). 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);
- 15% vest upon the execution of a definitive agreement for the formation of a joint venture (vested);
- 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 March 31, 2022, 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, \$703,428 (CAD\$891,131) has been recorded to share-based payments expense during the three months ended March 31, 2022.

Continuity of the Company's warrants is as follows:

	Number of warrants	Weighted average exercise price (\$CAD)	Weighted average exercise price (\$USD)
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	57,899,049	0.44	0.34
Exercised	(4,566,304)	0.26	0.20
Expired	(457,466)	0.60	0.48
Outstanding, March 31, 2022	52,875,279	\$ 0.45	\$ 0.35

15. SHAREHOLDERS' EQUITY (Continued)

As at March 31, 2022, the following warrants were outstanding and exercisable:

Number of warrants outstanding	Exercise price (\$CAD)	Exercise price (\$USD)	Expiry date	Number of warrants exercisable
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
21,643,420	0.17	0.13	August 28, 2023	21,643,420
5,559,045	0.17	0.13	September 22, 2023	5,559,045
8,889,892	0.65	0.51	June 29, 2024	8,889,892
188,000	0.50	0.39	June 29, 2024	188,000
15,500,000	0.84	0.66	March 18, 2026	4,650,000
52,875,279	\$ 0.45	0.35		42,025,279

As at March 31, 2022, the weighted average remaining contractual life of outstanding warrants is 2.30 years.

c) Options

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, 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
Granted	3,575,000	0.81	0.65
Exercised	(970,000)	0.25	0.20
Expired	(220,000)	0.30	0.24
Outstanding, March 31, 2022	13,915,833	\$ 0.50	\$ 0.41
Exercisable, March 31, 2022	9,857,500	\$ 0.37	\$ 0.20

*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.

15. SHAREHOLDERS' EQUITY (Continued)

As at March 31, 2022, the following stock options were outstanding and exercisable:

Number of options outstanding	Exercise price (\$CAD)	Exercise price (\$USD)	Expiry date	Number of options exercisable
3,095,000	\$ 0.30	\$ 0.24	February 15, 2023	3,095,000
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
2,100,000	0.17	0.13	October 6, 2025	2,100,000
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	150,000
3,162,500	0.51	0.40	August 10, 2026	2,825,000
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	7,500
120,000	1.62	1.28	November 18, 2026	30,000
150,000	1.25	0.98	December 15, 2026	-
3,255,000	0.81	0.65	January 27, 2027	250,000
195,000	0.81	0.65	January 31, 2027	-
125,000	0.81	0.65	February 7, 2027	-
13,915,833	\$ 0.50	\$ 0.41		9,857,500

As at March 31, 2022, the weighted average remaining contractual life of outstanding options is 3.51 years.

During the three months ended March 31, 2021, the Company granted 3,575,000 options with a fair value of \$1,686,072. Share-based payments relating to options vesting during the year using the Black- Scholes option pricing model was \$399,964.

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.

15. SHAREHOLDERS' EQUITY (Continued)

The fair value of stock options granted during the three months ended March 31, 2022 and the year ended December 31, 2021 was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	March 31, 2022	March 31, 2021
Risk-free interest rate	1.64 – 1.68%	0.74%
Expected volatility	100%	100%
Dividend yield	0%	0%
Expected life	5.00 years	5.00 years

d) Restricted Share Units (“RSU”)

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 three months ended March 31, 2022 using the Black- Scholes option pricing model was \$33,584 (2021 - \$68,762). The RSUs issued during the year ended December 31, 2021 vest as follows:

- 133,500 RSUs
 - 50% vest on December 31, 2021
 - 50% vest on December 31, 2022
- 100,000 RSUs
 - 33% vest on August 23, 2022
 - 33% vest on August 23, 2023
 - 34% vest on August 23, 2024
- 150,000 RSUs
 - 33% vest on December 15, 2022
 - 33% vest on December 15, 2023
 - 33% vest on December 15, 2024

As at March 31, 2022, 66,750 RSUs had vested and 316,750 were unvested.

VSBLTY Groupe Technologies Corp.
Notes to the Condensed Consolidated Interim Financial Statements
For the three months ended March 31, 2022
(Expressed in United States dollars)
(Unaudited)

16. EXPENSES BY NATURE

	Three months ended March 31, 2022	Three months ended March 31, 2021
Marketing expenses	\$ 530,223	\$ 505,717
Meals and entertainment	10,202	1,086
Tradeshaw expenses	22,375	-
Salaries and wages	305,330	49,583
Total sales and marketing expense	\$ 868,130	\$ 556,386
General and administrative expenses	\$ 204,242	\$ 193,228
Professional fees	122,796	95,386
Consulting fees	111,958	172,796
Management fees	51,572	147,375
Rent	3,095	3,136
Salaries and wages	95,072	151,642
Travel	46,393	6,984
Depreciation (note 5)	9,762	4,575
Lease-related depreciation (note 14)	15,959	12,569
Utilities	8,834	17,524
Bad debt expenses	39,028	3,437
Transfer agent and filing fees	7,455	21,969
Total general and administrative expense	\$ 716,166	\$ 830,621
Research and development materials expense	\$ 26,500	\$ 275,969
Consulting fees	268,069	80,265
Salaries and wages	207,418	72,500
Total research and development expenses	\$ 501,987	\$ 428,734

17. RELATED PARTY TRANSACTIONS

Key management compensation

During the three months ended March 31, 2022, remuneration of the Company's key management personnel consisted of management fees of \$300,900 (2021 - \$162,000) and share-based payments of \$214,042 (2021 - \$48,100). Management fees are included in general and administrative expenses and sales and marketing expense.

17. RELATED PARTY TRANSACTIONS (Continued)

Other related party transactions

During the three months ended March 31, 2022 and 2021, other related party transactions consisted of the following:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Revenue earned on the sale of hardware, included in hardware revenue	\$ 1,015,250	\$ -
Revenue earned on the provision of installation services to Winkel, included in professional services revenue	\$ 98,250	\$ -
Revenue earned on the sale of software, included in license fee revenue	\$ 46,065	\$ -
Revenue earned on the provision of consulting services, included in professional services revenue	\$ 30,000	\$ -
Director fees, included in general and administrative expenses	\$ 4,000	\$ -
Creative services paid to a related entity controlled by an officer, included in cost of sales	\$ -	\$ 12,675
Marketing expenses paid to a related entity, included in sales and marketing expenses	\$ 189,904	\$ 47,524
Accounting and administrative fees paid to related entities, included in general and administrative expenses	\$ 13,312	\$ 825
Contract project development labour paid to a related entity, included in research and development expenses	\$ -	\$ 120,000
Interest expense for notes payable to related parties, excluding discount accretion	\$ -	\$ 6,863

Related party balances

At March 31, 2022, \$99,017 (December 31, 2021 - \$912,810) was due to related parties and is included in accounts payable and accrued liabilities. The amounts were non-interest bearing and due on demand.

At March 31, 2022, \$2,320,060 (December 31, 2021 - \$1,220,860) 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 March 31, 2022, \$21,600 (December 31, 2021 - \$Nil) was due from a related party and is included in trade and other receivables. The amount is non-interest bearing and due on demand.

18. 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.

18. CAPITAL MANAGEMENT (Continued)

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.

19. FINANCIAL RISK MANAGEMENT

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

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Foreign exchange risks are closely monitored, and attempts are made to match foreign cash inflows and outflows. As at March 31, 2022, the Company is primarily exposed to foreign exchange risk through its cash and cash equivalents denominated in Canadian dollars. The Company mitigates foreign exchange risk by monitoring foreign exchange rate trends and evaluating reinvestment opportunities when possible. The Company does not currently hedge its foreign exchange risk. Based on current exposures as at March 31, 2022 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 \$185,000 in the Company's condensed consolidated statements of loss and comprehensive loss.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and trade and other receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. The Company mitigates credit risk by evaluating the creditworthiness of customers prior to conducting business with them and monitoring its exposure for credit losses with existing customers. During the three months ended March 31, 2022, the Company incurred \$39,028 in bad debt expense (2021 - \$3,437).

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 March 31, 2022 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.

19. FINANCIAL RISK MANAGEMENT (Continued)

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

	March 31, 2022	December 31, 2021
Current	\$ 1,143,329	\$ 1,274,469
31- 60 days	725,451	-
61 - 90 days	(483,635)	-
91+ days	1,024,915	41,465
Total	\$ 2,410,060	\$ 1,315,934

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at March 31, 2022, 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.

20. BASIS OF FAIR VALUE

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable marker data (unobservable inputs).

The Company's financial instruments consist of cash, trade and other receivables, accounts payable, lease liabilities, convertible debentures, embedded derivatives and notes payable. With the exception of convertible debentures, embedded derivatives and notes payable, the carrying value of the Company's financial instruments approximate their fair values due to their short-term maturities. The fair value of convertible debentures and notes payable approximate their carrying value, excluding discounts, due to minimal changes in interest rates and the Company's credit risk since issuance of the instruments.

21. CONTINGENCY

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

During the year ended December 31, 2020, a demand letter was received by the Company from Interknowlogy, LLC (“Interknowlogy”), a related company, pertaining to outstanding payment and corresponding late charges. The Company had contested the work performed by Interknowlogy and is in the midst of negotiating with Interknowlogy on the payable. As at March 31, 2022, included in accounts payable is a liability of \$587,759 (including \$77,760 late payment interest charges), based on the statement of work (December 31, 2021 - \$587,759).

22. SUBSEQUENT EVENTS

- a) On April 21, 2022, the Company granted 100,000 stock options. The options are exercisable at \$0.54 per share until April 27, 2027 vesting as follows: 33% on April 27, 2023, 33% on April 27, 2024 and 33% on April 27, 2025.
- b) Subsequent to March 31, 2022, the Company issued 3,830,664 common shares related to the exercise of warrants for proceeds of \$601,723 (CAD \$752,578).