

VSBLTY Groupe Technologies Corp.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

(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	September 30, 2022	December 31, 2021
		(Unaudited)	
ASSETS			
Current assets			
Cash		\$ 3,841,086	\$ 4,932,824
Trade and other receivables	17, 19	2,995,811	1,315,934
Lease receivable	14	36,652	-
Prepaid expenses	6	314,743	329,727
Inventory	7	-	177,216
		7,188,292	6,755,701
Equipment, net	5	93,624	70,101
Right-of-use assets	14	195,921	128,534
Lease receivable	14	76,616	-
Investment	8	1,000,000	1,000,000
Prepaid expenses - noncurrent	6	19,979	10,916
Total assets		\$ 8,574,432	\$ 7,965,252
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	10, 17	\$ 1,554,908	\$ 2,467,110
Deferred revenue	11	49,977	11,028
Current portion of lease liability	14	133,953	55,150
Convertible debentures	12	-	360,085
Loans payable	13	380,492	339,759
		2,119,330	3,233,132
Lease liability	14	207,144	100,149
Total liabilities		2,326,474	3,333,281
SHAREHOLDERS' EQUITY			
Share capital	15	41,216,722	33,347,460
Reserves	15	11,220,288	8,297,272
Obligation to issue shares	15	197,847	355,203
Obligation to issue warrants	15	19,127	19,127
Accumulated deficit		(45,645,999)	(36,942,932)
Accumulated other comprehensive income		(670,027)	(444,159)
Total shareholders' equity		6,247,958	4,631,971
Total liabilities and shareholders' equity		\$ 8,574,432	\$ 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 September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Revenue					
License fees		\$ 103,270	\$ 91,900	\$ 257,820	\$ 163,986
Professional services		108,782	24,016	915,191	60,760
Hardware and other		586,489	406,767	4,110,868	720,703
		798,541	522,683	5,283,879	945,449
Cost of sales		(841,762)	(386,809)	(5,368,126)	(666,740)
Gross profit		(43,221)	135,874	(84,247)	278,709
Sales and marketing expenses	16, 17	(633,752)	(401,117)	(2,047,716)	(1,302,256)
General and administrative expenses	16, 17	(903,711)	(1,371,185)	(2,381,425)	(3,098,262)
Research and development expenses	16, 17	(721,930)	(381,475)	(1,747,069)	(1,182,555)
Share-based payments	15(b)(c) (d)	(575,129)	(1,727,721)	(1,894,421)	(5,453,995)
Recovery on inventory impairment	7	-	-	353,909	-
Operating loss		(2,877,743)	(3,745,624)	(7,800,969)	(10,758,359)
Finance costs	12, 14	(21,865)	(92,182)	(77,213)	(392,329)
Loss on loan impairment	9	(406,382)	-	(980,259)	-
Loss on settlement of payables		192	-	(22,334)	-
Interest income		35,598	-	85,962	-
Foreign exchange loss		87,326	(695)	91,746	(2,126)
Net loss for the period		(3,182,875)	(3,921,493)	(8,703,067)	(11,152,814)
Foreign currency translation		(240,370)	(109,275)	(225,868)	(194,615)
Comprehensive loss for the period		\$ (3,423,245)	\$ (4,030,768)	\$ (8,928,935)	\$ (11,347,429)
Loss per share – Basic and diluted		\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.07)
Weighted average shares outstanding – Basic and diluted		229,012,834	183,468,233	212,980,383	166,746,164

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VSBLTY Groupe Technologies Corp.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(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' 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 public offering	15(a)	18,400,000	6,506,140	347,560	-	-	-	-	6,853,700
Shares issued for private placement	15(a)	1,162,384	475,466	-	-	-	-	-	475,466
Shares issued for warrant exercises	15(a,b)	14,468,689	3,293,146	(222,179)	-	-	-	-	3,070,967
Shares issued for option exercises	15(a,c)	325,000	152,383	(87,661)	-	-	-	-	64,722
Convertible debt conversion	12	8,488,770	3,153,275	(254,918)	-	-	-	-	2,898,356
Share-based payments	15	-	-	5,453,996	-	-	-	-	5,453,996
Foreign currency translation		-	-	-	-	-	-	(194,615)	(194,615)
Loss for the period		-	-	-	-	-	(11,152,814)	-	(11,152,814)
Balance, September 30, 2021		186,025,211	\$ 29,283,441	\$ 8,080,665	\$ -	\$ -	\$ (31,858,420)	\$ (404,919)	\$ 5,119,894
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 public offering	15(a)	19,166,705	4,035,503	448,390	-	-	-	-	4,483,893
Share issuance costs	15(a)	383,334	(537,567)	-	-	-	-	-	(537,567)
Shares issued for private placement	15(a)	11,205,061	2,039,662	540,306	-	-	-	-	2,579,968
Broker warrants issued	15(a)	-	(216,369)	216,369	-	-	-	-	-
Shares issued for services	15(a)	144,534	113,337	-	-	-	-	-	113,337
Shares issued for warrant exercises	15(a,b)	10,799,362	1,868,395	(40,133)	-	(355,203)	-	-	1,473,059
Shares issued for option exercises	15(a,c)	970,000	341,088	(149,916)	-	-	-	-	191,172
Shares issued for RSUs vested	15(a,d)	41,750	23,619	(23,619)	-	-	-	-	-
Shares issued to settle debt	15(a)	650,000	111,594	37,198	-	-	-	-	148,792
Shares returned to treasury	15(a,c)	(125,000)	-	-	-	-	-	-	-
Proceeds from private placements		-	-	-	-	197,847	-	-	197,847
Share-based payments	15(c)	-	-	1,894,421	-	-	-	-	1,894,421
Foreign currency translation		-	-	-	-	-	-	(225,868)	(225,868)
Loss for the period		-	-	-	-	-	(8,703,067)	-	(8,703,067)
Balance, September 30, 2022		241,772,993	\$ 41,216,722	\$ 11,220,288	\$ 19,127	\$ 197,847	\$ (45,645,999)	\$ (670,027)	\$ 6,247,958

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)

Nine months ended September 30
2022 **2021**

	2022	2021
Cash flows from operating activities		
Loss for the period	\$ (8,703,067)	\$ (11,152,814)
Adjustments for non-cash items:		
Depreciation	94,589	54,525
Accretion expense	4,372	215,714
Interest expense	42,237	-
Share-based payments	1,894,421	5,453,996
Foreign exchange gain	(308,488)	(127,474)
Marketing fees paid in shares	113,337	-
Bad debt expense	199,016	-
Changes in non-cash working capital items:		
Trade and other receivables	(1,878,893)	(745,717)
Inventory	177,216	(456,735)
Prepaid expenses and deposits	14,984	(63,615)
Accounts payable and accrued liabilities	(912,203)	37,366
Deferred revenue	38,949	(4,060)
Net cash used in operating activities	(9,223,530)	(6,788,814)
Cash flows from investing activities		
Acquisition of equipment	(56,674)	(57,400)
Purchase of investment	-	(1,000,000)
Payment of long-term security deposit	(9,063)	-
Payment of loan proceeds	-	(616,000)
Net cash used in investing activities	(65,737)	(1,673,400)
Cash flows from financing activities		
Principal portion of lease payments	(71,852)	(35,774)
Lease receivable repayment	15,557	-
Subscriptions received	197,847	-
Proceeds from equity financing, net of share issuance costs	6,526,294	7,329,166
Proceeds from exercise of options	191,173	64,722
Proceeds from exercise of warrants	1,473,059	3,070,966
Repayment of matured debt	(134,549)	-
Net cash provided by financing activities	8,197,529	10,429,080
Net increase (decrease) in cash	(1,091,738)	1,966,866
Cash and cash equivalents, beginning of period	4,932,824	1,917,763
Cash and cash equivalents, end of period	\$ 3,841,086	\$ 3,884,629
Supplemental cash flow disclosures:		
Interest paid	\$ 94,769	\$ 302,371
Promissory notes and accrued interest settled for shares	195,000	102,416
Convertible debt converted into shares	\$ -	\$ 2,939,952

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

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2022 and 2021

(Expressed in United States dollars)

(Unaudited)

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 September 30, 2022, the Company had not yet achieved profitable operations and has an accumulated deficit of \$45,645,999 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 November 28, 2022.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2022 and 2021

(Expressed in United States dollars)

(Unaudited)

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.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2022 and 2021

(Expressed in United States dollars)

(Unaudited)

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	Furniture	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	26,758	20,906	9,010	56,674
Balance, September 30, 2022	\$ 104,646	\$ 64,273	\$ 9,010	\$ 177,929
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	21,976	10,735	440	33,151
Balance, September 30, 2022	\$ 43,253	\$ 40,612	\$ 440	\$ 84,305
Net book value				
Balance, December 31, 2021	\$ 56,611	\$ 13,490	\$ -	\$ 70,101
Balance, September 30, 2022	\$ 61,393	\$ 23,661	\$ 8,570	\$ 93,624

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2022 and 2021

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(Unaudited)

6. PREPAID EXPENSES

	September 30, 2022	December 31, 2021
Current		
Prepaid services and subscriptions	\$ 252,806	\$ 293,136
Prepaid insurance and rent	61,937	36,591
Other prepaid deposits	-	-
Total Current	\$ 314,743	\$ 329,727
Non-Current		
Lease deposit	\$ 19,979	\$ 10,916
Total Prepaid Expenses	\$ 334,722	\$ 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. On May 21, 2022, the Company entered into an agreement with Austin GIS Inc., whereby Austin GIS Inc. purchased all of the Company's remaining inventory of \$2,545,583 in exchange for the payment of the Company's accounts payable balance. For the nine months ended September 30, 2022, a recovery on inventory of \$353,909 was recognized. As at September 30, 2022, the Company had \$Nil (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;

VSBLTY Groupe Technologies Corp.

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(Unaudited)

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 September 30, 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 September 30, 2022

Current		
Cash	\$	19,912
Other assets		51,450
		71,362
Non-Current		
Equipment		2,129,732
Total Assets	\$	2,201,094
Current		
Accounts payable and accrued liabilities	\$	2,494,010
Deferred revenue		287
		2,494,297
Non-Current		
Bridge Loan		1,611,664
Total Liabilities		4,105,961
Equity		(1,904,867)
Total Liabilities and Equity	\$	2,201,094

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

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9. INVESTMENT IN JOINT VENTURE (Continued)*Summarized statement of loss of Winkel for the nine months ended September 30, 2022*

Revenue	\$	77,041
Depreciation		(446,026)
General and administrative expenses		(1,260,432)
Net loss for the period	\$	(1,629,417)
Company's 33.33% share of net loss	\$	(543,134)

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 nine month period ended September 30, 2022, no share of loss is recognized during the nine months ended September 30, 2022.

Bridge Loan to Winkel

For the year ended December 31, 2021, the Company had a bridge loan receivable from Winkel of which \$631,405 was impaired as of December 31, 2021. As of September 30, 2022 the Company determined that the additional loan of \$980,259 may not be collectible and impaired the value of the loan to \$Nil.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2022	December 31, 2021
Accounts payable	\$ 1,134,141	\$ 1,787,281
Accrued liabilities	370,418	595,741
Accrued interest (Note 13)	50,349	84,088
	\$ 1,554,908	\$ 2,467,110

11. DEFERRED REVENUE

The Company's deferred revenue consists of the following:

	September 30, 2022	December 31, 2021
Customer deposits on contracts	\$ -	\$ 11,028
Unearned revenue on license fees	49,977	-
	\$ 49,977	\$ 11,028

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2022 and 2021

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(Unaudited)

12. CONVERTIBLE DEBENTURES

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

	2020	2019	Total
	Debentures	Debentures	
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, September 30, 2022	\$ -	\$ -	\$ -

During the nine months ended September 30, 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.

During the nine months ended September 30, 2022, \$365,350 in convertible debentures matured unconverted. As at September 30, 2022, there was accrued interest of \$Nil (December 31, 2021 - \$66,960) included in accounts payable and accrued liabilities.

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	(134,549)
Settlement through shares	(148,792)
Foreign exchange	(41,276)
Balance, September 30, 2022	\$ 380,492

During the nine months ended September 30, 2022, \$365,350 in convertible debt matured unconverted. Amounts are unsecured, bear interest at 10%, and are due on demand. During the nine months ended September 30, 2022, the Company recorded \$28,720 (2021 - \$Nil) in interest expense included in finance cost. As at September 30, 2022, there was accrued interest of \$50,349 (December 31, 2021 - \$17,128) included in accounts payable and accrued liabilities.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2022 and 2021

(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	128,825
Depreciation expense	(61,438)
Balance, September 30, 2022	\$ 195,921

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

Lease liability	September 30, 2022	December 31, 2021
Current portion	\$ 133,953	\$ 55,150
Long-term portion	207,144	100,149
Total lease liability	\$ 341,097	\$ 155,299

At September 30, 2022, the Company is committed to minimum lease payments as follows:

Maturity analysis	September 30, 2022	December 31, 2021
Less than one year	\$ 162,110	\$ 68,203
One to five years	223,130	108,928
Total undiscounted lease liabilities	\$ 385,240	\$ 177,131

Amounts recognized in profit or loss	September 30, 2022	September 30, 2021
Interest on lease liabilities	\$ 17,559	\$ 14,104
Interest income on sublease	\$ 7,251	\$ -

Amounts recognized in the statement of cash flows	September 30, 2022	September 30, 2021
Interest paid	\$ 17,559	\$ 14,104
Principal payments on lease liabilities	71,852	35,774
Total cash outflows for leases	\$ 89,411	\$ 49,878

On March 15, 2022, the Company entered into a sublease agreement related to office space. At September 30, 2022 and December 31, 2021, the Company's lease receivable related to office leases is as follows:

Lease receivable	September 30, 2022	December 31, 2021
Current portion	\$ 36,652	\$ -
Long-term portion	76,616	-
Total lease receivable	\$ 113,268	\$ -

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14. LEASES (Continued)

Maturity analysis	September 30, 2022	December 31, 2021
Less than one year	\$ 46,363	\$ -
One to five years	83,215	-
More than five years	-	-
Total undiscounted lease receivable	\$ 129,578	\$ -

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 nine months ended September 30, 2022, the Company issued an aggregate of:

- 19,166,705 units at \$0.30 CAD per unit for gross proceeds of \$4,483,893 (CAD\$5,750,012) pursuant to a prospectus offering. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.50 CAD for a period of 36 months from the closing date. \$448,390 (CAD\$575,002) of the proceeds was allocated to the value of the warrants. Cash finder's fee and legal fees totaling \$537,567 (CAD\$674,853) was paid, 383,334 common shares valued at \$80,710 (CAD\$103,500) were issued as corporate finance fees, and 1,533,336 agent warrants valued at \$216,369 (CAD\$277,465) were issued. Each agent warrant entitles the holder to purchase one common share at a price of \$0.50 CAD for a period of 36 months from the closing date;
- 2,983,230 units at \$0.30 per unit for gross proceeds of \$697,902 (CAD\$894,969) pursuant to a concurrent private placement to the prospectus offering. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.50 CAD for a period of 36 months from the closing date. \$69,790 (CAD\$89,497) of the proceeds was allocated to the value of the warrants. As at September 30, 2022, \$3,850 (CAD\$5,000) was owed to the Company by a subscriber for units subscribed;
- 8,221,831 units at \$0.30 per unit for gross proceeds of \$1,882,066 (CAD\$2,466,549) pursuant to the second tranche of the concurrent private placement to the prospectus offering. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.50 CAD for a period of 36 months from the closing date. \$470,516 (CAD\$616,637) of the proceeds was allocated to the value of the warrants;
- 144,534 common shares were issued for consulting services with a fair value of \$113,337;
- 10,799,362 common shares for the exercise of warrants for proceeds of \$1,473,059 (CAD\$1,876,536) of which \$355,203 was reclassified from obligation to issue shares, and as a result, \$40,133 has been reclassified from reserves;
- 970,000 common shares for the exercise of options for proceeds of \$191,172 (CAD\$242,250), and as a result \$149,916 has been reclassified from reserves;

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15. SHAREHOLDERS' EQUITY (Continued)**a) Share capital (Continued)**

- 41,750 common shares were issued related to the vesting of RSUs, and as a result \$23,619 has been reclassified from reserves;
- 650,000 common shares were issued at \$0.30 CAD to settle \$195,000 CAD in debt; and
- 125,000 common shares issued in error were returned to treasury.

During the nine months ended September 30, 2021, the Company issued an aggregate of:

- 18,400,000 units at \$0.50 CAD per unit for gross proceeds of \$7,436,250 (CAD\$9,200,000) pursuant to a public offering. Each unit consists of one common share and one-half of one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.65 CAD for a period of 60 months from the closing date. Cash finder's fee of \$720,720 CAD was paid and 1,288,000 agent warrants were issued. Each agent warrant entitles the holder to purchase one common share at a price of \$0.50 CAD for a period of 60 months from the closing date.
- 1,162,384 units at \$0.50 per unit for gross proceeds of \$475,466 (CAD\$581,192) pursuant to a concurrent private placement to the public offering. Each unit consists of one common share and one-half of one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.65 CAD for a period of 60 months from the closing date.
- 14,468,689 common shares for the exercise of warrants for proceeds of \$3,070,966 (CAD \$3,839,572), as a result \$218,129 has been reclassified from reserves;
- 325,000 common shares for the exercise of options for proceeds of \$64,722 (CAD\$81,250), as a result \$87,661 has been reclassified from reserves; and
- 8,488,770 common shares on conversion of the convertible debentures.

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 (vested);
- 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.

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15. SHAREHOLDERS' EQUITY (Continued)**b) Warrants (Continued)**

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 September 30, 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, \$876,759 (CAD\$1,121,656) has been recorded to share-based payments expense during the nine months ended September 30, 2022.

As part of the public offering and concurrent financings completed during the 9 month period ending September 30, 2022, 30,371,766 warrants were granted valued at \$988,696 (CAD\$1,281,136). Each warrant entitles the holder to purchase one common share at a price of \$0.50 CAD for a period of 36 months from the respective closing dates.

1,533,336 agent warrants were also issued pursuant to the public offering. Each agent warrant entitles the holder to purchase one common share at a price of \$0.50 CAD for a period of 36 months from the closing date. These warrants had a total fair value of \$277,465 CAD (USD\$216,369), or \$0.18 CAD per warrant, using the Black Scholes model with the following inputs: i) exercise price: \$0.30 CAD; ii) share price: \$0.27 CAD; iii) term: 3.00 years; iv) volatility: 113.42%; v) discount rate: 2.76%.

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	0.32
Granted	32,555,102	0.49	0.36
Exercised	(10,799,362)	0.22	0.16
Expired	(457,466)	0.60	0.44
Outstanding, September 30, 2022	79,197,323	\$ 0.49	\$ 0.36

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15. SHAREHOLDERS' EQUITY (Continued)**b) Warrants (Continued)**

As at September 30, 2022, the following warrants were outstanding and exercisable:

Number of warrants outstanding	Exercise price (\$CAD)	Exercise price (\$USD)	Expiry date	Number of warrants exercisable
838,258	0.12	0.08	August 28, 2023	838,258
15,667,026	0.17	0.12	August 28, 2023	15,667,026
5,559,045	0.17	0.12	September 22, 2023	5,559,045
8,889,892	0.65	0.47	June 29, 2024	8,889,892
188,000	0.50	0.36	June 29, 2024	188,000
15,500,000	0.84	0.65	March 18, 2026	7,750,000
22,149,935	0.50	0.36	July 28, 2025	22,149,935
1,533,336	0.30	0.22	July 28, 2025	1,533,336
8,871,831	0.50	0.36	August 31, 2025	8,871,831
79,197,323	\$ 0.49	0.36		71,447,323

As at September 30, 2022, the weighted average remaining contractual life of outstanding warrants is 2.31 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	3,825,000	0.78	0.57
Exercised	(970,000)	0.25	0.18
Expired	(295,000)	0.30	0.24
Forfeited	(850,000)	0.46	0.33
Returned	125,000*	0.17	0.12
Outstanding, September 30, 2022	13,365,833	\$ 0.50	\$ 0.38
Exercisable, September 30, 2022	9,786,667	\$ 0.39	\$ 0.28

*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. On February 18, 2022, the issued shares were returned to Treasury.

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15. SHAREHOLDERS' EQUITY (Continued)**c) Options (Continued)**

As at September 30, 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
2,820,000	\$ 0.30	\$ 0.22	February 15, 2023	2,820,000
50,000	0.30	0.22	December 15, 2024	50,000
250,000	0.30	0.22	January 12, 2025	250,000
2,050,000	0.17	0.12	October 6, 2025	2,050,000
150,000	0.17	0.12	October 9, 2025	150,000
300,000	0.25	0.18	November 24, 2025	300,000
150,000	0.73	0.53	March 8, 2026	150,000
3,112,500	0.51	0.37	August 10, 2026	3,112,500
33,333	0.60	0.44	August 20, 2026	16,667
250,000	0.57	0.41	August 23, 2026	250,000
275,000	0.75	0.55	September 20, 2026	275,000
30,000	0.97	0.71	October 1, 2026	22,500
120,000	1.62	1.18	November 18, 2026	90,000
150,000	1.25	0.91	December 15, 2026	-
3,055,000	0.81	0.59	January 27, 2027	250,000
195,000	0.81	0.59	January 31, 2027	-
125,000	0.81	0.59	February 7, 2027	-
100,000	0.54	0.39	April 27, 2027	-
150,000	0.28	0.20	August 18, 2027	-
13,365,833	\$ 0.50	\$ 0.38		9,786,667

As at September 30, 2022, the weighted average remaining contractual life of outstanding options is 3.08 years.

During the nine months ended September 30, 2022, the Company granted 3,825,000 options with a fair value of \$1,726,743. Share-based payments relating to options vesting during the period using the Black-Scholes option pricing model was \$917,741.

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.

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15. SHAREHOLDERS' EQUITY (Continued)**c) Options (Continued)**

The fair value of stock options granted during the nine months ended September 30, 2022 and the year ended December 31, 2021 was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	September 30, 2022	December 31, 2021
Risk-free interest rate	1.64 – 3.03%	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.

During the nine month period ended September 30, 2022, the Company granted 100,000 RSUs with a fair value of \$20,013. Share-based payments relating to RSUs vesting during the nine months ended September 30, 2022 using the Black-Scholes option pricing model was \$99,921 (2021 - \$39,417). 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

The RSUs issued during the nine months ended September 30, 2022 vest as follows:

- 100,000 RSUs
 - 33% vest on August 18, 2023
 - 33% vest on August 18, 2024
 - 34% vest on August 18, 2025

As at September 30, 2022, there were 441,750 RSUs outstanding of which 58,333 RSUs were vested and 383,417 unvested.

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16. EXPENSES BY NATURE

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Marketing expenses	\$ 250,192	\$ 307,280	\$ 997,278	\$ 1,100,677
Meals and entertainment	15,642	5,426	37,949	7,752
Tradeshaw expenses	21,522	33,411	54,817	34,244
Salaries and wages	346,396	55,000	957,672	159,583
Total sales and marketing expense	\$ 633,752	\$ 401,117	\$ 2,047,716	\$ 1,302,256
General and administrative expenses	\$ 238,254	\$ 190,717	\$ 593,046	\$ 474,848
Professional fees	83,931	123,650	359,222	248,230
Consulting fees	168,011	439,405	408,500	845,693
Management fees	62,500	244,160	176,572	591,264
Rent	3,545	3,006	10,065	9,178
Salaries and wages	81,954	218,508	260,610	534,414
Travel	69,023	34,666	191,180	49,274
Depreciation (note 5)	11,579	7,379	33,151	16,818
Lease-related depreciation (note 14)	22,738	12,569	61,438	37,707
Utilities	13,878	12,743	36,661	33,030
Bad debt expenses	126,460	31,136	199,016	54,797
Penalties and fees	-	(4)	-	961
Transfer agent and filing fees	21,838	53,250	51,964	202,048
Total general and administrative expense	\$ 903,711	\$ 1,371,185	\$ 2,381,425	\$ 3,098,262
Contract development and materials expense	\$ 243,453	\$ 200,108	\$ 264,453	\$ 674,440
Consulting fees	277,562	68,867	849,518	237,407
Salaries and wages	200,915	112,500	633,098	270,708
Total research and development expenses	\$ 721,930	\$ 381,475	\$ 1,747,069	\$ 1,182,555

17. RELATED PARTY TRANSACTIONS*Key management compensation*

During the nine months ended September 30, 2022, remuneration of the Company's key management personnel consisted of management fees of \$901,700 (2021 - \$706,500) and share-based payments of \$569,945 (2021 - \$899,742). Management fees are included in general and administrative expenses and sales and marketing expense.

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17. RELATED PARTY TRANSACTIONS (Continued)*Other related party transactions*

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

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Revenue earned on the sale of hardware to Winkel, included in hardware revenue	\$ 693,572	\$ -
Revenue earned on the provision of installation services to Winkel, included in professional services revenue	\$ 603,921	\$ -
Revenue earned on the sale of software, included in license fee revenue	\$ 150,020	\$ -
Revenue earned on the provision of consulting services, included in professional services revenue	\$ 555,000	\$ -
Rental income on sublease	\$ 24,109	\$ -
Director fees, included in general and administrative expenses	\$ 11,000	\$ -
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	\$ 340,001	\$ 322,519
Accounting and administrative fees paid to related entities, included in general and administrative expenses	\$ 59,766	\$ 1,425
Contract project development labour paid to a related entity, included in research and development expenses	\$ -	\$ 185,000
Interest expense for notes payable to related parties, excluding discount accretion	\$ -	\$ 12,711

Related party balances

At September 30, 2022, \$570,406 (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 September 30, 2022, \$2,642,277 (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 repayments are due to begin starting July 1, 2023.

At September 30, 2022, \$524,861 (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.

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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.

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 September 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 September 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 \$221,000 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 nine months ended September 30, 2022, the Company incurred \$199,016 in bad debt expense (2021 - \$54,797).

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19. FINANCIAL RISK MANAGEMENT (Continued)

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 September 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:

	September 30, 2022	December 31, 2021
Current	\$ 177,745	\$ 1,274,469
31- 60 days	89,737	-
61 - 90 days	629,161	-
91+ days	2,099,168	41,465
Total	\$ 2,995,811	\$ 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 September 30, 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;

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20. BASIS OF FAIR VALUE (Continued)

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 market 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 September 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). Refer to Note 22(d) for additional information.

22. SUBSEQUENT EVENTS

- a) Subsequent to September 30, 2022, the Company issued 1,733,333 Units of the Company at \$0.30 CAD (USD \$0.23) for gross proceeds of \$520,000 CAD (USD \$405,452) pursuant to the closing of a third tranche of a private placement concurrent to the 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.
- b) Subsequent to September 30, 2022, the Company issued 1,508,862 Units in exchange for outstanding loans payable of \$452,659 CAD (USD 352,945). 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.

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22. SUBSEQUENT EVENTS (Continued)

- c) On October 24, 2022, Interknowlogy filed a complaint against the Company in the court of California for breach of contract related to amounts owing. The Company has contested the work performed by Interknowlogy and is currently disputing the claim. The Company is currently preparing a counterclaim (see also Note 21).
- d) On October 24, 2022, the Company issued 1,075,000 options to new directors and employees of the Company exercisable at \$0.30 for a period of five years. Of the total options issued, 550,000 vest immediately, the remainder vest 33% on October 24, 2023, 33% on October 24, 2024 and 33% on October 24, 2025.
- e) On November 10, 2022, the Company issued 125,000 warrants in connection with a marketing agreement in exchange for certain strategic communications services. Each warrant is exercisable into one common share at \$0.30 per share for a period of three years.