Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2024

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 three months ended March 31, 2024 is prepared as at July 19, 2024. This MD&A should be read in conjunction with the condensed consolidated interim financial statements for the three months ended March 31, 2024 and 2023 and the related notes thereto and the audited consolidated financial statements for the years ended December 31, 2023 and 2022 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 three months ended March 31, 2024" 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.

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 driven security and retail analytics technology. The Company's shares trade on the Canadian Securities Exchange under the symbol "VSBY", the OTCQB Venture Market under the symbol "VSGBF", and the Frankfurt stock exchange under the symbol "5VS".

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at March 31, 2024, the Company had not yet achieved profitable operations and has an accumulated deficit of $62,573,496 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 comprehensive category of demographic analytics solutions for retail 14 Channel Partner Description of Partnership locations. As at the date hereof, the agreement has generated approximately $52,000 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. 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.

Channel Partner	Description of Partnership
	("RADAR App"). VSBLTY continues to support RADAR App as a reseller of the core VSBLTY security technology. As of the date hereof, the agreement has generated approximately $99,000 in revenue. The milestone for the partnership is expected to be the expansion of the Mexico City RADAR deployments to other major cities in Mexico. Most recently RADAR APP was awarded a significant contract to assist in protecting the Mexican border.
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 of licenses, beyond which a subsequent recurring license fee will apply. RADAR App will be responsible for the costs of the cameras and the costs related to the installation of the cameras. The term of the agreement is for a period of forty-eight months, and thereafter shall automatically be renewed for successive twelve (12) month periods unless RADAR USA notifies the Company in writing at least thirty (30) days prior to the end of the then-current term or renewal term. The Company is aware of RADAR USA's development pipeline and management of the Company remains optimistic with respect to RADAR USA's growth prospects. As of the date hereof, the agreement has generated approximately $645,000 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. 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 eventually be paid and that RADAR will be a meaningful source of ongoing license revenues. 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

Channel Partner	Description of Partnership
	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. 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 as well as the remainder of 2023. 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.

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.sedarplus.ca.

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

Winkel Media

This 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 March 31, 2024, 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. 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.

It was determined in the past months to hold off expansion of this program until Winkel Media achieves positive cash flow from its growing advertising base expected in early to mid 2024.

Starting in mid-October, programmatic advertising capability was deployed throughout the network. 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.

Winkel has also continued 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 and the continued success that brands are realizing from these in-store media campaigns. Winkel also expects to see 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.

On October 23, 2023 ("Conversion Date"), the Company converted all of its Series A Preferred Stock into common stock of Austin GIS, and as at December 31, 2023 the Company holds 25.49% (2022 - 23.8%) of common shares outstanding in Austin, with potential voting rights of 9.43% (2022 - 20.9%) on a diluted basis

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 at the point where an actual purchase can be made and, in the experience of management of the Company, results in a far greater return on investment as a media buy. This will 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 three months ended March 31, 2024

None.

Critical Accounting Estimates and Policies

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

The condensed consolidated interim financial statements have been prepared on a historical cost basis, modified where applicable. In addition, the 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 condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of liabilities in the normal course of business. As at March 31, 2024, the Company had not yet achieved profitable operations and has an accumulated deficit of $62,573,496 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 material 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, 2023, and 2022. Critical accounting estimates are in Note 4 of the audited financial statements for the years ended December 31, 2023, and 2022.

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, 2023, and 2022.

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, 2023, and 2022.

Share Capital

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

During the three months ended March 31, 2024, the Company issued an aggregate of:

- 4,464,200 units for gross proceeds of $430,727 (CAD$580,346) pursuant to a non-brokered private placement at CAD$0.13 per unit. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at a price of CAD$0.16 for a period of 3 years from the closing date. The warrants were allocated a value of $115,965 (CAD$156,257) based on the residual method. Cash finder's fee and legal fees totalling $62,365 (CAD$84,028) were paid, and 357,136 agent warrants valued at $14,575 (CAD$19,673) were issued. Each agent warrant entitles the holder to purchase one common share at a price of CAD$0.16 for a period of 3 years from the closing date.

Summary of Quarterly Results

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

	Three months ended							
	March 31, 2024	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**	**June 30, 2022**
Revenue	$ 207,548	$ 550,531	$ 141,006	$ 100,636	$ 77,445	$ 90,387	$ 722,491	$ 25,169
Net loss for the period	$ (1,753,303)	$ (3,072,280)	$ (2,920,868)	$ (2,439,084)	$ (3,070,158)	$ (2,878,61)	$ (3,293,295)	$(2,552,401)
Basic and diluted loss per share	$ (0.04)	$ (0.09)	$ (0.10)	$ (0.10)	$ (0.10)	$ (0.10)	$ (0.20)	$ (0.10)

Summary of Results During Prior Eight Quarters

Net loss decreased of $1,318,977 as compared to the previous quarter. This decrease is primarily due to fact that in the previous quarter, an impairment to goodwill was recorded for $1,274,174, along with a decrease in the fair value of financial instruments of $1,000,000. These expenses decreases were partially offset by decreases in revenue of $500,000 in software license development which only occurred in the prior quarter.

Net loss increased by $151,413 for the three months ended December 31, 2023 as compared to the previous quarter. This increase is primarily due to the fact that in the current quarter, an impairment was recorded to goodwill from the acquisition of Shelf Nine LLC of $1,274,174 and a decrease in the fair value of financial instruments of $1,000,000 related to Austin GIS. These expense increases were partially offset by a reversal that was recorded on the value of previously issued warrants for $1,335,769, which was recorded in share-based compensation for the quarter ended December 31, 2023, an increase in revenue of $409,525 which is primarily from revenue obtained from software license development of $500,000 for the current quarter and an impairment loss on a receivable from Winkel of $400,000 that was recorded in the previous quarter.

Net loss increased by $481,784 for the three months ended September 30, 2023 as compared to the previous quarter. This increase is primarily due to the fact that in the current quarter, a loan amount of $400,000 to Winkel was impaired. Also contributing to the increase in the net loss was the increase in share-based expense of $27,235.

Net loss decreased by $631,073 for the three months ended June 30, 2023, as compared to the previous quarter. This decrease is primarily due to the fact that in the current quarter, the share-based expense of the Company was lower by $625,807 compared to the prior quarter. Sales and marketing and research and development expenses also decreased by $36,897 and $111,515 respectively. These decreases were offset by an increase in the general administration expenses of $241,455 compared to the prior quarter.

Net loss increased by $191,541 for the three months ended March 31, 2023, as compared to the previous quarter. This increase is primarily due to the fact that in the prior quarter, the Company recognized a recovery in share-based expense of $606,845 compared to an expense of $806,185 in the current quarter. This was offset by a higher loan receivable impairment of $420,255 compared to $90,181 in the previous period, and a decrease in the general administration expenses by $591,922 compared to the prior quarter.

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 June 30, 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 June 30, 2022 that vest immediately compared to the three months ended June 30, 2022.

Results of Operations – For the three months ended March 31, 2024 and 2023

The results of operations for the three months ended March 31, 2024, and 2023 are summarized below:

	Three months ended March 31,	
	2024	2023
Revenue		
License fees	$ 22,498	$ 42,945
Professional services	80,011	34,500
Displays and other advertising	73,731	-
Hardware and other	28,247	-
Programmatic advertising revenue	3,061	-
	207,548	77,445
Cost of sales	(294,949)	(466,440)
Gross profit	(87,401)	(388,995)
Sales and marketing expenses	(512,626)	(593,671)
General and administrative expenses	(569,222)	(525,057)
Research and development expenses	(365,044)	(649,623)
Share-based payments	(45,530)	(806,185)
Loss on loan impairment	(80,000)	(90,181)
Operating loss	(1,659,843)	(3,053,712)
Finance costs	(87,897)	(23,172)
Interest income	-	2,507
Foreign exchange loss	(5,583)	4,219
Net loss for the period	(1,753,303)	(3,070,158)
Foreign currency translation	12,661	(1,701)
Comprehensive loss for the period	$ (1,740,642)	$ (3,071,859)

Revenue

During the three months ended March 31, 2024, and 2023, the Company generated revenue of $207,548 and $77,445, respectively. The increase in revenue was as a result of new revenue streams from the acquisition of Shelf Nine during Q4 of 2023.

Cost of sales

During the three months ended March 31, 2024, and 2023, cost of sales was $294,949 and $466,440, respectively. The decrease in cost of sales of $171,491 was mainly due a decrease in the salary expense associated with cost of sales as a result of a lower head count during the three months ended March 31, 2024 compared to previous period.

	Three months ended March 31, 2024	Three months ended March 31, 2023
Marketing expenses	$ 152,464	$ 173,488
Meals and entertainment	4,349	18,227
Tradeshow expenses	-	44,623
Salaries and wages	355,813	357,333
Total sales and marketing expense	$ 512,626	$ 593,671
General and administrative expenses	$ 200,923	$ 189,656
Professional fees	107,309	92,295
Consulting fees	144,941	87,811
Management fees	-	62,500
Rent	6,622	3,276
Salaries and wages	30,203	92,282
Travel	4,892	69,122
Depreciation	10,355	11,357
Lease-related depreciation	10,829	22,739
Utilities	11,196	14,799
Bad debt expenses	24,062	(136,009)
Penalties and fees	-	525
Transfer agent and filing fees	17,890	14,704
Total general and administrative expense	$ 569,222	$ 525,057
Contract development and materials expense	$ 31,966	$ 83,068
Consulting fees	138,078	268,785
Salaries and wages	195,000	297,770
Total research and development expenses	$ 365,044	$ 649,623

Operating expenses

The above table provides a breakdown of the various expense categories, by nature, for the three months ended March 31, 2024, and 2023. The decrease in expenses of $ 321,459 consists of a decrease in sales and marketing of $81,045 and a decrease in research and development costs of $284,579 offset by an increase in general and administrative costs of $44,165.

Sales and marketing expenses decreased by $81,045 primarily due to a decrease in in marketing and promotional activity during the three months ended March 31, 2024, compared to the three months ended March 31, 2023, resulting in an decrease in marketing expenses of $44,623.

Research and development costs decreased by $284,579 during the period as a result of a decrease in salaries and wages of $102,770 due to a decrease in headcount compared to the previous period. Consulting fees and Contract development and materials expense also decreased by $130,707 and $51,102 respectively as a result of less research and development activity during the three months ended March 31, 2024.

General and administrative expenses increased by $44,165 mainly due to a increase in bad debt expense in the period totaling $24,062 as compared to a reversal of bad debt in the prior comparable period of $136,009, along with an increase to consulting fees of $57,130. Travel expenses, management fees, and

salaries and wages decreased by $64,230, $62,500, and $62,079 respectively as a result of the Company's cash conservation efforts to offset the increase noted above.

Share-based payments

On March 15, 2021, the Company issued warrants in connection with an agreement with Grupo Modelo and Retailigent Media. During the three months ended March 31, 2024, the Company recognized $Nil (2023 - $129,299) in share-based payments related to this issuance as a result of a change in estimate relating to the achievement of the vesting conditions related to these warrants.

Share-based payments relating to options vesting during the three months ended March 31, 2024, using the Black- Scholes option pricing model was $40,455 (2023 - $661,927). The decrease in the options share-based payments expense was as a result of the vesting of most of the options during the previous periods.

Share-based payments relating to Restricted Share Units ("RSUs") vesting during the three months ended March 31, 2024, using the Black- Scholes option pricing model was $5,075 (2023 - $14,959). The decrease in the options share-based payments expense was as a result of the vesting of most of the options during the previous periods.

Other income and expenses

Other expenses for the three months ended March 31, 2024, consisted mainly of finance costs of $87,897 (2023 -$23,172) and interest income of $nil (2023 – $2,507). The finance costs increased due to an increase in promissory notes and a loan obtained as part of the acquisition of Shelf Nine.

Use of Proceeds from Financing Activities

On December 23, 2023, the Company closed the first tranche of a private placement ("December private placement") of units of the Company ("Units"), issuing 9,168,838 Units at a price of CAD $0.13 per Unit for a total of $897,971 (CAD$1,191,949). 7,091,915 of the Units were settled in cash with gross proceeds of $676,330 (CAD$921,949). The balance of 2,076,923 of the Units were issued to settle debts amounting to $203,408 (CAD$270,000).

During January 2024, the Company closed the second tranche of the private placement by issuing 4,464,200 units for gross proceeds of $430,727 (CAD$580,346) pursuant at CAD$0.13 per unit. Each unit consists of one common share and one warrant.

The Company will use the net proceeds from the private placement for general corporate purposes.

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 three months ended March 31, 2024, working capital deficit increased to $5,801,064 from $4,495,501 as at December 31, 2023. The $1,305,563 decrease in working capital is mainly attributable to

a decrease in trade and other receivables of $440,518, an increase in accounts payable and accrued liabilities of $645,887 and an increase in convertible debentures received in advance of $254,916.

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 March 31, 2024, the Company had cash of $25,339 (December 31, 2023 - $54,180). The decrease in cash and cash equivalents compared to the balance at December 31, 2023 was primarily due to operational costs.

Net cash used in operating activities for the three months ended March 31, 2024 was $688,700 (2023 - $1,453,177). 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 three months ended March 31, 2024, the Company incurred $1,446,892 (2023 - $1,768,351) 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 $1,753,303 for the three months ended March 31, 2024 (2023 - $3,070,158).

Net cash used in investing activities for the three months ended March 31, 2024 was $Nil (2023 - $87,845). The movement in the prior year relates to a loan provided by the Company to Winkel.

Net cash provided by financing activities for the three months ended March 31, 2024 was $670,408 (2023 - $678,290). The current quarter's funds were from proceeds from the second tranche financing from the prior year which was received in the current quarter amounting to $373,364, the issuance of convertible debt of $254,916, and the issuance of promissory notes of $108,500. During the three months ended March 31, 2023, funds received were from proceeds from the third tranche financing from the prior year which was received in the current quarter amounting to $191,130, the exercise of options and warrants in the period of $63,764 and loans received of $450,000.

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 Inc. ("Radar USA"). VSBLTY owns 23.6% of the common shares of Radar USA. The Company received consulting revenue from Radar USA.

Key management compensation

		Three months ended March 31, 2024		Three months ended March 31, 2023
Management fees[1]	$	259,400	$	296,900
Share-based compensation		8,282		648,052
	$	267,682	$	954,952

As of March 31, 2024, an amount of $381,476 was owing to directors and management and was included in the loans payable balance (December 31, 2023 - $304,000). These loans accrue interest at rates between 18% and 60% per annum, and they are secured against the Company's accounts receivables. The accrued interest relating to these loans of $89,035 is included in accounts payable and accrued liabilities (December 31, 2022 - $43,747).

Other related party transactions

During the three months ended March 31, 2024, and 2023, other related party transactions consisted of the following:

[1] Key management includes Jay Hutton Chief executive officer, Thomas Hays Chief financial officer, Fred Potok Chief sales officer, Jan Talamo Chief creative officer, Linda Rosanio Chief operating officer and Gary Gibson Chief technology officer

	March 31, 2024	March 31, 2023
Revenue earned on the sale of software to Winkel, included in license fee revenue	$ -	$ 58,400
Revenue earned on the provision of consulting services to Radar USA, included in professional services revenue	$ -	$ 31,232
Rental income earned from Radar USA on sublease	$ -	$ 8,694
Marketing expenses paid to Think-Traffic, included in sales and marketing expenses	$ 29,265	$ 110,285
Director fees, included in general and administrative expenses[1]	$ 13,900	$ -
Accounting and administrative fees paid to Think-Traffic, included in general and administrative expenses	$ 15,086	$ 20,447
Interest expense for convertible debt and notes payable to related parties, excluding discount accretion[2]	$ 45,288	$ 1,644

Related party balances

As at March 31, 2024, $984,472 (December 31, 2023 - $931,293) was due to related parties and is included in accounts payable and accrued liabilities. The amounts were non-interest bearing and due on demand[3].

As at December 31, 2023, $47,618 (CAD$64,500) was due from Felipe Costa Romero de Barros the previous Executive Chairman for the subscription of units during the private placement (December 31, 2023 - $65,417 (CAD$83,850)).

As at December 31, 2023, $1,950,513 (December 31, 2022 - $1,672,493) was due from Winkel and $662,180 is included in trade and other receivables.

During the three months ended March 31, 2024, the Company advanced a net $80,000 (2023 - $90,181) to Winkel under the bridge loan agreement. The balance of the bridge loan of $2,659,731 (December 31, 2023- 2,579,731) was determined not be collectible and impaired to $Nil.

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

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[1] Directors include Thomas Hays, Amin Shahidi, David Roth, Joeseph Jensen, Alnesh Mohan, and Felipe Costa Romero de Barros. Jay Hutton is also a director and Chief Executive Officer and is compensated through management fees.

[2] Note holders include: Alnesh Mohan, Director; Amin Shahidi, Director; Thomas Hays, Director and Chief Financial Officer; and Fred Potok, Chief Sales Officer.

[3] This includes Arrowstone Ventures Ltd, Traffic Marketing LLC, Radar USA, Austin GIS, Felipe Costa Romero de Barros, David Roth, Thomas Hays, Gary Gibson, Jan Talamo, Linda Rosanio and Fred Potok

Financial Risk Management

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

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Foreign exchange risks are closely monitored, and attempts are made to match foreign cash inflows and outflows. As at March 31, 2024, the Company is primarily exposed to foreign exchange risk through its cash and cash equivalents and accounts payable denominated in Canadian dollars. The Company mitigates foreign exchange risk by monitoring foreign exchange rate trends and evaluating reinvestment opportunities when possible. The Company is not exposed to significant foreign exchange risk.

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 March 31, 2024, 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 receivables 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 loans debt bear interest at fixed rates. As a result, at March 31, 2024, 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

There were no proposed transactions as of the date of this MD&A.

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.

Interknowlodgy
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 and plans to vigorously defend the suit and file a substantial counter claim for failure to deliver as well as damages incurred.

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.

As at March 31, 2024, an amount of $587,759 is recognized in accounts payable and accrued liabilities, including interest of $77,760. The likelihood of Interknowlogy's claim being successful cannot be assessed at this time. Management is of the view that it is improbable there will be a material financial impact to the Company as a result of this claim. Consequently, no provision has been recorded in these Financial Statements.

Winkel MSA
On August 1, 2023, the Company received a letter of demand from Austin GIS as one of the co obligors of the Winkel MSA. The total amount outstanding as stated in the letter of demand was $1,374,884, and during the year ended December 31, 2023 the Company advanced $400,000 on behalf of Winkel to Austin GIS in response to this demand letter (refer to Note 11 of the condensed interim financial statements for the three months ended March 31, 2024). During the three months ended March 31, 2024, the Company advanced an additional $400,000 and received $320,000 from Winkel as partial payment for the bridge loan owed to the Company

The Company established that it has a legal obligation to the extent of its 33.3% share as one of the three co obligors of the Winkel MSA, and as at March 31, 2024 an additional $58,294 is recognized in accounts payable and accrued liabilities being its share of the balance of the amount demanded by Austin GIS.

Disclosure of Outstanding Share Data

The following is a breakdown of the Company's equity instruments issued and outstanding:

Equity instrument	As of March 31, 2024	As of the date of this MDA
Common shares	48,503,820	52,253,728
Stock options	1,654,582	1,495,432
Restricted share units	25,000	25,000
Warrants	28,860,006	33,696,670

Subsequent Events

Shelf Nine acquisition earn-out shares

As per the Shelf Nine acquisition transaction (refer Note 5 of the condensed interim consolidated financial statements for the year ended March 31, 2024), the Sellers of Shelf Nine shall be entitled to an additional consideration in common shares of the Company if some revenue milestones are met. During the year ended December 31, 2023, there was a partial attainment of the first milestone as Shelf Nine earned over $256,000 in revenue between July 1, 2023 and December 31, 2023. On May 24, 2024, 2,055,459 common shares were issued to the sellers relating to this additional consideration.

During the year ended December 31, 2023, there was a partial attainment of the first milestone as Shelf Nine earned over $256,000 in revenue between July 1, 2023 and December 31, 2023. As a result an obligation to issue common shares as at year-end of $304,843 was recorded. On May 24, 2024, 2,055,459 common shares were issued to the sellers relating to this additional consideration.

Austin GIS and Winkel contract

During the subsequent period, the Company took over the Winkel MSA from Austin GIS. During April 2024, the Company incorporated a new entity, VSBLTY SPV1 "SPV1", which will administer the Winkel MSA. In conjunction with the assumption of the MSA and the associated inventory and future billings, SPV1 also assumed a credit facility that AGIS entered into relating to the Winkel MSA. The credit facility has a maximum drawdown of $15,935,000.

The balance assumed under the credit facility was $2,177,363. The credit facility is secured by the all assets under the Winkel MSA and bears interest at the 30-day average Secured Overnight Financing Rate ("SOFR") plus 13%, with the SOFR having a floor of 1%. In conjunction with acquiring the credit facility, the Company paid an origination fee of $16,000 and issued 4,800,000 warrants with an exercise price of CA$12.50 (the "Warrants"). Any additional draw down of the credit facility will be subject to a 2% fee of the amount drawn down. The Company is required to pay 1/48 of the aggregate outstanding principal on the last day of each calendar month by the 15th day of the following month.

The Company was required to deposit $150,000 to the lender as a reserve (the "DSRF Funding"). As part of obtaining the credit facility, SPV1 must maintain cash and cash equivalent balances of at least $350,000 (the "Liquidity Covenant") starting July 15, 2024. In the event the Company complies the Liquidity Covenant, the Company may redeem the DSRF Funding.

In the event the Company fails to be in compliance with the Liquidity Covenant, the Company must deposit $150,000 with the lender; and in if the Company fails to do so, the lender has the discretion to fund this deposit and this will be deemed an additional advance under the credit facility. The Company did not deposit the DSRF Funding and the lender agreed to fund the deposit via an additional advance under the credit facility. In addition. so long as there are balances outstanding under the credit facility, SPV1 may not issue additional debt exceeding $500,000.

On May 15, 2024, the Company drew down an additional $985,000 (inclusive of the DSRF Funding) on the credit facility and amended certain terms on the credit facility:

- The interest rate was amended to the SOFR plus 12% with the SOFR having a floor of 4%;
- The exercise price of the Warrants was amended to CA$13.50; and
- The payment terms were amended such that all amounts outstanding under the credit facility is to be paid in 24 monthly instalments beginning June 15, 2024.

On May 31, 2024, the Company amended the terms of the credit facility to delay the payment of the first instalment to July 15, 2024.

On July 1, 2024, the Company further amended the terms of the credit facility. The lender agreed to a forbearance period until July 10, 2024 (which may be extended at the lender's discretion) if the following conditions are met:

- Interest due under the credit facility of $45,000 was converted to principal and an additional $80,000 was drawn down on the credit facility;
- The Company issued an additional 500,000 warrants with an exercise price of CA$0.055 for a period of 5 years from the date of issuance; and
- The Company shall pay 10% of all revenues received from the Winkel MSA until the total outstanding debt under the agreement equals $1,700,000.

Debt settlement

On April 22, 2024, the Company agreed to settle $50,000 worth of debt through the issuance of 444,444 units in the capital of the company at a price of $0.1125 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant is exercisable for one common share of the Company at a price of $0.1125 per warrant share for a period of three years from the date of issuance.

On April 22, 2024, the Company agreed to settle $123,000 worth of debt through the issuance of a promissory note. In consideration for the promissory note, the Company issued 500,000 share purchase warrants. Each warrant is exercisable for one common share of the Company at a price of $0.1125 per warrant share for a period of three years from the date of issuance.

In addition, on June 19, 2024, the Company agreed to settle $100,000 worth of debt through the issuance of 1,250,000 common shares in the capital of the Company at a price of $0.08 per share.

Convertible debentures

During April 2024, the Company issued unsecured convertible notes in an aggregate principal amount of $304,916 bearing interest at the rate of 18% per annum and maturing in 2 years from the date of issuance. $50,000 of the convertible notes were issued as settlement for debt and the balance of $254,916 was received in cash. The principal together with any interest accrued, is convertible, in whole or in part, at any time before maturity, into units of the Company at US$0.122 per unit. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.122 per warrant Share for a period of three years from the date of issuance.

During July 2024, the Company completed a non-brokered private placement offering of unsecured convertible debentures in the aggregate principal amount of up to $170,000, being interest at the rate of 18% per annum and maturing in 2 years from the date of issuance. The principal together with any interest accrued, shall be convertible, in whole or in part, at any time before maturity, into units of the Company at US$0.055 per unit. Each unit shall consist of one common share and one common share purchase warrant. Each common share purchase warrant will entitle the holder to purchase one common share at a price of $0.055 per warrant share for a period of three years from the date of issuance.

Promissory notes

Subsequent to the three months ended March 31, 2024, the Company issued promissory notes for a total principal amount of $100,000. These promissory notes mature in two months, accrue effective interest at rates between 18% and 48% per annum, and they are secured against the Company's accounts receivables. Through July 12, 2024, $9,750 has been repaid on notes that were outstanding at March 31, 2024.