**Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 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 year ended December 31, 2022, is prepared as at July 5, 2023. This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2022 and 2021 and the related notes thereto. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). All currency amounts are expressed in United States dollars, unless otherwise noted.

## Forward-Looking Information

This discussion contains "forward-looking statements" that involve risks and uncertainties including statements under the heading "Developments during the year ended December 31, 2022" relating to timing of revenue and expectations relating to increased bookings. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. This MD&A may contain forward-looking statements that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

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 software provider of artificial intelligence (primarily computer vision and machine learning) used to provide important business and security intelligence, in real time, based on contextual data including demographics such as age or gender or facial and object recognition (products or weapons). The Company's shares trade on the Canadian Securities Exchange under the symbol "VSBY", the OTCQB Venture Market under the symbol "VSGBF", and the Frankfurt stock exchange under the symbol "5VS".

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at December 31, 2022, the Company had not yet achieved profitable operations and has an accumulated deficit of $49,317,803 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 driver of digital - retail transformation solutions, the Company assists retailers in defining new digital growth and marketing strategies that lead to new revenue streams (Retail Media Networks). 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 and their application in transforming retail engagement and measurement. This has positioned 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 challenges for the management of the business with respect to accurate projections and forecasting. The Company's goal is to establish a brand that is trusted by retailers and advertisers alike to guide them through the digital revolution in retail and the building of media retail networks. The Company will focus its resources on leveraging this trust to generate contracts and revenue as more retailers take advantage of these new revenue streams.

The digital-out-of-home ("**DOOH**") market refers to digital advertising that is targeted to consumers outside their homes (particularly in-store where consumers can actually buy a product). 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 advertisers. Advertisers 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 the platform and capability that is intended to deliver this measurability, and with key channel partners, a turnkey solution for retailers and advertisers to build new in-store media networks.

In the security category, the Company has a similar issue. Most camera and sensor systems have a human dependency. The guiding philosophy of computer vision with machine learning is that computers and software can be leveraged to interpret live video by making dumb cameras smart. 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 suspicious 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 as this market further defines itself.

On October 25th, 2022, the Company received notice that the U.S. Patent and Trademark Office issued patent No. 11,481,809 for the firm's software platform that allows for specific content to be triggered by biometric and proximity triggers while ensuring the greatest protection for identity and privacy since no data collected is able to be inferred to personally identifiable information. The patent is the first awarded to the Company, initially for use on large form vending, with additional applications to follow.

Utilizing advanced facial detection and classification techniques, the system determines individual customer's facial features to determine whether they will be targeted for specific product or brand messages based on age or gender. The software will trigger ads if the brand is targeting males or females or customers of a particular age group and will serve content automatically based on the customer's particular demographic profile. The software also has the capability to change content based on the customer's proximity to the display. One set of content is designed to attract the customer's attention from thirty feet away. The content then can be triggered again at ten feet from the display to further engage the customer, and finally, once more, at the point the customer interacts with the content by touch or by scanning a QR code.

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 is now marketing 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 customer 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 software-as-a-service ("**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 combined shopper analytics product intended to create a new |

| Channel Partner | Description of Partnership |
|---|---|
| | comprehensive category of demographic analytics solutions for retail 14 Channel Partner Description of Partnership locations.<br><br>As at the date hereof, the agreement has generated approximately $25,000 in revenue. Sensormatic has officially launched a global marketing program featuring the combined shopper analytics products. The new product line was featured at Sensormatic trade shows and in podcasts and social media campaigns. |
| 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 two years 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 expired on August 30, 2022, is automatically renewed annually unless either party provides written notice at least sixty (60) days in advance of the expiration of the then current term. The parties have agreed to extend the agreement for a successive annual term.<br><br>While the number of cameras deployed in Mexico City currently exceeds 15,000, only a small percentage 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.<br>As at the date hereof, the agreement has generated approximately $30,600 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 starting in mid 2023. |
| 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 percentage 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 to certain market segments in the United States and Canada with a focus on School Safety, Homeowners Associations, churches and other houses of worship, 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 |

| Channel Partner | Description of Partnership |
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| | 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.<br><br>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.<br><br>As of the date hereof, the agreement has generated approximately $140,000 in revenue. The next milestone for the partnership will be payment of the license by RADAR USA to VSBLTY and the launch of SOS, the company's Secure Our Schools Program.<br><br>In addition to the revenue generated already the companies have agreed to exclusivity in certain markets in exchange for an upfront licensing fee of $2M USD. While this payment is delayed due to financing issues at RADAR USA, VSBLTY remains confident that the licensing fee will be paid in the next 12 months and that RADAR will be a meaningful source of ongoing license revenues.<br><br>The Company holds an approximate 23.6% equity interest in RADAR USA. |
| Wireless Guardian(1)(2) | On June 7, 2022, the Company signed an agreement with Wireless Guardian, Inc. ("Wireless Guardian") to install security and retail 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 had secured contracts to provide digital activation and media support 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 were expected to enhance the guest experience with interactive brand messaging through both direct, sponsored advertising, as well as programmatic advertising. Included in the installations will also be Golden Record, which uses free guest Wi-Fi in stores to engage customers by providing customized messages to inform, motivate and reward individuals that make impulse purchases at point of sale.<br><br>In March of 2023, Wireless Guardian's largest In-Store Media client, Mountain Express Oil, filed for Chapter 11 Bankruptcy Protection. While installations in 60 plus stores was underway, all future activities were placed on hold. This has significantly affected Q1 revenue projections and potentially 2023 annual projections as well.<br><br>As at the date hereof, the agreement has generated approximately $396,000 in revenue. The Company deployed a pilot phase during 2023 in 60 plus stores. |

| Channel Partner | Description of Partnership |
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**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:

Onyx-Cognivas Pty

- 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: the Company's ability to successfully develop its products; the Company's pricing targets remaining in place; the Company's ability to successfully deploy its products to its channel partners' customers; the Company's channel partners' timely delivery of all ancillary components and services; and 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 (a subsidiary of AB InBev), 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 is expected to provide a large portion of the Company's revenues. As of December 31, 2022, the Joint Venture has generated approximately $2.7M in revenue, a large portion of which has been reversed for collectability, primarily for the sale of equipment. At the end of the second quarter. 2022, Austin GIS took over equipment sales and related financing duties with Winkel. 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 2022 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.

Starting in mid-October, programmatic advertising capability was also deployed throughout the network in conjunction with VSBLTY's new programmatic partner, Perpetual Media. The team has been integrating with all major DSP's including Place Exchange, Hivestack and key global agencies' programmatic buying entities, enabling Winkel Media to now accept advertising placement using live, Real Time Bidding. Programmatic is expected to represent 30% of all advertising sales at higher-than-expected CPM of $12.

Winkel also continues to grow its advertising base among direct clients including global brands such as Bimbo, PepsiCo, Unilever and others with 2023 annual contracts expected to grow along with the expansion of new store installations. Winkel will see continued growth in advertising sales made directly through the ABInbev app, BEES as store owners are learning to coordinate brand advertising support of weekly store promotions.

**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. During the year ended December 31, 2022, Austin bought back shares from other investors resulting in the Company's share of ownership increasing from 12.33% to 23.8% undiluted. 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.

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. In summary, the Company is recognized for pioneering the implementation of the Store as a Medium program that enables brands to reach customers when and where buying decisions are being made while producing a new revenue stream for both the Company and leading retailers around the world.

1. 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, significantly reducing the cost of monitoring and enhancing overall security solutions.

   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 year ended December 31, 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 years ended December 31, 2022, and 2021, the Company generated revenue of $2,023,397 and $1,600,022, respectively. The increase in revenues is primarily due to revenue from Wireless Guardian offset by a decrease in revenue to Winkel compared to the year ended December 31, 2021.

**Critical Accounting Estimates and Policies**

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

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

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at December 31, 2022, the Company had not yet achieved profitable operations and has an accumulated deficit of $49,317,803 since its inception. The continuing operations of the Company are dependent upon its ability to develop a viable business and to attain profitable operations and generate funds there from. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs with capital market equity financings. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

The significant accounting policies applied in the preparation of the financial statements are in Note 3 of the audited financial statements for the years ended December 31, 2022 and 2021. Critical accounting estimates are in Note 4 of the audited financial statements for the years ended December 31, 2022 and 2021.

***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, 2022 and 2021.

***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, 2022 and 2021.

## Share Capital

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

During the year ended December 31, 2022, the Company issued an aggregate of:

- 19,166,705 units at $0.30 CAD per unit for gross proceeds of $4,483,894 (CAD$5,750,012) pursuant to a prospectus offering. Each unit consists of one common share and one 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 totalling $550,860 (CAD$718,151) were paid, 383,333 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 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 December 31, 2022, $3,691 (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 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. $470,517 (CAD$616,637) of the proceeds was allocated to the value of the warrants;
- 1,733,333 units at $0.30 per unit for gross proceeds of $386,319 (CAD$520,000) pursuant to the third tranche of the concurrent private placement to the prospectus offering. Each unit consists of one common share and one 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. $103,018 (CAD$138,667) of the proceeds was allocated to the value of the warrants. As at December 31, 2022, $187,439 (CAD$253,908) was owed to the Company by a subscriber for units subscribed, this amount was received subsequent to year end.
- 144,534 common shares were issued for consulting services with a fair value of $113,337;
- 11,874,718 common shares for the exercise of warrants for proceeds of $1,962,443 (CAD$2,511,421) of which $355,203 was reclassed from obligation to issue shares, and as a result, $44,080 has been reclassed 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 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;

- 2,158,862 Units in exchange for outstanding loans payable of $447,185 (CAD $595,125). Each Unit comprises one common share and one warrant of the Company. Each warrant can be exercised at $0.50 CAD for a period of 36 months from closing. $126,876 (CAD$168,460) of the proceeds was allocated to the value of the warrants;
- 125,000 common shares issued in error were returned to treasury.

**Selected Annual Information**

The following table sets forth selected financial information for the Company for the fiscal years ended December 31, 2022, and 2021 and should be read in conjunction with the Company's financial statements and related notes thereto for such periods.

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

| **December 31,** | | **2022** | | **2021** | | **2020** |
|---|---|---|---|---|---|---|
| Total assets | $ | 4,467,946 | $ | 7,965,252 | $ | 2,587,930 |
| Non-current financial liabilities | $ | 168,827 | $ | 100,149 | $ | 1,217,437 |
| Revenues | $ | 2,023,397 | $ | 1,600,022 | $ | 607,404 |
| Net loss for the period | $ | (12,374,871) | $ | (16,237,326) | $ | (532,325) |
| Loss per share – basic and diluted | $ | (0.06) | $ | (0.09) | $ | (0.08) |
| Weighted average shares outstanding | | 220,717,233 | | 173,582,321 | | 81,551,693 |

*2022 vs 2021*

Total assets as at December 31, 2022 and 2021 were $4,467,946 and $7,965,252, respectively. The decrease in total assets was primarily a result of a decrease in cash of $3,868,599. The decrease was offset by an increase in share subscription receivable of $191,130.

Total non-current financial liabilities as at December 31, 2022 and 2021 were $168,827 and $100,149, respectively. The increase in total non-current financial liabilities was primarily a result of a new lease agreement that was entered into in 2022.

During the years ended December 31, 2022, and 2021, the Company generated revenue of $2,023,397 and $1,600,022, respectively compared to the year ended December 31, 2021.

Net loss incurred during the year end December 31, 2022, decreased by $3,862,455 from $16,237,326 during the year ended December 31, 2021 to $12,374,871 during the year ended December 31, 2022. The decrease is primarily a result of a decrease in share-based payments of $4,951,102 during fiscal 2022.The decrease in share-based payments is due to the fact that most of the options and RSUs issued in 2020 and 2021 as well as the Modelo warrants vested during fiscal 2021.

## Summary of Quarterly Results

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

| | Three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | December 31, 2022 | September 30, 2022 | June 30, 2022 | March 31, 2022 | December 31, 2021 | September 30, 2021 | June 30, 2021 | March 31, 2021 |
| Revenue | $ 90,387 | $ 722,491 | $ 25,168 | $ 1,185,351 | $ 1,020,993 | $ 156,263 | $ 292,632 | $ 130,134 |
| Net loss for the period | $ (2,878,617) | $ (3,293,295) | $ (2,552,401) | $ (3,650,558) | $ (4,987,405) | $ (4,018,599) | $ (3,817,468) | $ (3,412,232) |
| Basic and diluted loss per share | $ (0.01) | $ (0.02) | $ (0.01) | $ (0.02) | $ (0.01) | $ (0.02) | $ (0.02) | $ (0.02) |

*Summary of Results During Prior Eight Quarters*

Revenue decreased significantly for the three months ended December 31, 2022, as compared to the previous quarter. The decrease of $632,104 was primarily attributable to the decrease of hardware to Wireless Guardian. Net loss decreased by $414,678, as compared to the previous quarter. This decrease is primarily due to the fact that in the prior quarter, the Company recognized a share-based payments of $575,129 whereas there was a reversal in share-based payments of $417,172 in the current quarter due to a change in estimate relating to the Modelo warrants.

Revenue increased significantly for the three months ended September 30, 2022, as compared to the previous quarter. The increase of $697,323 was attributable to an increase in sales to Wireless Guardian. Net loss increased by $740,894, as compared to the previous quarter. In the prior quarter, the Company recognized a reversal of impairment of $353,909 that was non-recurring. Non-cash expenses increased including share-based payments in the quarter due to vesting of warrants of $329,404 and bad debt expense of $92,932. Salaries and wages increased for both sales and marketing and research and development by $101,676.

Revenue decreased by $1,160,182 for the three months ended June 30, 2022, as compared to the three months ended March 31, 2022, mainly due to a decrease in hardware sales by $1,019,240. Net loss decreased for the three months ended June 30, 2022 by $1,098,157 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 $164,357 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. Net loss decreased for the three months ended December 31, 2021 by $986,806 compared to the three months ended September 30, 2021. This is mainly attributable to a decrease in share-based payments of $943,038, impairment of inventory of $843,998 and impairment of the bridge loan of $641,866, offset by increases in salaries and marketing expenses and general and administrative expenses of $147,168 and $444,266, respectively. Share-based payments decreased because significant options granted during the three months ended September 30, 2021 vested immediately whereas fewer options were granted during the three months ended December 31, 2021 and the options that were granted vest over a period of time.

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

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

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

**Results of Operations – For the year ended December 31, 2022 and 2021**

The results of operations for the years ended December 31, 2022 and 2021 are summarized below:

| | Year ended December 31, 2022 | 2021 |
|---|---|---|
| Revenue | | |
| License fees | $ 244,166 | $ 94,796 |
| Professional services | 256,522 | 258,473 |
| Hardware and other | 1,522,709 | 1,246,753 |
| | 2,023,397 | 1,600,022 |
| Cost of sales | (2,646,618) | (1,429,502) |
| Gross profit | (623,221) | 170,520 |
| Sales and marketing expenses | (2,787,675) | (1,850,541) |
| General and administrative expenses | (3,498,404) | (4,830,721) |
| Research and development expenses | (2,519,981) | (1,569,263) |
| Share-based payments | (1,287,576) | (6,238,678) |
| Recovery (impairment) of inventory | 364,260 | (843,998) |
| Impairment of loan receivable | (1,400,514) | (630,741) |
| Loss on joint venture | - | (25,725) |
| Loss on settlement of accounts payable | (43,637) | - |
| Other installations and managed services | (566,240) | - |
| **Operating loss** | (12,403,220) | (15,819,147) |
| | - | |
| Finance costs | (90,603) | (438,410) |
| Interest income | 30,927 | 9,350 |
| Foreign exchange loss | 88,025 | 10,881 |
| **Net loss for the period** | (12,374,871) | (16,237,326) |
| Foreign currency translation | (222,961) | (233,855) |
| **Comprehensive loss for the period** | $ (12,597,832) | $ (16,471,181) |

***Revenue***

During the year ended December 31, 2022, and 2021, the Company generated revenue of $2,023,397 and $1,600,022, respectively. Hardware and other revenue and license fee revenue increased by $275,956 and $149,370 respectively mainly due to a greater number of contracts entered into in the later part of fiscal 2021.

***Cost of sales***

During the year ended December 31, 2022, and 2021, cost of sales was $2,646,618 and $1,429,502, respectively. The increase in cost of sales of $1,217,116 was mainly due to the increase in revenue as explained above.

***Operating expenses***

| | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|
| Marketing expenses | $ 1,347,265 | $ 1,562,881 |
| Meals and entertainment | 58,775 | 13,411 |
| Tradeshow expenses | 64,919 | 59,666 |
| Salaries and wages | 1,316,716 | 214,583 |
| Total sales and marketing expense | $ 2,787,675 | $ 1,850,541 |
| | | |
| General and administrative expenses | $ 789,304 | $ 738,889 |
| Professional fees | 492,457 | 403,715 |
| Consulting fees | 595,154 | 1,105,142 |
| Management fees | 239,072 | 1,169,384 |
| Rent | 13,761 | 12,692 |
| Salaries and wages | 332,367 | 830,881 |
| Travel | 250,063 | 101,192 |
| Depreciation | 45,187 | 25,958 |
| Lease-related depreciation | 84,177 | 50,275 |
| Utilities | 63,766 | 43,511 |
| Bad debt expenses | 521,720 | 235,472 |
| Penalties and fees | - | 960 |
| Transfer agent and filing fees | 71,376 | 112,650 |
| Total general and administrative expense | $ 3,498,404 | $ 4,830,721 |
| | | |
| Contract development and materials expense | $ 460,190 | $ 867,105 |
| Consulting fees | 1,128,888 | 317,666 |
| Salaries and wages | 930,903 | 384,492 |
| Total research and development expenses | $ 2,519,981 | $ 1,569,263 |

The above table provides a breakdown of the various expense categories, by nature, for the years ended December 31, 2022, and 2021. The increase in expenses of $555,535 consists of increases in sales and marketing of $937,134, research and development of $950,718 offset by a decrease in general and administrative costs of $1,332,317.

Sales and marketing expenses increased by $937,134 primarily due to primarily due to increased staffing, resulting in an increase in salaries and wages of $1,102,133 offset by decreases in marketing costs of $215,616.

General and administrative expenses decreased by $1,332,317 mainly due to decreases in management and consulting fees in the period totaling $1,440,300, salaries and wages with a decrease of $498,514 offset by increases in bad debts expense of $286,248 relating to a provision made for the Winkel and other outstanding balances. Travel expenses and professional fees also increased by $148,871 and $88,742 respectively to offset the decrease noted above.

Research and development costs increased by $950,718 during the period as a result of hiring internal contractors on development projects, increasing contractor fees by $811,222 and salaries and wages saw an increase of $546,411 as the Company hired an internal director of engineering and expanded the team. This was offset by development and materials expenses decreasing by $406,915.

***Share-based payments***

On March 15, 2021, the Company issued warrants in connection with an agreement with Grupo Modelo and Retailigent Media. During the year ended December 31, 2022, the Company recognized $6,606 (2021 - $4,723,712) in share-based payments related to this issuance.

During the year ended December 31, 2022, the Company granted 4,900,000 options with a fair value of $1,738,931. Share-based payments relating to options vesting during the year using the Black- Scholes option pricing model was $1,149,784 (2021-$1,446,204).

During the year ended December 31, 2022, the Company granted 100,000 RSUs with a fair value of $20,013. Share-based payments relating to RSUs vesting during the year using the Black- Scholes option pricing model was $129,364.

***Other income and expenses***

Other expense for the year ended December 31, 2022, consisted mainly of impairment of a loan receivable to its joint venture Winkel of $1,400,514 (2021- $630,741), other expenses incurred in the installation of equipment of $566,240 (2021-$Nil) and interest income of $30,927 (2021-$9,350) which includes interest income from revenue contracts with a significant financing component.

**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 $588,239). 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.

On July 28, 2022, the Company closed its overnight marketed short form prospectus financing pursuant to which the Company issued 19,166,705 units at $0.30 CAD per unit for gross proceeds of $4,483,894 (CAD$5,750,012) and a concurrent non-brokered private placement of 2,983,230 units for gross proceeds of $697,902 (CAD $894,969). The Company also closed a second tranche and third tranches of the concurrent private placement on August 31, 2022 and November 10. 2022, issuing 8,221,831 units for gross proceeds of $1,882,066 (CAD $2,466,549) and 1,7333,333 units for gross proceeds of $386,319 (CAD$520,000) respectively.

The following table sets out a comparison of how the Company used the proceeds during the period following the short form prospectus financing closing date in July 2022, an explanation of variances and the impact of variances on the ability of the Company to achieve its business objectives and milestones.

| Intended Use of Proceeds of July 2022 Prospectus Offering of Units | | Actual Use of Proceeds from July 2022 Prospectus Offering of Units | (Over)/under expenditure | Explanation of Variance and impact on business objectives |
|---|---|---|---|---|
| General & Administrative Expenses(1) | $1,126,000 | $844,062 | $281,938 | Expenses incurred related to legal and accounting fees and insurance premiums. Expenditure is on track and in line with business objectives. |
| Sales & Marketing(2) | $913,000 | $701,711 | $211,289 | Funds were spent on public relations and general marketing these activities are still in progress and in line with business objectives. |
| Research & Development(3) | $2,572,000 | $826,368 | $1,745,632 | Research and Development expenditure is on track and in line with expected business objectives and these activities are still on-going. |
| Advances to JV | $180,000 | $692,548 | $(512,548) | The Company has increased funding to its joint venture since the signing of advertising contracts has taken longer than anticipated. |
| Interest Expense(4) | $153,000 | $28,654 | $124,346 | The Company settled various interest payable amounts in shares during the 2022 fiscal year. |
| Capital Expenditures | $20,000 | $Nil | $20,000 | The variance is in line with business objectives. |
| Unallocated General Working Capital | $325,070 | $982,854 | $(657,784) | The Company incurred significant expenses related to the sale of hardware, offset by |

| Intended Use of Proceeds of July 2022 Prospectus Offering of Units | | Actual Use of Proceeds from July 2022 Prospectus Offering of Units | (Over)/under expenditure | Explanation of Variance and impact on business objectives |
|---|---|---|---|---|
| | | | | the collection of accounts receivable. |
| **Total** | **$5,289,070** | **$4,076,197** | **$1,212,873** | |

Notes:

(1) Such expenses were expected to include, among other things, approximately $270,000 in legal fees, audit fees, accounting fees, and administrative expenses, approximately $148,000 in rent, $156,000 in salaries and wages, approximately $26,000 in utilities, approximately $313,000 in corporate insurance premiums, approximately $141,000 in management fees, approximately $34,500 in travel and related, and approximately $37,500 for regulatory compliance, filings and payments to the transfer agent for the Company.

(2) Such expenses were expected to include, among other things, $593,000 in salaries and wages, and approximately $320,000 in general marketing expenses.

(3) Such expenses were expected to include, among other things, approximately $2,219,000 in salaries and wages and $353,000 in materials expenses and other expenses.

(4) Interest expense consists of interest on loans payables.

Although the Company intended to use the proceeds from the July 2022 prospectus offering as set forth above, the actual allocation of the net proceeds varied based on actual developments and unforeseen events.

## 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 may not have sufficient resources to meet the working capital requirements of the Company for at least the next 12 months based on current operating requirements. The Company may have to raise funds to continue operations through either debt or equity financings and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

During the year ended December 31, 2022, working capital decreased to $ 1,442,149 from $3,522,569 as at December 31, 2021. The $2,080,420 decrease in working capital is attributable to a decrease in cash of $3,868,599 and offset by decreases in accounts payable and accrued liabilities of $1,025,121 and a decrease in convertible debentures of $360,085.

### *Cash Flows*

Historically and prospectively, our primary sources of liquidity and capital resources have been and will continue to be proceeds from the issuance of debt and Common Shares. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to generate profits and positive cash flows from operations in order to cover its operating costs. Management intends to fund any shortfalls through debt or equity financings. However, we cannot be certain that our business will generate sufficient cash flow from operations, that our anticipated earnings from operations will be realized, or that future borrowings will be available or otherwise to enable us to service our indebtedness or to make anticipated capital expenditures. Our future operating performance and our ability to service our debt will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control. See "Financial Risk Management" of this MD&A for a discussion of the risks related to our liquidity and capital structure.

As at December 31, 2022, the Company had cash of $1,064,225 (2021 - $4,932,824). The decrease in cash 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 year ended December 31, 2022, was $10,582,861 (2021 - $9,277,802). We continue to generate net losses and negative cash flows from operating activities due to the expenses we are incurring related to development as well as general and administrative expenses. During the year ended December 31, 2022, the Company incurred $8,806,060 (2021 - $8,250,525) 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 $12,374,871 for the year ended December 31, 2022 (2021 - $15,989,667).

Net cash used in investing activities for the year ended December 31, 2022, was $1,445,175 (2021 - $1,694,654). The movement relates to a loan provided by the Company to Winkel.

Net cash provided by financing activities for the year ended December 31, 2022, was $8,266,410 (2021 - $13,987,517). The decrease was primarily a result of proceeds from the close of a short-form prospectus financings for net proceeds of $6,708,191 and the exercise of warrants and options in the period of $1,798,412 in the year ended December 31, 2021, compared to $7,251,661 and $6,643,467 for the same proceed activities in the current period.

***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 of 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 23.6% 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 receives consulting revenue from Radar USA.

*Key management compensation*

Key management consists of the Officers and Directors who are responsible for setting policy, planning, directing, and controlling the activities of the Company. All related party transactions are carried out in the normal course of operations.

During the year ended December 31, 2022, remuneration of the Company's key management personnel[1] consisted of management fees of $1,187,600 (2021 - $1,178,102), director fees of $15,000 (2021 - $6,618) and share-based payments of $779,657 (2021 - $1,044,158). Management fees are included in general and administrative expenses and sales and marketing expense and director fees are included in general and administrative expenses.

*Other related party transactions*

During the years ended December 31, 2022, and 2021, other related party transactions consisted of the following:

| | | December 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|
| Revenue earned on the sale of hardware to Winkel, included in hardware revenue | $ | 587,450 | $ | 1,083,677 |
| Revenue earned on the provision of installation services to Winkel, included in professional services revenue | $ | 56,850 | $ | 104,872 |
| Revenue earned on the sale of software to Winkel, included in license fee revenue | $ | 35,850 | $ | 22,767 |
| Revenue earned on the provision of consulting services to Radar USA, included in professional services revenue | $ | 120,000 | $ | - |
| Rental income earned from Radar USA on sublease | $ | 37,150 | $ | - |
| Marketing expenses paid to Think-Traffic, included in sales and marketing expenses | $ | 931,260 | $ | 439,335 |
| Director fees, included in general and administrative expenses[2] | $ | 15,000 | $ | 6,618 |
| Accounting and administrative fees paid to Think-Traffic, included in general and administrative expenses | $ | 80,019 | $ | 1,338 |
| Contract project development labour paid to Interknowlogy, LLC[3] , included in research and development expenses | $ | - | $ | 185,000 |
| Interest expense for convertible debt and notes payable to related parties, excluding discount accretion[4] | $ | - | $ | 13,281 |

[1] Key management personnel include Jay Hutton, Chief Executive Officer; Mitch Codkind, Chief Financial Officer (who are responsible for setting policy) and Fred Potok, Chief Sales Officer; Jan Talamo, Chief Creative Officer; Linda Rosanio, Chief Operating Officer; and Gary Gibson, Chief Technology Officer.

[2] Directors include Thomas Hays, Amin Shahidi, David Roth, Joseph Jensen and Alnesh Mohan. Jay Hutton is also a director but not paid as he is Chief Executive Officer.

[3] Entity formerly controlled by Tim Huckaby, former Chief Technology Officer.

[4] Note holders include Jay Hutton, Chief Executive Officer, and Guy Lombardo former director.

*Related party balances*

At December 31, 2022, $121,733 (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 December 31, 2022, $2,709,833 (December 31, 2021 - $1,220,860) was due from Winkel of which $1,252,041 is recognized and included in trade and other receivables.

During the year-ended December 31, 2022, the Company advanced $1,400,514 (December 31, 2021 - $630,741) to Winkel under the bridge loan agreement. The balance of the bridge loan was determined not be collectible and impaired from $1,400,514 to $Nil during the year (December 31, 2021 - $630,741 to $Nil).

At December 31, 2022, $6,430 (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.

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

***Financial Risk Management***

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

*Foreign exchange risk*

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Foreign exchange risks are closely monitored, and attempts are made to match foreign cash inflows and outflows. As at December 31, 2022, the Company is primarily exposed to foreign exchange risk through its cash denominated in Canadian dollars. The Company mitigates foreign exchange risk by monitoring foreign exchange rate trends and evaluating reinvestment opportunities when possible. The Company does not currently hedge its foreign exchange risk. Based on current exposures as at December 31, 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 $88,000 in the Company’s consolidated statements of loss and comprehensive loss.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company’s cash and trade and other receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. The Company mitigates credit risk by evaluating the creditworthiness of customers prior to conducting business with them and monitoring its exposure for credit losses with existing customers.

Trade and other receivables also include refundable goods and services tax which bears minimal credit risk as it is receivable from the Canadian government. For trade receivables, the Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of sales over a period of 12 months before December 31, 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.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's outstanding convertible debt bears interest at fixed rates. As a result, at December 31, 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**

On December 6, 2022, the Company signed a joint venture agreement with Business Platform Investment Holdings (BPIH), a division of Al Jabr Group. The details of this transaction are still to be finalized.

**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 contested the work performed by Interknowlogy. Interknowlogy filed suit in 2022 and the company plans to vigorously defend the suit and file a substantial counter claim for failure to deliver as well as damages incurred. As at December 31, 2022, included in accounts payable is a liability of $587,759 (including $77,760 late payment interest charges), based on the statement of work (2021 - $587,759).

On October 10, 2022, Interkowlogy filed a claim in the State of California against the Company for a breach of contract related to the above demand letter. In the claim, Interknowlogy is claiming damages totalling $1,268,499 relating to unpaid invoices of $509,999 and interest of $758,500.

**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 246,627,408, 77,752,859, 400,000 and 16,695,828, respectively.

**Subsequent Events**

*Promissory notes*

During the subsequent period, the Company issued promissory notes for a total principal amount of $684,000. These promissory notes accrue interest at rates between 4% and 5% monthly, and they are secured against the Company's accounts receivables. Through June 23, 2023, $349,000 has been repaid with the remaining $335,000 anticipated to be repaid by July 17 ,2023. From the principal amount received, $384,000 was owing to three directors.

*Share issuances*

During the subsequent period 495,114 common shares were issued as a result of the exercise of 494,108 warrants and 1,006 options for gross proceeds of $63,764 (CAD $84,169). 41,750 common shares were also issued from the exercise of RSUs.

*Stock options*

On March 31, 2023, the Company also granted stock options to directors, officers and certain employees of the Company to acquire a total of 5,606,000 common shares of the Company. The exercise price of these options is $CAD 0.25 and 3,825,000 of the options vested on the date of grant. The balance of 1,781,000 shall vest equally over three years from the date of grant.

*Winkel*

On May 3, 2023, the Company received $1,300,000 from Winkel in payment of goods and services.