Management's Discussion and Analysis of Financial Condition and Results of Operations for the six months ended June 30, 2022

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 six months ended June 30, 2022 is prepared as at August 25, 2022. This MD&A should be read in conjunction with the condensed consolidated interim financial statements for the six months ended June 30, 2022 and 2021 and the related notes thereto and the audited consolidated financial statements for the year 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 six months ended June 30, 2022" relating to timing of revenue. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. This MD&A may contain forward-looking statements that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

This MD&A contains future-oriented financial information and financial outlook information (collectively, "**FOFI**") regarding the Company's prospective revenue, operating losses, expenses and research and development operations, which are subject to the same assumptions, risk factors, limitations and qualifications as set forth above. FOFI contained in this MD&A was prepared using the same accounting principles that the Company expects to use in preparing its financial statements for the applicable periods covered by such FOFI. FOFI was made as of the date of this MD&A and was provided for the purpose of describing anticipated sources, amounts and timing of revenue generation, and are not an estimate of profitability or any other measure of financial performance. In particular, revenue estimates do not take into account the cost of such estimated revenue, including the cost of goods and the cost of sales. VSBLTY disclaims any intention or obligation to update or revise any FOFI contained in this MD&A, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. FOFI contained in this MD&A should not be used for purposes other than for which it is disclosed herein. Please see the risk factors discussed under the heading "Risk Factors" in the Company's annual information form and other public filings made by the Company with Canadian securities regulatory authorities, which are available under the Company's SEDAR profile at www.sedar.com.

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 condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at June 30, 2022, the Company had not yet achieved profitable operations and has an accumulated deficit of $42,463,124 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.

Since 2019, 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(1)	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. (“JCI”). 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. 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 14 Channel Partner Description of Partnership locations. As at the date hereof, the agreement has generated approximately $1,500 in revenue. The next milestone for the partnership is Sensormatic formally launching the combined product within their salesforce and identifying the first customers.
Energetika(2)	In September 2019, the Company and Energetika Sustenable y Ecologica SA de CV (“Energetika”) entered into a definitive contract, pursuant to which the Company agreed to provide DataCaptor (video analytics, crowd measurement) and VECTOR (Facial Recognition and weapons detection) to Energetika to provide real time crowd analytics and audience measurement for Latin American communities. For several months the Company had been working with Mexico City based Energetika to design, test, and pilot an integrated “security kit” for residential, neighborhood and law enforcement applications in the various communities around and within Mexico City. The testing involved the development of a proprietary and patent-able innovation meant to address the unique architectural demands of a scaled security camera network. The contract, which expires August 30, 2022, is renewable for successive terms. The parties have agreed to extend the agreement for a successive term upon expiry. While the number of cameras deployed in Mexico City currently exceeds 15,000, only a small fraction of those cameras have been enabled with Artificial Intelligence (“AI”) 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. In October of 2021, Energetika spun off its assets and contracts associated with the Mexican network to a new company called RADAR APP S.A.P.I. de C.V. (“RADAR App”). VSBLTY continues to support RADAR App as a reseller of the core VSBLTY security technology. As at the date hereof, the agreement has generated approximately $11,500 in revenue. The next milestone for the partnership is expected to be the expansion of the Mexico City RADAR deployments to other major cities in Mexico.
UST Global(1)	On April 23, 2020, the Company entered into a global, multi-product strategic teaming agreement with UST Global Inc. (“UST Global”), pursuant to which the parties will collaborate to bring advanced digital display software solutions to retail

Channel Partner	Description of Partnership
	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. As of April 2022, the Company has several active engagements with UST Global. As part of this process, VSBLTY provides training to UST Global's salesforce. As UST Global's salesforce becomes more familiar with VSBLTY's product solutions, it is expected that this will in turn lead to additional engagement with UST Global's worldwide retailer customer base. 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. As at the date hereof, the agreement has generated approximately $11,000 in revenue. UST Global has targeted several initial customers and invested in training for both the VSBLTY SaaM solutions as well as digital cooler solutions. The first major customer to deploy one or both of these solutions will constitute the next milestone for the partnership.
Radar USA(3)	On August 11, 2021, the Company entered into a license agreement with RADAR USA, Inc. ("RADAR USA") 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 15,000 cameras (however, only a small fraction of those cameras have been enabled with AI logic from VSBLTY). Pursuant to the license agreement, VSBLTY has granted an exclusive license to RADAR USA in respect of 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. RADAR App will be responsible for the costs of the cameras and the costs related to the installation of the cameras. The term of the agreement is for a period of forty-eight months, and thereafter shall automatically be renewed for successive twelve (12) month periods unless RADAR USA notifies the Company in writing at least thirty (30) days prior to the end of the then-current term or renewal term. The Company is aware of RADAR USA's development pipeline and management of the Company remains optimistic with respect to RADAR USA's growth prospects. As at the date hereof, the agreement has generated approximately $200,000 in revenue. The next milestone for the partnership will be payment of the license by RADAR USA to VSBLTY. The Company holds an approximate 23.6% equity interest in RADAR USA.

Channel Partner	Description of Partnership
EOS Linx (2)	On October 7, 2021, the Company entered into a five-year contract with EOS Linx LLC ("EOS Linx") 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. The parties have also agreed to develop the placement of electric vehicle ("EV") charging stations at fuel and convenience locations to augment EV charging with media supported digital display. This is expected to create new revenue opportunities for participating retailers as well as VSBLTY. As at the date hereof, the agreement has generated approximately $80,000 in revenue. The next milestone for the partnership is expected to be an expansion of the EV solar infrastructure into other cites. This is expected to be completed by the end of 2022.
Wireless Guardian(1)(2)	On June 7, 2022, the Company signed an agreement with Wireless Guardian, Inc. ("Wireless Guardian") to install security technology funded by a SaaM program, in more than 1,800 Mountain Express Oil convenience stores and/or truck stops throughout 19 states in the US. Wireless Guardian is a security technology-based company that has a focus on convenience and fuel retail. The parties have secured a contract to provide digital activation and media capabilities. The SaaM program allows retailers to offset the cost to update their security systems using new revenue raised from brand-generated media advertising on cooler doors and screens throughout their stores. Using Intel Smart Edge and VSBLTY/Wireless Guardian solutions, Mountain Express Oil locations are expected to enhance the guest experience with interactive brand messaging triggered by proximity and demographics. Included in the installations will be Golden Record, which uses free guest Wi-Fi in stores to improve the customer experience by providing customized messages to inform, motivate and reward individuals to make impulse purchases at point of sale. Once customers opt in, shoppers receive money-saving coupons and content specialized to their individual interests and preferences during their current and future store visits. All hardware costs associated with this agreement will be funded by Wireless Guardian. The agreement may be terminated in the following circumstances: (i) either party may terminate the agreement without cause upon sixty (60) days' prior written notice; (ii) in the event that Wireless Guardian has a reasonable issue or concern with respect to a change of control in ownership of VSBLTY, Wireless Guardian may terminate the agreement by delivering written notice of termination to VSBLTY at any time within thirty (30) days after receiving written notice from VSBLTY of a change in control of VSBLTY; (iii) either party may terminate the agreement with cause upon thirty (30) days' prior written notice, unless the applicable breach is cured during the notice period; or (iv) either party may terminate by written notice to the other party if the other party becomes insolvent, makes a general assignment for the benefit of creditors, files a voluntary petition of bankruptcy, suffers or permits the appointment of a receiver for its business or assets, or becomes subject to any proceedings under any bankruptcy or insolvency law, or has wound up or liquidated, voluntarily or otherwise. While VSBLTY and Wireless Guardian do not have a formal distribution agreement in place, the strategic intent is to align the companies in order to develop a comprehensive go-to-market product offering that combines Wireless Guardian's

Channel Partner	Description of Partnership
	signals intelligence security solution and VSBLTY's security and retail solutions. In the event that a distribution agreement is entered into, it is expected that both parties will be granted to the right to sell the other parties' SaaS software as well as professional services and expertise. This product offering is expected to feature a wide-range of VSBLTY solutions incorporating both measured digital display for retail as well as programmatic content and signals intelligence security. The Company projects that when the 2,800-store rollout is completed the annual gross revenue of the SaaM network to the Company may be greater than $30M. The Company's SaaM model is expected to earn income from multiple revenue streams under the contract. With an expanded role in leading the SaaM model, in addition to traditional SaaS fees, the Company expects to receive fees for media and content management. Additional revenue is also expected to be generated from Golden Record media and creative fees. Net margins will vary between SaaS, content/media fees and hardware, but are expected to generally be consistent with the Company's historical norms. As at the date hereof, the agreement has generated approximately $140,000 in revenue. The Company is deploying a pilot phase over the next several months, and once completed expects to complete installation at a rate of approximately 500 stores per quarter. Accordingly, deployment at 2,800 stores is expected to be completed sometime in 2026. The Company's financial projections in this section related to the Wireless Guardian agreement are based on reasonable expectations developed by the Company's management, and 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: (i) the Company's ability to successfully develop and deploy its products, in particular the completion of the rollout to 2,800 Mountain Express convenience stores, based on an expected cadence of approximately 500 stores per quarter after the initial pilot phase; (ii) approximately $225 of SaaS gross revenue per store per month, based on the deployment of two cooler panel displays and five 55-inch screens for a total of five visual displays per store, with each display generating $40-50 gross revenue per month ; (iii) up to approximately $2,450 per store per month derived from media revenue, of which VSBLTY would receive a 30% share where the ad purchases are sourced by the Company, or 18% where VSBLTY does not source the ad purchases; (iv) up to approximately $13,000 per store of revenue from VSBLTY procuring hardware; (v) cost of sales and expenses being consistent with VSBLTY's historical performance; (vi) the Company's partners' timely delivery of all ancillary components and services; and (vii) the Company's ability to maintain performance and quality as the project advances and product volume increases. Accordingly, these financial projections are only estimates and are necessarily speculative in nature and actual results may vary and such variations may be material and may increase over time. In light of the foregoing, readers are cautioned not to

Channel Partner	Description of Partnership
	place undue reliance on the financial projections. See "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Information" in the Company's final short form prospectus dated July 25, 2022, copies of which are available on the Company's SEDAR profile at www.sedar.com (the "July 2022 Prospectus").

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 these agreements as integration/original equipment manufacturer agreements. 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.

(3) The Company categorizes this agreement as a non-standard reseller agreement, as well as a strategic partnership.

In addition to those named above, the Company works with a number of other channel partners under reseller agreements where partners are granted rights to sell the Company's products. Such reseller agreements include the following:

- On August 10, 2020, the Company announced that, together with its South African channel partner, Onyx-Cognivas Pty., it will deploy multiple digital media solutions in a chain of fuel/convenience stores operating in South Africa. Under this deployment, which will have a term of five years unless earlier terminated, the Company's 17 VisionCaptor™ and DataCaptor™ software is expected to be installed in retail locations, each having three digital interactive placements as well as computer vision analytics.

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.

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 Media and Modelo, operates under the name Winkel Media, S.A.P.I. de C.V. ("Winkel Media") and 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. The objective of the Joint Venture is to create a high-performing retail media network that will allow for digital advertising in up to 50,000 locations over the life of the Joint Venture. The rationale for VSBLTY providing initial financing for the Joint Venture, as well as delaying payment on SaaS fees, is to allow for the performance of activities intended to create critical mass in the market. That is, the structure is based on the underlying rationale that media cannot be sold unless it reaches a certain distribution or reach. The other parties to the Joint Venture create value in non-tangible ways, while VSBLTY agreed to fund the initial costs of the network build-out with the expectation that both the revenue and the initial start up operating and equipment costs will be paid out as the entity approaches cash flow positive.

Winkel Media is growing and currently provides a large portion of the Company's revenues. As at June 30, 2022, the Joint Venture has generated approximately $2.2M in revenue for the Company, primarily for the sale of equipment. The Company expects that more technology will be licensed by Winkel Media as the services expand into related, technology enabled, advertising markets. Any change in VSBLTY's relationship with this partner in the future could have a material adverse effect on its business, financial condition and results of operations. See "Risk Factors - Dependence on a Small Number of Channel Partners" in the July 2020 Prospectus.

On May 3, 2022, the Company entered into a monthly SaaS agreement with Winkel Media to begin a phase one installation of Golden Record in its convenience store media network throughout Latin America. The initial rollout has started in Mexico, Peru, Ecuador, Colombia and the Dominican Republic, and is expected to expand with new installations as Winkel Media grows its planned 50,000-store network. Winkel Media is an in-store media technology company that is a joint venture of the Company, its Latin American partner Retailigent, S.A. de C.V. and Cerveceria Modelo de Mexico, S. de R.L. de C.V. that is already operational. The technology company developed the first retail DOOH network in Latin America Golden Record uses free guest Wi-Fi in stores to improve the customer experience, and customized messages to inform, influence and motivate individuals to make impulse purchases at point of sale. The initial term of the agreement is for a period of twenty-four (24) months; however, the parties will have the right to extend the term for an additional twenty-four (24) month period if the applicable shareholders' agreement terminates. After the initial term or applicable extension period, the agreement will automatically be renewed for successive three (3) month periods unless Winkel provides notification in writing at least thirty (30) days prior to the end of the then-current term or renewal term. In the event of a material breach of any provision of the agreement, the non-breaching party may terminate the agreement by giving thirty (30) days prior written notice to the breaching party; provided, however, that the agreement shall not terminate if the breaching party has cured the breach prior to the expiration of such thirty (30) day period.

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 smarty city infrastructure.

Retail and Security Sectors

Although the goal of the Company is to secure as many SaaS subscriptions as possible, there are many components to successfully securing and growing a customer subscription base in the markets and channels the Company serves. There are two broad categories in which the Company participates, which include: (i) the retail sector; and (ii) the security sector. Each of the retail and security sectors have slightly different deployment and revenue models, which are further described in the following paragraphs.

1. Retail: In the retail sector, the objective of VSBLTY, through the deployment of its software, is to generate greater visibility and promotion for consumer products in physical retail locations. This objective is addressed through the process of activation. For example, the Company's VisionCaptor product is optimized to deliver a visual or interactive experience for consumers who are in aisle at retail locations. The objective of the digital activation is to engage the customer in a specific message that is customized to the promotion or to the consumer (e.g. specific to 18 the consumer's age and gender). The efficacy of the message is measured by counting persons, dwell time, engagement, interaction and lift (which refers to the amount of incremental product sold due to the activation). In the experience of management of the Company, consumer packaged goods brands will pay for the opportunity to place messaging in retail locations because they expect that such positioning will enhance the branding of their product, will generate more product sales, and will provide consumer engagement metrics, unlike other retail solutions previously provided. Brands use this data to fine tune their messaging and to optimize target marketing and customer engagement. The activation itself (the visual display combined with measurement) provides an effective way of reaching consumers out of home with relevant brand messaging and, in the experience of management of the Company, results in a return on investment in the form of increased sales. This may increase the value of the shelf space because it becomes an advertising platform with instant and granular measurement data.

   The Company generates retail revenue by creating a new interactive advertising medium that is both interactive and measurable. VSBLTY generates revenue not only by providing the professional services that surround the deployment of the technology, but also through the creative execution and the SaaS licenses, which are foundational to the actual platform. A typical deployment in retail will be funded either by the brand (e.g. a company that displays and sells their products within a retail store) or the retailer (e.g. a company that owns the retail location within which products are displayed and sold) and deployed in a selected number of stores. Each deployment for each store can constitute 1 to 4 "endpoints". VSBLTY licenses its retail software on a "per end point per month" basis. A deployment that is executed across an entire retailer could be several thousand endpoints. As the Company generates more end points in retail locations (e.g. more smart digital shelves or displays) and the benefits of the Company's products are further demonstrated, management expects that the market demand for the Company's products will increase.

2. Security: VSBLTY's security solution is based on the idea that too many cameras can overwhelm operators, leading to circumstances wherein the operators, charged with the responsibility of monitoring hundreds of video feeds, miss critical events or information. The camera networks tend to be used primarily to understand and decode what may have happened, as opposed to acting as a critical early warning system or a real time analytics augmentation to the operator. While the forensic value of a camera network is significant, the idea of conducting proactive analytics without operator intervention brings surveillance into a new category. VSBLTY's software can monitor hundreds of thousands of camera feeds for meaningful data in the video stream, which includes data with respect to objects that should not be there, such as weapons or unauthorized persons in a restricted area.

   Both the DataCaptor and VECTOR software modules process algorithms. This is the artificial intelligence process that determines, as an example, the age of a person, the gender of a person, the type of an object (e.g. a beverage) or the identity of a person. DataCaptor and VECTOR can run one or many algorithms simultaneously on edge processors (not cloud). In the security context, for instance, this means that the VECTOR software can query a local database and determine if a person in the field of view matches a biometric entry on the database. If the software determines a match, there will be a report with probability of a match (e.g. the person is matching to a database entry).

VSBLTY generates revenue from the security market by selling both DataCaptor (Anonymous video analytics) and VECTOR (Facial Recognition). Each camera is licensed, as is each algorithm. The more algorithms that run on the processor, the more licenses are required. As the Company deploys camera networks with its security partners, VSBLTY will run analytics on a sub-set or on the entire camera population. The license revenue will be generated in that manner.

A typical security deployment would include a number of cameras deployed within a city or community and, depending upon the kind and number of algorithms deployed, each camera would be licensed per month. In a smart city deployment, the number of cameras running analytics in a camera network could number in the thousands.

Developments during the six months ended June 30, 2022

- On January 26, 2022, the Company announced that it is partnering with Farleigh Consultants Ltd., to market advanced security technology solutions in the United Kingdom and the European Union.
- During the six months ended June 30, 2022, the Company recognized total revenue of $1.2M. The increase is mainly a result of the efforts in installations of Modelorama stores. In addition, the Company closed bookings of $1.2 million in the six months ended June 30, 2022 that are expected to be earned over the next two years. [1]

Critical Accounting Estimates and Policies

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

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

The condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at June 30, 2022, the Company had not yet achieved profitable operations and has an accumulated deficit of $42,463,124 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.

[1] 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”.

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.

During the six months ended June 30, 2022, the Company issued an aggregate of:

- 10,185,468 common shares for the exercise of warrants for proceeds of $1,393,462 (CAD$1,772,174) of which $355,203 was reclassed from obligation to issue shares, and as a result, $37,792 has been reclassed 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 reclassed from reserves;
- 41,750 common shares were issued related to the vesting of RSUs, and as a result $23,619 has been reclassed 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.

Summary of Quarterly Results

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

	Three months ended							
	June 30, 2022	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**
Revenue	$ 3,242,876	$ 1,242,462	$ 1,020,993	$ 156,263	$ 292,632	$ 130,134	$ (405,500)	$95,501
Net loss for the period	$ (1,869,634)	$ (3,650,558)	$ (4,987,405)	$ (4,018,599)	$ (3,817,468)	$ (3,412,232)	$ (2,330,726)	$(1,291,833)
Basic and diluted loss per share	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.01)

Summary of Results During Prior Eight Quarters

Revenue increased by $2,000,414 as compared to the most recent quarter, professional services by $512,683 and hardware by $1,485,899. Net loss decreased for the three months ended June 30, 2022 by $1,780,924 compared to the three months ended March 31, 2022. This is mainly attributable to an increase in gross profit of $504,810 and a decrease in share-based payments of $945,592. Share-based payments decreased mainly because of a greater amount of options granted during the three months ended March 31, 2022 that vest immediately compared to the three months ended June 30, 2022.

Net loss decreased for the three months ended March 31, 2022 by $1,336,847 compared to the three months ended December 31, 2021. This is mainly attributable to a decrease in general and administrative expenses of $1,009,285 and a decrease in share-based payments of $362,268. Share-based payments decreased mainly because of a greater amount of options granted during the three months ended December 31, 2021 that vest immediately compared to the three months ended March 31, 2022. Revenues increased by $221,469 which was a result of increased installations of hardware and software in connection with the Company's joint venture.

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. Overall gross profit increase by $117,257. Net loss increased 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 the impairment of inventory of $843,998, impairment of the bridge loan of $641,866, as well as increases in salaries and marketing expenses and general and administrative expenses of $147,168 and $444,266, respectively. These increases were offset by a decrease in share-based payments of $943,038. 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. 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. 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.

Results of Operations – For the six months ended June 30, 2022 and 2021

The results of operations for the three and six months ended June 30, 2022 and 2021 are summarized below:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue				
License fees	$ 78,191	$ 32,247	$ 154,550	$ 72,086
Professional services	659,546	18,435	806,409	36,744
Hardware and other	2,505,139	241,950	3,524,379	313,936
	3,242,876	292,632	4,485,338	422,766
Cost of sales	(3,010,984)	(201,128)	(4,526,364)	(279,931)
Gross profit	231,892	91,504	(41,026)	142,835
Sales and marketing expenses	(545,834)	(344,753)	(1,413,964)	(901,139)
General and administrative expenses	(761,548)	(813,464)	(1,477,714)	(1,644,085)
Research and development expenses	(523,152)	(372,346)	(1,025,139)	(801,080)
Share-based payments	(186,851)	(2,231,564)	(1,319,292)	(3,726,274)
Recovery on Inventory	353,909	-	353,909	-
Operating loss	(1,431,583)	(3,670,624)	(4,923,226)	(6,929,743)
Finance costs	(27,759)	(142,458)	(55,348)	(300,147)
Loss on loan impairment	(420,263)		(573,877)	
Loss on AP settlement	(22,526)		(22,526)	
Interest income	31,815	-	50,364	-
Foreign exchange loss	682	(4,385)	4,421	(1,431)
Net loss for the period	(1,869,634)	(3,817,468)	(5,520,192)	(7,231,322)
Foreign currency translation	(27,341)	(58,976)	14,502	(85,340)
Comprehensive loss for the period	$ (1,896,975)	$ (3,876,444)	$ (5,505,690)	$ (7,316,662)
Loss per share – Basic and diluted	$ (0.01)	$ (0.02)	$ (0.03)	$ (0.05)
Weighted average shares outstanding – Basic and diluted	207,530,202	161,610,308	204,937,694	158,205,194

Revenue

During the three months ended June 30, 2022 and 2021, the Company generated revenue of $3,242,876 and $292,632, respectively. License fee revenue increased by $45,944 due to a larger amount of subscriptions entered into during the latter part of 2021 as compared to the earlier months. Professional services revenue increased by $659,546 as a result of increased installations and support offered on new installations, as well as consulting Hardware and other revenue decreased by $2,263,189 mainly due to equipment sales to AGIS recognized during the period offset by the derecognition of Winkel revenue for the six months ended June 30, 2022 that was previously recorded in the three months ended March 31, 2022,.

During the six months ended June 30, 2022 and 2021, the Company generated revenue of $4,485,338 and $422,766, respectively. License fee revenue increased by $82,464 due to a larger amount of subscriptions entered into during the latter part of 2021 as compared to the earlier months. Professional services revenue increased by $769,665 as a result of increased installations and support offered on new installations. Hardware and other revenue increased by $3,210,443 mainly due to equipment sales to AGIS recognized during the period offset by the derecognition of Winkel revenue for the six months ended June 30, 2022 that was previously recorded in the three months ended March 31, 2022,

Cost of sales

During the three months ended June 30, 2022 and 2021, cost of sales was $3,010,984 and $201,128, respectively. The increase in cost of sales of $2,809,856 was mainly due to the decrease in margin due to the change in sales mix earned on hardware versus software and licensing as well as the recognition of COGS on the equipment sales to AGIS for the period ending June 30, 2022.

During the six months ended June 30, 2022 and 2021, cost of sales was $4,526,364 and $279,931, respectively. The increase in cost of sales of $4,246,433 was mainly due to the decrease in margin due to the change in sales mix earned on hardware versus software and licensing as well as the recognition of COGS on the equipment sales to AGIS for the period ending June 30, 2022.

Operating expenses

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Marketing expenses	$ 216,863	$ 287,680	$ 747,086	$ 793,397
Meals and	12,105	1,240	22,307	2,326
Tradeshow expenses	10,920	833	33,295	833
Salaries and wages	305,946	55,000	611,276	104,583
Total sales and marketing expense	$ 545,834	$ 344,753	$ 1,413,964	$ 901,139
General and	$ 150,550	$ 90,903	$ 354,792	$ 284,131
Professional fees	152,495	66,327	275,291	161,713
Consulting fees	128,531	233,492	240,489	406,288
Management fees	62,500	199,729	114,072	347,104
Rent	3,425	3,036	6,520	6,172
Salaries and wages	83,584	164,293	178,656	315,935
Travel	75,764	7,624	122,157	14,608
Depreciation (note 6)	11,810	4,864	21,572	9,439
Lease-related	22,741	12,569	38,700	25,138
Utilities	13,949	2,763	22,783	20,287
Bad debt expenses	33,528	-	72,556	3,437
Investor relations	-	-	-	-
Penalties and fees	-	965	-	965
Transfer agent and filing fees	22,671	26,899	30,126	48,868
Total general and administrative expense	$ 761,548	$ 813,464	$ 1,477,714	$ 1,644,085
Research and	$ 37,038	$ 198,363	$ 63,538	$ 474,332
Consulting fees	303,887	88,275	571,956	168,540
Salaries and wages	182,227	85,708	389,645	158,208
Total research and development expenses	$ 523,152	$ 372,346	$ 1,025,139	$ 801,080

The above table provides a breakdown of the various expense categories, by nature, for the three and six months ended June 30, 2022 and 2021.

The increase in expenses of $570,513 consists of an increase in sales and marketing of $512,825, research and development of $224,059, offset by a decrease in general and administrative costs of $166,371.

Sales and marketing expenses increased by $512,825 primarily due to increased staffing, resulting in an increase in salaries and wages of $506,693.

Research and development costs increased by $224,059 during the period as a result of hiring internal contractors on development projects, increasing contractor fees by $403,416 and salaries and wages saw an increase of $231,437 as the Company hired an internal director of engineering to the team. This was offset by development and materials expense decreasing by $410,794.

General and administrative expenses decreased by $166,371 mainly due to decreases in management and consulting fees in the period totaling $398,831 offset by increases in professional fees of $113,578 and travel expenses of $107,549.

Share-based payments

Share-based payments for the three months ended June 30, 2022 and 2021 were $186,850 and $2,231,564, respectively. Share-based payments for the six months ended June 30, 2022 and 2021 were $1,319,292 and $3,726,274 respectively

On March 15, 2021, the Company issued warrants in connection with an agreement with Grupo Modelo. During the six months ended June 30, 2022 and June 30, 2021, the Company recognized $547,355 and $3,488,659, respectively, in share-based payments related to this issuance.

During the six months ended June 30, 2021, the Company granted 3,675,000 options with a fair value of $1,690,487. Share-based payments relating to options vesting during the period using the Black- Scholes option pricing model was $705,352.

During the six months ended June 30, 2022, $66,585 in share-based payments was recognized pursuant to the vesting of RSUs granted during the year ended December 31, 2021.

Other income and expenses

Other expense for the three and six months ended June 30, 2022 consisted of finance costs of $27,589 and $55,348, respectively (2021 – $142,458 and $300,147) 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. For the three and six months ended June 30, 2022, other expenses also included a $22,526 ($2021 - $Nil) loss on settlement of accounts payable and $420,263 and $573,877 loss on loan impairment, respectively (2021 - $Nil).

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 six months ended June 30, 2022, working capital decreased to $962,981 from $3,522,569 as at December 31, 2021. The $2,559,588 decrease in working capital is attributable to a decrease in cash of $4,161,501 coupled by a decrease in inventory of $177,216 and offset by decreases in accounts payable and accrued liabilities of $394,912 and by increases in trade and other receivables of $1,634,835.

Cash Flows

Historically and prospectively, our primary sources of liquidity and capital resources have been and will continue to be proceeds from the issuance of debt and common shares. Based on our current level of operations and our expected results of operations over the next 12 months, we believe that cash generated from operations and cash on hand and anticipated future capital raises will be adequate to meet our anticipated liquidity requirements, capital expenditures and working capital needs for the next 12 months. However, we cannot be certain that our business will generate sufficient cash flow from operations, that our anticipated earnings from operations will be realized, or that future borrowings will be available or otherwise to enable us to service our indebtedness or to make anticipated capital expenditures. Our future operating performance and our ability to service our debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control. See “Financial Risk Management” of this MD&A for a discussion of the risks related to our liquidity and capital structure.

As at June 30, 2022, the Company had cash of $771,323 (December 31, 2021 - $4,932,824). The decrease in cash and cash equivalents compared to the balance at December 31, 2021 was primarily due to operational costs and the payment of current liabilities.

Net cash used in operating activities for the six months ended June 30, 2022 was $5,644,770 (2021 - $3,273,827). 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 six months ended June 30, 2022, the Company incurred $3,916,817 (2021 - $3,346,304) 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 $5,520,192 for the six months ended June 30, 2022 (2021 - $7,231,322).

Net cash used in investing activities for the six months ended June 30, 2022 was $54,641 (2021 - $480,982). The decrease relates to a loan provided by the Company to Winkel and the purchase of equipment in the six months ended June 30, 2021.

Net cash provided by financing activities for the six months ended June 30, 2022 was $1,537,910 (2021 - $9,996,792). The decrease was primarily a result of proceeds from the close of a short-form prospectus financings for net proceeds of $7,267,715 and the exercise of warrants and options in the period of $2,752,628 in the six months ended June 30, 2021

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

VSBLTY, Inc. is party to a contract with Think-Traffic, LLC ("Think-Traffic") for the provision marketing and support services. VSBLTY, Inc. can terminate this contract at any time. VSBLTY, Inc. expects to continue making payments to Think-Traffic in the normal course of business. Jan Talamo is the Chief Creative Officer of both Think-Traffic and VSBLTY.

VSBLTY is a party to a contract with Radar USA. VSBLTY owns 23.57% of the common shares of Radar USA. 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 Company also expects to receive consulting income through Radar USA's wholly owned subsidiary, Radar Mexico.

Key management compensation

During the six months ended June 30, 2022, remuneration of the Company's key management[2] consisted of management fees in the amount of $601,800 (2021 - $346,000) and share-based payments of $394,651 (2021 - $75,318). Management fees are included in general and administrative, sales and marketing and research and development expenses.

[2] Key management personnel include Jay Hutton, Chief Executive Officer; Mitch Codkind, Chief Financial Officer; Fred Potok, Chief Sales Officer; Jan Talamo, Chief Creative Officer; Linda Rosanio, Chief Operating Officer; and Gary Gibson, Chief Technology Officer.

Other related party transactions

During the six months ended June 30, 2022 and 2021, other related party transactions consisted of the following:

	Six months ended June 30, 2022	Six months ended June 30, 2021
Revenue earned on the sale of hardware to Winkel, included in hardware revenue	$ 261,122	$ -
Revenue earned on the provision of installation services to Winkel, included in professional services revenue	$ 217,926	$ -
Revenue earned on the sale of software to Winkel and Radar USA, included in license fee revenue	$ 111,255	$ -
Revenue earned on the provision of consulting services to Radar USA, included in professional services revenue	$ 180,000	$ -
Rental income on sublease with Radar USA	$ 11,068	$ -
Director fees, included in general and administrative expenses[3]	$ 8,000	$ -
Creative services paid to Think-Traffic included in cost of sales	$ -	$ 12,675
Marketing expenses paid to Think-Traffic, included in sales and marketing expenses	$ 239,997	$ 194,683
Accounting and administrative fees paid to Think-Traffic, included in general and administrative expenses	$ 39,805	$ 1,425
Contract project development labour paid to Interknowlogy, LLC[4], included in research and development expenses	$ -	$ 185,000
Interest expense for notes payable to related parties, excluding discount accretion[5]	$ -	$ 12,711

Related party balances

At June 30, 2022, $53,402 (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 June 30, 2022, $1,815,228 (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 June 30, 2022, $153,825 (December 31, 2021 - $Nil) was due from Radar USA and is included in trade and other receivables. The amount is non-interest bearing and due on demand.

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[3] Directors include Thomas Hays, Amin Shahidi, David Roth, and former director Alnesh Mohan.

4 Entity controlled by former Tim Huckaby, former Chief Technology Officer

5 Note holders include Jay Hutton, Chief Executive Officer, and Guy Lombardo former director

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 June 30, 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 June 30, 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 $41,000 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 June 30, 2022, the Company incurred $72,556 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 June 30, 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.

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

	June 30, 2022	December 31, 2021
Current	$ 872,095	$ 1,274,469
31- 60 days	76,108	-
61 - 90 days	182,592	-
91+ days	1,819,974	41,465
Total	$ 2,950,769	$ 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. The Company's outstanding convertible debt bears interest at fixed rates. As a result, at June 30, 2022, 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, LLC ("Interknowlogy"), a formerly related company, pertaining to outstanding payment and corresponding late charges. The Company had contested the work performed by Interknowlogy and is in the midst of negotiating with Interknowlogy on the payable. As at June 30, 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).

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 232,477,828, 70,365,492, 441,750 and 13,615,833, respectively.

Subsequent Events

a) Subsequent to June 30, 2022, issued 19,166,705 Units of the Company at $0.30 CAD (USD $0.23) for gross proceeds of $5,750,012 CAD (USD $4,479,947) pursuant to the closing of a prospectus offering. Each Unit comprises one common share and one common share purchase warrant of the Company. Each warrant can be exercised at $0.50 CAD for a period of 36 months from closing.

   The Company incurred cash agent's fees of $460,001 CAD and legal expenses of $78,691 CAD pursuant to the prospectus. The Company also issued 1,533,336 broker warrants and 383,334 common shares as a corporate finance fee. Each broker warrant entitles the holder to one Unit at an exercise price of $0.30 CAD until July 28, 2025.

Concurrent with the prospectus, the Company issued 2,983,230 Units at a price of $0.30 CAD for gross proceeds of $894,969 CAD pursuant to a non-brokered private placement. The issued units have the same terms as the units issued in the prospectus.

b) Subsequent to June 30, 2022, the Company issued 573,894 common shares related to the exercise of warrants for proceeds of $74,829 (CAD $97,562).

c) Subsequent to June 30, 2022, 75,000 options expired unexercised.

d) On August 18, 2022, the Company issued 100,000 RSUs to an employee and vest as follows: 33% on August 18, 2023, 33% on August 18, 2024 and 34% on August 18, 2025.