

VSBLTY Groupe Technologies Corp.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2024

(Expressed in United States dollars)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

VSBLTY Groupe Technologies Corp.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in United States dollars)

As at	Notes	September 30, 2024	December 31, 2023
ASSETS			
Current assets			
Cash		\$ 35,235	\$ 54,180
Restricted cash	5	150,000	-
Trade and other receivables	7, 12, 18	227,514	633,842
Share subscription receivable	18	47,718	72,184
Prepaid expenses	9	60,916	88,108
Inventory	11	-	1,975
		521,383	850,289
Equipment, net	8	2,011,611	43,764
Right-of-use assets	15	2,452	27,982
Prepaid expenses - noncurrent	9	10,916	10,916
Total assets		\$ 2,546,362	\$ 932,951
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	13, 18	\$ 5,864,625	\$ 4,116,863
Deferred revenue	19	103,620	86,305
Contingent consideration	6	-	304,843
Current portion of lease liability	15	48,560	64,489
Loans payable	14	1,824,869	773,290
		7,841,674	5,345,790
Non-Current liabilities			
Convertible debentures	14	185,605	-
Derivative liability	14	352,706	-
Loans payable	14	2,369,476	-
Total liabilities		10,749,461	5,345,790
SHAREHOLDERS' EQUITY			
Share capital	16	46,511,858	46,048,518
Reserves	16	11,216,961	10,758,095
Obligation to issue warrants	16	338,033	338,033
Accumulated deficit		(65,535,061)	(60,820,193)
Accumulated other comprehensive income		(734,890)	(737,292)
Total shareholders' equity		(8,203,099)	(4,412,839)
Total liabilities and shareholders' equity		\$ 2,546,362	\$ 932,951
Nature of operations and going concern	1		
Contingency	24		
Subsequent events	26		

APPROVED BY THE BOARD OF DIRECTORS:

“Jay Hutton” Director
“Thomas Hays” Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

VSBLTY Groupe Technologies Corp.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in United States dollars)

(Unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
Revenue					
License fees		\$ 28,687	\$ 6,358	\$ 80,350	\$ 73,748
Connectivity		156,188	-	416,500	-
Professional services		63,530	49,664	262,937	154,555
Development		99,000	-	99,000	-
Programmatic advertising		-	-	19,929	-
Displays and other advertising		-	-	73,731	-
Hardware and other		835	84,984	15,204	90,784
		348,240	141,006	967,651	319,087
Cost of sales	10	(165,712)	(350,182)	(732,011)	(1,236,118)
Gross profit (loss)		182,528	(209,176)	235,640	(917,031)
Sales and marketing expenses	17, 18	(352,091)	(717,316)	(1,317,639)	(1,867,761)
General and administrative expenses	17, 18	(711,047)	(801,896)	(1,939,544)	(2,093,465)
Research and development expenses	17, 18	(275,081)	(533,339)	(926,333)	(1,721,070)
Share-based payments	16(b),16(c),16(d)	(221,236)	(207,613)	(276,996)	(1,194,176)
Operating loss		(1,376,927)	(2,469,340)	(4,224,872)	(7,793,503)
Finance costs	14, 15	(304,173)	(53,363)	(589,430)	(157,055)
Loss on loan impairment	12	-	(400,000)	(80,000)	(490,181)
Gain on settlement of payables	16	-	-	3,784	-
Loss on fair value adjustment of derivative liability	14	(13,841)	-	(13,841)	-
Gain on settlement of contingent consideration	16	-	-	189,871	-
Interest income		3,760	2,095	3,760	6,960
Foreign exchange gain (loss)		2,406	(260)	(4,140)	3,670
Net loss for the period		(1,688,775)	(2,920,868)	(4,714,868)	(8,430,109)
Foreign currency translation		(10,331)	(22,382)	2,402	(31,323)
Comprehensive loss for the period		\$ (1,699,106)	\$ (2,943,250)	\$ (4,712,466)	\$ (8,461,432)
Loss per share – Basic and diluted		\$ (0.03)	\$ (0.10)	\$ (0.09)	\$ (0.30)
Weighted average shares outstanding – Basic and diluted		53,519,687	31,241,507	49,813,248	26,854,642

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

VSBLTY Groupe Technologies Corp.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Expressed in United States dollars)

(Unaudited)

	Notes	Number of common shares	Share capital	Reserves	Obligation to issue warrants	Accumulated deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, December 31, 2022		24,609,054	\$ 41,781,470	\$ 10,483,287	\$ 338,033	\$ (49,317,803)	\$ (667,120)	\$ 2,617,867
Shares issued for private placement		8,625,790	3,059,085	-	-	-	-	3,059,085
Shares issued for warrant exercises	16(a,b)	49,411	65,409	(1,840)	-	-	-	63,569
Shares issued for option exercises	16(a,c)	101	263	(68)	-	-	-	195
Shares issued for RSU exercise	16(a,d)	4,175	22,166	(22,166)	-	-	-	-
Broker warrants issued			(80,089)	80,089	-	-	-	-
Share-based payments	16(b,c,d)	-	-	1,194,176	-	-	-	1,194,176
Foreign currency translation		-	-	-	-	-	(31,323)	(31,323)
Loss for the period		-	-	-	-	(8,430,109)	-	(8,430,109)
Balance, September 30, 2023		33,288,531	\$44,848,304	\$ 11,733,478	\$ 338,033	\$ (57,747,912)	\$ (698,443)	\$ (1,526,540)
Balance, December 31, 2023		44,039,620	\$46,048,518	\$ 10,758,095	\$ 338,033	\$ (60,820,193)	\$ (737,292)	\$ (4,412,839)
Shares issued for private placement	16(a)	4,464,200	314,762	115,965	-	-	-	430,727
Issuance of earn-out shares	6	2,055,459	120,020	-	-	-	-	120,020
Share issued for debt settlement		1,694,444	105,496	-	-	-	-	105,496
Share issuance costs	16(a,b)	-	(76,938)	14,575	-	-	-	(62,363)
Consideration warrants issued		-	-	51,330	-	-	-	51,330
Share-based payments	16(b,c,d)	-	-	276,996	-	-	-	276,996
Foreign currency translation		-	-	-	-	-	2,402	2,402
Loss for the period		-	-	-	-	(4,714,868)	-	(4,714,868)
Balance, September 30, 2024		52,253,723	\$46,511,858	\$ 11,216,961	\$ 338,033	\$ (65,535,061)	\$ (734,890)	\$ (8,203,099)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

VSBLTY Groupe Technologies Corp.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Expressed in United States dollars)

(Unaudited)

Nine months ended September 30,
2024 **2023**

Cash flows from operating activities			
Loss for the period	\$	(4,714,868)	\$ (8,430,109)
Adjustments for non-cash items:			
Depreciation		235,046	102,600
Interest expense		176,779	137,144
Gain on settlement of contingent consideration		(189,871)	-
Gain on settlement of payables		(3,784)	-
Consideration warrants issued for debt settlement		51,330	-
Loss on fair value adjustment of derivative liability		13,841	-
Share-based payments		276,996	1,194,176
Bad debt expense		121,836	36,403
Impairment of loan receivable		80,000	490,181
Foreign exchange gain		-	281
Accounts payable settled in shares		-	60,720
Changes in non-cash working capital items:			
Trade and other receivables		285,768	1,322,992
Inventory		1,975	(2,986)
Prepaid expenses and deposits		28,793	(130,614)
Accounts payable and accrued liabilities		1,859,034	1,254,742
Deferred revenue		17,315	1,219
Net cash used in operating activities		(1,759,810)	(3,963,251)
Cash flows from investing activities			
Acquisition of equipment		-	(3,451)
Lease receivable repayment		-	26,963
Loan issuance		(80,000)	(490,181)
Net cash used in investing activities		(80,000)	(466,669)
Cash flows from financing activities			
Principal portion of lease payments		(15,929)	(100,160)
Proceeds from issuance of convertible debt		424,916	-
Proceeds from exercise of warrants		-	63,569
Proceeds from exercise of options		-	195
Proceeds from loans and promissory notes		1,148,781	964,000
Proceeds from equity financing, net of share issuance costs		373,364	3,070,858
Repayment of loans payable		(98,257)	(684,000)
Net cash provided by financing activities		1,832,875	3,314,462
Net decrease in cash		(6,935)	(1,115,458)
Impact of currency translation on cash		(12,010)	176,647
Cash, beginning of period		54,180	1,064,225
Cash, end of period		35,235	125,414
Cash		35,235	125,414
Restricted cash		150,000	-
Cash, end of period	\$	185,235	\$ 125,414

Supplemental cash flow information (Note 25)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

VSBLTY Groupe Technologies Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on August 1, 2018. The Company’s head office is located at 1055 W Georgia St 1500, Vancouver, BC V6E 4N7 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”.

On November 3, 2023, the Company completed a 1-for-10 reverse split of its common shares (“the Consolidation”). The Consolidation is effective as of the close of business on November 3, 2023. Except where otherwise indicated, all historical share numbers and per share amounts have been adjusted on a retroactive basis to reflect the Consolidation.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. To date, the Company has not been profitable and has an accumulated deficit of \$65,535,061. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated financial statements.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary to the statement of financial position classifications used. Such adjustments could be material.

2. BASIS OF PRESENTATION

a) Statement of compliance

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

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 27, 2024.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

2. BASIS OF PRESENTATION (continued)**b) Basis of measurement**

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

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

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

c) Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, VSBLTY, Inc and VSBLTY Mexico, S. DE R.L. DE C.V, VSBLTY SPV1 and Shelf Nine LLC (“Shelf Nine”). All inter-company balances, transactions, income, and expenses have been eliminated upon consolidation.

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with the accounting policies disclosed in Note 3 of the audited financial statements for the year ended December 31, 2023. These condensed consolidated interim statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2023.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

4. USE OF JUDGMENTS AND ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant estimates and critical judgments were the same as those applied to the financial statements as at and for the year ended December 31, 2023.

5. VSBLTY SPV1 "SPV1"

During the nine months ended September 30, 2024, the Company took over a Master Services Agreement between Winkel and AGIS, ("Winkel MSA") from AGIS. The Company also incorporated a new entity VSBLTY SPV1 "SPV1". SPV1 is controlled by VSBLTY Inc, and will administer the Winkel MSA. In conjunction with the assumption of the MSA, the associated machinery and equipment 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 (Note 14). 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 CAD\$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 also 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; failure 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.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

5. VSBLTY SPV1 “SPV1” (continued)

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 48 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.

On September 9, 2024, the terms of the credit facility were further amended to extend the forbearance period.

On September 25, the Company received Notice of Events of Default, reflecting missed monthly principal and interest payments. The agent and lenders have determined to forbear from exercising their rights and remedies. The Company anticipates curing all defaults upon receipt of adequate financing.

The financial results of SPV1 have been included in the condensed consolidated interim financial statements. The revenues and net income of SPV1 included in the consolidated statements of loss and comprehensive loss are \$416,500 and \$2,363 respectively.

6. ACQUISITION OF SHELF NINE

On October 31, 2023 (“Acquisition Date”), the Company acquired all of the outstanding shares of Shelf Nine (“the Transaction”), a company in the business of digital media advertising, from the previous shareholders (“the Sellers”).

The consideration for the Transaction consisted of the following:

- 1,582,250 common shares issued on the Acquisition date, with a fair value \$502,119 as determined by the market value of the Company’s shares on the Acquisition date (issued). 125,000 of these common shares issued to the Sellers are to be held in escrow for 15 months following the Acquisition date.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

6. ACQUISITION OF SHELF NINE (continued)

- The Sellers shall be entitled to additional consideration of up to \$3,890,000 payable in common shares of the Company if the following revenue milestones are met:
 - Common shares with a value of \$650,000 and \$325,000, if the revenue of at least \$512,000 and \$256,000, respectively, is earned during the period between July 1, 2023 and December 31, 2023.
 - Common shares with a value of \$1,170,000 and \$585,000, if revenue of at least \$5,715,000 and \$2,858,000, respectively, is earned during the period between January 1, 2024 and December 31, 2024.
 - Common shares with a value of \$1,170,000 and \$585,000, if the revenue of at least \$12,653,000 and \$6,327,000, respectively, is earned during the period between January 1, 2025 and December 31, 2025.
 - Common shares with a value of \$900,000 and \$450,000, if the revenue of at least \$6,076,000 and \$3,038,000, respectively, is earned during the period between January 1, 2026 and June 30, 2026.

The fair value at acquisition date was determined as \$304,843 using the Monte Carlo model. During the year ended December 31, 2023, there was a partial attainment of the first milestone for earning \$256,000 in revenue and as a result 2,055,459 common shares with a fair value of \$120,020 were issued to the Sellers during the nine months ended September 30, 2024.

- A promissory note in the amount of \$336,096 with a 6% per annum blended payment rate which includes both the interest and principal. The promissory note is payable over a period of 2 years and is secured against the assets of the Company. The Acquisition date fair value of this promissory note was determined to be \$314,353 based on a discount rate of 15.53%.

The Company determined that Shelf Nine constituted a business as defined by IFRS 3 and the transaction was accounted for as a business combination. The Company has retained Shelf Nine's key management personnel and has also implemented Shelf Nine's operational processes that together significantly contribute to the ability to create output. The Transaction was accounted for using the acquisition method under IFRS 3, with the results of operations to be included in Financial Statements from the date of acquisition. The fair values of identifiable assets acquired and liabilities assumed are as follows:

Consideration:		
Common shares	\$	502,119
Contingent consideration		304,843
Total consideration	\$	806,962
Fair value of net assets assumed:		
Accounts receivable		23,753
Inventory assets		1,975
Cash and cash equivalents		1,408
Accounts payable and accrued liabilities		(179,995)
Notes payable (Note 14)		(314,353)
Total net liabilities		(467,212)
Goodwill	\$	1,274,174

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

6. ACQUISITION OF SHELF NINE (continued)

Goodwill arising from the acquisition relates to expected synergies from an expanded digital signage network and enhanced retail advertising capabilities.

At December 31, 2023, based on the impairment test performed the Company determined that the goodwill was impaired due to the financial performance of Shelf Nine not meeting expected targets. As a result, goodwill was fully written off for a total impairment loss of \$1,274,174.

For the impairment test performed, the key assumptions used in the cash flow model included various significant unobservable inputs.

The following significant unobservable inputs, all of which are classified as Level 3 on the fair value hierarchy and are subject to volatility and several uncontrollable factors which could significantly affect the present value of the discounted future cash flows, were used by management as part of this model:

- a) Weighted average cost of capital("WACC") – calculated as the weighted average cost of the Company's cost of equity and cost of debt;
- b) Revenue growth – projected at 5% per year.

7. TRADE AND OTHER RECEIVABLES

	September 30, 2024	December 31, 2023
Trade receivables	\$ 352,856	\$ 595,275
Trade receivable – Winkel (Note 12)	662,180	662,180
Sales tax receivable and other	8,490	54,547
Provision for doubtful accounts	(796,012)	(678,160)
	\$ 227,514	\$ 633,842

During the nine months ended September 30, 2024, the Company recorded a provision for doubtful accounts of \$121,836 (2023 - \$36,403).

A reconciliation of the provision is below:

Balance, December 31, 2022	\$ 932,767
Bad debts expense	68,414
Allowance of credit losses from the acquisition of Shelf Nine (Note 6)	5,575
Accounts receivable written off	(328,596)
Balance, December 31, 2023	\$ 678,160
Bad debts expense	121,836
Accounts receivable written off	(3,984)
Balance, September 30, 2024	\$ 796,012

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

7. TRADE AND OTHER RECEIVABLES (continued)

The provision matrix is based on historical loss experience and current conditions. Set out below is the information about the credit risk exposure on the Company's trade receivables using the provision matrix:

As at September 30, 2024	Older than 1 year	Older than 6 months	Older than 4 months	91 + days	61 to 90 days	31 to 60 days	Current
Expected credit loss rate	100%	85%	60%	10.6%	3.6%	1.6%	0.3%
Expected credit losses	\$ 671,840	\$ 103,290	\$ 18,826	\$ 1,000	\$ 634	\$ 339	\$ 83
As at December 31, 2023	Older than 1 year	Older than 6 months	Older than 4 months	91 + days	61 to 90 days	31 to 60 days	Current
Expected credit loss rate	100%	85%	60%	10.6%	3.6%	1.6%	0.3%
Expected credit losses	\$ 663,933	\$ 6,347	\$ 3,971	\$ 1,787	\$ 219	\$ 318	\$ 1,585

8. EQUIPMENT

	Computer equipment	Equipment	Furniture	Total
Cost				
Balance, December 31, 2022	\$ 108,817	\$ 64,273	\$ 9,010	\$ 182,100
Additions	3,451	-	-	3,451
Balance, December 31, 2023	112,268	64,273	9,010	185,551
Additions (Note 5)	-	2,177,363	-	2,177,363
Balance, September 30, 2024	\$ 112,268	\$ 2,241,636	\$ 9,010	\$ 2,362,914
Accumulated depreciation				
Balance, December 31, 2022	\$ 51,341	\$ 43,652	\$ 1,348	\$ 96,341
Additions	32,863	10,781	1,802	45,446
Balance, December 31, 2023	\$ 84,204	\$ 54,433	\$ 3,150	\$ 141,787
Additions	19,650	188,513	1,353	209,516
Balance, September 30, 2024	\$ 103,854	\$ 242,946	\$ 4,503	\$ 351,303
Net book value:				
Balance, December 31, 2023	\$ 28,064	\$ 9,840	\$ 5,860	\$ 43,764
Balance, September 30, 2024	\$ 8,414	\$ 1,998,690	\$ 4,507	\$ 2,011,611

The additions during the nine months ended September 30, 2024 relates to equipment that was acquired as part of the Winkel MSA (Note 5).

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

9. PREPAID EXPENSES

	September 30, 2024	December 31, 2023
Current		
Prepaid services and subscriptions	\$ 37,874	\$ 64,409
Prepaid insurance and rent	23,042	23,699
Total Current	\$ 60,916	\$ 88,108
Non-Current		
Lease deposit (Note 15)	\$ 10,916	\$ 10,916
Total Non-Current	\$ 10,916	\$ 10,916

10. COST OF SALES

	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
License fees	\$ 256,690	\$ 538,265
Professional services and other	475,321	697,853
Total Cost of sales	\$ 732,011	\$ 1,236,118

11. INVENTORY

Balance, December 31, 2022	\$	44,995
Purchases		46,884
Inventory from acquisition of Shelf Nine (Note 6)		1,975
Cost of sales		(46,298)
Impairment		(45,581)
Balance, December 31, 2023	\$	1,975
Cost of sales		(1,975)
Balance, September 30, 2024	\$	-

During the year ended December 31, 2022, an impairment loss of \$44,995 was recognized related to cooler door monitors and kits at a third-party warehouse which had a cost of \$89,990. The impairment was related to the expected recoverability of the inventory as the customer purchasing the equipment filed for bankruptcy. During the year ended December 31, 2023, management re-assessed the recoverability, and a further \$45,581 impairment loss was recognized.

The inventory balance as at December 31, 2023 of \$1,975 consists of screens and computer components that are used for the Company's digital advertising that were obtained through the acquisition of Shelf Nine.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

12. INVESTMENT IN JOINT VENTURES

Investment in Winkel

On July 9, 2021, the Company entered into an agreement with Retailigent Media, and Grupo Modelo (a subsidiary of Anheuser-Busch InBev SA/NV – (“ABI”)) to create a joint venture, Winkel, as a 33.33% participant. As a participant, the Company earns revenue through sales of proprietary software for analytics, security and visual displays to Winkel. The Company will earn 33.33% of all profits in exchange for a start-up contribution of \$25,725 and the provision of a bridge loan of up to \$1,600,000 to fund operations. The bridge loan is non-interest bearing and there are no stated terms of repayment. The Company and Winkel have since agreed to increase the bridge loan in order to meet increased cash demands. During the year ended December 31, 2023, the Company advanced an additional \$90,181 to Winkel.

During the year ended December 31, 2022, Austin GIS took over Winkel’s equipment sales and related financing duties from the Company (the “Winkel Master Services Agreement (Winkel MSA)”). As part of that agreement, the Company and ABI agreed to become co obligors of any additional debt created by Winkel to Austin GIS under the Winkel MSA.

Winkel has since fallen behind in its payments to Austin GIS and as a co obligor, the Company along with Retailigent Media, and Grupo Modelo, received a demand from Austin GIS during the year ended December 31, 2023, for amounts past due totalling \$1,374,884.

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, and during the nine months ended September 30, 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.

In accordance with the Winkel MSA, the Company has also accrued an additional \$58,294 being its share of the balance of the amount demanded by Austin GIS.

As at September 30, 2024, the Company had a total of \$2,659,731 (December 31, 2023 - \$2,579,731) receivable from Winkel that was fully impaired.

As at September 30, 2024 and December 31, 2023, the Company has a 33.33% equity interest in Winkel. Management has determined that the Company has significant influence over the joint venture and accordingly is using the equity method to account for this investment.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

12. INVESTMENT IN JOINT VENTURES AND ASSOCIATES (continued)**Investment in Winkel (continued)***Transactions with Winkel*

During the nine months ended September 30, 2024, the Company sold \$596,590 (2023 - \$186,390) in software services to Winkel.

The Company has reviewed Winkel's financial results and determined that outstanding accounts receivable balances may not be collectible based on the initial agreed upon repayment schedule without additional outside funding. Accordingly, the Company has not recognized any revenue in relation to Winkel.

During the year ended December 31, 2023, the Company received \$1,301,800 from Winkel for outstanding accounts receivable and reversed impairment recognized in 2022 of \$47,959.

As at September 30, 2024, \$2,804,534 (December 31, 2023 - \$1,672,493) was outstanding, of which \$1,132,090 (2023 - \$77,520) was not recognized under IFRS 15 for a net receivable of \$Nil.

Below is a continuity of Winkel's accounts receivable balance:

Carrying value of accounts receivable due from Winkel, December 31, 2022	1,252,041
Reversal of previous impairment	47,959
Amounts billed on contracts with Winkel	264,460
Revenue not recognized under IFRS 15 due to uncertain collectability	(262,660)
Amount received	(1,301,800)
Carrying value of accounts receivable due from Winkel, December 31, 2023	\$ -
Amounts billed on contracts with Winkel	596,590
Revenue not recognized under IFRS 15 due to uncertain collectability	(596,590)
Carrying value of accounts receivable due from Winkel, September 30, 2024	-

The Company's carrying value of the investment in Winkel was \$Nil as at January 1, 2024 and 2023 and no additional contributions were made to increase the carrying value during the nine months ended September 30, 2024 and the year ended December 31, 2023. Therefore, no share of loss is recognized during the nine months ended September 30, 2024, and 2023.

Investment in Radar USA

Radar USA was incorporated in the State of Delaware, United State of America under Delaware General Corporation Law. Radar USA was formed as a collaboration between the Company and Radar APP S.A.P.I. de C.V. ("Radar App").

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

12. INVESTMENT IN JOINT VENTURES ASSOCIATES (continued)

Investment in Radar USA (continued)

Radar USA plans to become an AI-powered integrated community security provider whose integrated solution package includes smart cameras; an easy-to-use app for citizen SOS, geolocation and direct interaction with police; and cloud-based data storage and analytics for law enforcement.

The Company holds 23.57% of common shares outstanding in Radar USA, representing voting rights of 23.57%. Officers, directors and employees of the Company represent another 4.43%.

Management has determined that the Company has significant influence over Radar USA and accordingly is using the equity method to account for this investment.

Transactions with Radar USA

During the nine months ended September 30, 2024, the Company provided consulting services to Radar USA in the amount of \$Nil (2023 - \$90,000), and during the 2023 financial year the Company established that the collectability of some of revenue from Radar USA amounting to \$90,000 was doubtful, therefore only revenue of \$35,050 was recognized in accordance with IFRS 15.

During the year ended December 31, 2022, the Company also assigned five existing customer contracts to Radar USA, whereby Radar USA would act as a reseller of the Company's licenses for no consideration.

During the year ended December 31, 2022, the Company also entered into an agreement with Radar USA in which each party agreed sublease 50% of the lease between the Company and Cracker Factory, LLC ("Cracker") for an office space. Radar USA paid \$16,837 relating to these rentals during the year ended December 31, 2023.

It was determined during 2023 that the Radar USA would not be able to fulfil their obligations in terms of the sublease agreement and as a result the remaining lease receivable balance of \$65,625 was written off.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

12. INVESTMENT IN JOINT VENTURES ASSOCIATES (continued)**Investment in Radar USA (continued)**

Below is a continuity of Radar USA's accounts receivable balance:

Carrying value of accounts receivable due from Radar USA, December 31, 2021	\$	10,000
Amounts billed on consulting contracts with Radar USA		120,000
Amounts received		(120,000)
Carrying value of accounts receivable due from Radar USA, December 31, 2022		-
Amounts billed on contracts with Radar USA		120,000
Amounts billed on the sale of equipment to Radar USA		5,050
Revenue not recognized under IFRS 15 due to uncertain collectability		(90,000)
Amounts received		(35,050)
Carrying value of accounts receivable due from Radar USA, December 31, 2023 and September 30, 2024	\$	-

The Company's carrying value of the investment in Radar USA was \$Nil as at January 1, 2024 and 2023 and no additional contributions were made to increase the carrying value during the nine months ended September 30, 2024 and the year ended December 31, 2023. Therefore, no share of loss is recognized during the nine months ended September 30, 2024, and 2023.

Investment in Austin GIS

On August 30, 2021, the Company acquired 1,000,000 Preferred shares of Austin GIS Inc. ("Austin GIS"), a privately held corporation incorporated in the state of Delaware for \$1,000,000 through a series A funding.

The Class A Preferred Shares may be converted at any time into common shares of Austin GIS at the option of the holder at a conversion price. Each Class A Preferred Share will automatically be converted into common shares:

- (i) Immediately prior to the closing of an initial public offering, provided that the offering price per share is not less than \$3.00 and the aggregate gross proceeds are not less than \$20,000,000;
- (ii) Immediately prior to the closing of a business combination, merger, consolidation or share exchange transaction with the special purpose acquisition company in which the common shares of the surviving entity is listed on the New York Stock Exchange, Nasdaq, or another exchange approved by the Board of Directors. The Company must also not be valued at a price per share less than \$3.00 and the aggregate gross proceeds to the Company are not less than \$20,000,000;
- (iii) Any other public company transaction similar to point (ii); and
- (iv) Upon receipt by the Company of a written request for such conversion from the holders of a majority of the Preferred Shares outstanding;

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

12. INVESTMENT IN JOINT VENTURES AND ASSOCIATES (continued)**Investment in Austin GIS (continued)**

The investment in Austin GIS represented an investment in a private company for which there is no active market and for which there are no publicly available quoted market prices. As such, at initial recognition, the Company classified its investment in Austin GIS as Level 3 in the fair value hierarchy with fair value measurements recorded in profit and loss.

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

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 September 30, 2024 the Company holds 25.49% (December 31, 2023 – 25.49%) of common shares outstanding in Austin, with potential voting rights of 9.43% (December 31, 2023 – 9.43%) on a diluted basis.

Due to the conversion of the Series A Preferred Stock into common stock, the Company determined that the investment which was previously accounted for as a financial asset measured at fair value through profit or loss in accordance with IFRS 9, now falls under the scope of IAS 28 - Investments in Associates and Joint Ventures as the Company had attained significant influence over Austin GIS and accordingly reclassified the investment to an investment in an associate accounted for using the equity method. Austin GIS's fair value on the date of conversion was determined to be \$Nil and a loss for change in fair value of the investment of \$1,000,000 was recognized. The fair value of the Austin GIS on the date of conversion was determined using the net asset and market approaches. Key inputs included: discount for lack of marketability of 20.0% and revenue multiples of 3.0.

Transactions with Austin GIS

During the nine months ended September 30, 2024, the Company did not transact with Austin GIS.

The Company's carrying value of the investment in Austin GIS was \$Nil as at January 1, 2024 and no additional contributions were made to increase the carrying value during the nine months ended September 30, 2024. Therefore, no share of loss is recognized during the nine months ended September 30, 2024.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2024	December 31, 2023
Accounts payable	\$ 3,177,209	\$ 2,604,455
Accrued liabilities	2,226,061	1,402,765
Accrued interest (Note 14)	461,355	109,643
	\$ 5,864,625	\$ 4,116,863

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

14. LOANS PAYABLE

	10% Loans	60% Loans	48% Loans	18% Loans	Shelf Nine Promissory Note	SPV1 Loan (Note 5)	Total
Balance, December 31, 2022	\$ 93,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,104
Additions	-	958,000	185,000	-	314,353	-	1,457,353
Repayments	-	(609,000)	(130,000)	-	(40,200)	-	(779,200)
Foreign exchange	2,033	-	-	-	-	-	2,033
Balance, December 31, 2023	\$ 95,137	\$ 349,000	\$ 55,000	\$ -	\$ 274,153	\$ -	\$ 773,290
Additions	-	20,500	-	245,000	-	3,287,363	3,552,863
Transaction costs	-	-	-	-	-	(31,719)	(31,719)
Repayments	-	(68,174)	-	-	(30,083)	-	(98,257)
Foreign exchange	(1,832)	-	-	-	-	-	(1,832)
Balance, September 30, 2024	\$ 93,305	\$ 301,326	\$ 55,000	\$ 245,000	\$ 244,070	\$ 3,255,644	\$ 4,194,345
Current	\$ 93,305	\$ 301,326	\$ 55,000	\$ 245,000	\$ 205,300	\$ 924,938	\$ 1,824,869
Non-current	\$ -	\$ -	\$ -	\$ -	\$ 38,770	\$ 2,330,706	\$ 2,369,476

10% Loans

These amounts are unsecured, bear interest at 10% per annum, and are due on demand. During the nine months ended September 30, 2024, the Company recorded \$6,960 (2023 - \$7,009) in interest expense included in finance cost, and as at September 30, 2024, there was accrued interest of \$52,583 (December 31, 2023 - \$46,473) included in accounts payable and accrued liabilities.

60% Loans

During the nine months ended September 30, 2024, the Company issued promissory notes for a total principal amount of \$20,500. The promissory notes bear interest at 60% per annum, are payable on demand and are secured against the Company's accounts receivables. A principal amount of \$65,774 was repaid during the nine months ended September 30, 2024.

During the nine months ended September 30, 2024, the Company recorded \$148,495 (2023 - \$93,352) in interest expense included in finance cost, and as at September 30, 2024, there was accrued interest of \$205,266 (December 31, 2023 - \$1,349) included in accounts payable and accrued liabilities.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

14. LOANS PAYABLE (continued)**48% and 18% Loans**

During the nine months ended September 30, 2024, the Company issued promissory notes for a total principal amount of \$300,000 to an officer and director. The promissory notes bear interest at 48% and 18% per annum, are payable on demand and are secured against the Company's accounts receivables. These promissory notes are payable on demand and are secured against the Company's accounts receivables.

During the nine months ended September 30, 2024, the Company recorded \$19,920 (2023 - \$8,035) in interest expense included in finance cost, and as at September 30, 2024, there was accrued interest of \$26,321 (December 31, 2023 - \$6,162) included in accounts payable and accrued liabilities.

Shelf Nine Promissory Note

The Company also issued a note payable during the year ended December 31, 2023 in connection with the acquisition of Shelf Nine.

During the nine months ended September 30, 2024, the Company recorded \$25,827 (2023 - \$Nil) in interest expense included in finance cost, and as at September 30, 2024, there was accrued interest of \$19,083 (December 31, 2023 - \$6,162) included in accounts payable and accrued liabilities.

SPV1 Loan

During the nine months ended September 30, 2024, the balance on the credit facilities assumed with the Winkel MSA was \$2,177,363 (Note 5). On May 15, 2024, the Company drew down an additional \$985,000. On July 1, 2024, 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 credit facility attracts interest at SOFR plus 12% with the SOFR having a floor of 4%. \$35,000 in financing costs were recorded as part of the draw down, with \$3,281 (2023 - \$nil) having been recognized as of September 30, 2024.

During the nine months ended September 30, 2024, the Company recorded \$208,633 (2023 - \$nil) in interest expense included in finance cost, and as at September 30, 2024 there was accrued interest of \$118,030 (December 31, 2023 - \$nil) included in accounts payable and accrued liabilities.

Convertible debentures

On April 29, 2024, the Company closed the first tranche ("Tranche 1") of an unsecured, non-brokered convertible debenture offering for gross proceeds of \$304,916.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

14. LOANS PAYABLE (continued)**Convertible debentures (continued)**

The debentures are denominated in United States Dollars, bear interest at a rate of 18% per annum, payable semi-annually and will mature two years from the date of issuance. The principal amount of the debentures may be converted, in whole or in part, at any time before the maturity date, into units at \$0.122 (CAD\$0.165) per unit, if converted at any time prior to or on the maturity date.

Each unit will consist of one common share of the Company and one common share purchase warrant. Each warrant will be exercisable into one common share at a price of \$0.122 (CAD\$0.165) for a period of 36 months after the closing date.

On July 9, 2024, the Company closed the second tranche (“Tranche 2”) of an unsecured, non-brokered convertible debenture offering for gross proceeds of \$170,000.

The debentures are denominated in United States Dollars, bear interest at a rate of 18% per annum, payable semi-annually and will mature two years from the date of issuance. The principal amount of the debentures may be converted, in whole or in part, at any time before the maturity date, into units at \$0.055 (CAD\$0.07) per unit, if converted at any time prior to or on the maturity date.

Each unit will consist of one common share of the Company and one common share purchase warrant. Each warrant will be exercisable into one common share at a price of \$0.055 (CAD\$0.07) for a period of 36 months after the closing date.

Both Tranches 1 and 2 debentures were determined to be a financial instrument comprising an embedded derivative warrants and conversion features and a host debt component. On initial recognition, the Company used the relative fair value method to allocate the principal amount of the debentures among these components. The embedded derivatives were valued first, and the host debt component was then valued based on similar debt securities without an embedded conversion feature.

The fair value of the warrants and conversion features were determined using the Black-Scholes Option Pricing Model using the assumptions set out as follows:

	Initial recognition in 2024	Fair value at September 30, 2024
Risk-free interest rate	3.73 - 4.30%	2.94%
Expected volatility	124.18 – 139.47%	222.68 – 272.62%
Dividend yield	0%	0%
Expected life	2 – 3 years	1.58 – 2.77 years

In connection with the issuance of the debentures, the Company incurred \$6,806 in directly attributable costs for legal fees and out-of-pocket expenses.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

14. LOANS PAYABLE (continued)**Convertible debentures (continued)**

Transactions costs were allocated between the host debt liability and embedded derivative components of the debentures on a relative fair value basis.

A continuity of the Company's embedded derivative liability is as follows:

		Tranche 1	Tranche 2	Total
Balance, December 31, 2023	\$	-	-	-
Conversion Feature		100,077	62,636	162,713
Warrants		109,386	66,766	176,152
Change in fair value of derivative		(31,197)	45,038	13,841
Balance, September 30, 2024	\$	178,266	174,440	352,706

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

		Tranche 1	Tranche 2	Total
Balance, December 31, 2023	\$	-	-	-
Issued during the period		304,916	170,000	474,916
Conversion Feature		(100,077)	(62,636)	(162,713)
Warrants		(109,386)	(66,766)	(176,152)
Transaction costs		(3,168)	-	(3,168)
Accretion		41,460	11,262	52,722
Balance, September 30, 2024	\$	133,745	51,860	185,605

During the nine months ended September 30, 2024, the Company recorded \$52,722 (2023 - \$nil) in accretion expense and \$30,033 (2023 - \$nil) in interest expense included in finance costs. As at September 30, 2024, there was accrued interest of \$30,033 (December 31, 2023 - \$nil) included in accounts payable and accrued liabilities.

15. LEASES

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

Right-of-use assets	
Balance, December 31, 2022	\$ 173,182
Derecognition of right of use assets	(54,243)
Depreciation expense	(90,957)
Balance, December 31, 2023	27,982
Depreciation expense	(25,530)
Balance, September 30, 2024	\$ 2,452

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

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

15. LEASES (continued)

Lease liability	September 30, 2024	December 31, 2023
Current portion	\$ 48,560	\$ 64,489
Total lease liability	\$ 48,560	\$ 64,489

At September 30, 2024, the Company is committed to minimum lease payments as follows:

Maturity analysis	September 30, 2024	December 31, 2023
Less than one year	\$ 3,410	\$ 39,150
Total undiscounted lease liabilities	\$ 3,410	\$ 39,150

Amounts recognized in profit or loss	September 30, 2024	September 30, 2023
Interest on lease liabilities	\$ 1,546	\$ 19,911
Interest income on sublease	-	\$ (6,960)
	\$ 1,546	\$ 12,951

Amounts recognized in the statement of cash flows	September 30, 2024	September 30, 2023
Interest paid	\$ 1,480	\$ 12,951
Principal payments on lease liabilities	15,929	100,160
Total cash outflows for leases	\$ 17,409	\$ 113,111

On March 15, 2022, the Company entered into a sublease agreement related to office space with Radar USA which was discontinued during the year ended December 31, 2023. During the nine months ended September 30, 2024, the Company earned interest income of \$Nil (2023 - \$6,960). At December 31, 2023 the Company's lease receivable related to this sublease agreement office leases.

16. SHAREHOLDERS' EQUITY**a) Share capital**

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

During the nine months ended September 30, 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\$156,247) based on the residual method. Cash finder's fee and legal fees totalling \$62,363 (CAD\$84,028) were paid, and

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

16. SHAREHOLDERS' EQUITY (continued)**a) Share capital (continued)**

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.

- 2,055,459 common shares were issued pursuant to the Shelf Nine acquisition transaction (Note 6) relating to the partial attainment of the first milestone which had occurred during the year ended December 31, 2023, and resulted in the recording of \$304,843 as an obligation to issue shares liability as of that date. The shares were issued at a price of CAD\$0.08 per share for a value of \$120,020 (CAD\$164,437) resulting in a gain on settlement of consideration of \$189,871 (CAD\$257,885) and a foreign exchange gain of \$5,048 upon settlement of this liability.
- 444,444 units were issued to settle CAD\$50,000 worth of debt at a price of CAD\$0.1125 per unit. The common shares had a fair value of \$37,133 (CAD\$51,111) and a gain on settlement of debt of \$818 was recognized. 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 CAD\$0.1125 per warrant share for a period of three years from the date of issuance. No value was allocated to the warrants based on the residual method.
- 1,250,000 common shares were issued to settle CAD\$100,000 worth of debt at a price of CAD\$0.08 per share. The common shares had a fair value of \$68,362 (CAD\$93,750) and a loss on settlement of debt of \$4,602 was recognized.

During the nine months ended September 30, 2023, the Company issued an aggregate of:

- 8,505,700 units for gross proceeds of \$3,228,589 (CAD\$4,252,850) pursuant to a non-brokered private placement ("the Private placement") at CAD\$0.50 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 \$0.75 CAD for a period of 48 months from the closing date. No value was allocated to the warrants based on the residual method. 160,000 of these units were issued in exchange for accounts payable of \$60,720 (CAD \$80,000). As at September 30, 2023, \$65,417 (CAD\$83,850) was owed to the Company by some subscribers (Note 18).
- Cash finder's fee and legal fees totalling \$169,504 (CAD\$226,522) were paid, 120,090 common shares valued at \$61,246 (CAD\$81,059) were issued as corporate finance fees, and 309,190 agent warrants valued at \$80,089 (CAD\$105,371) were issued. Each agent warrant entitles the holder to purchase one common share at a price of \$0.75 CAD for a period of 24 months from the closing date;
- 49,412 common shares for the exercise of warrants for proceeds of \$63,569 (CAD\$ 86,169) as a result \$1,840 (CAD\$2,471) was reclassified from reserves.
- 101 common shares for the exercise of options for proceeds of \$195 (CAD\$263) as a result \$68 (CAD\$92) was reclassified from reserves.
- 4,175 common shares were issued related to the vesting of RSUs, and as a result \$22,166 has been reclassified from reserves.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

16. SHAREHOLDERS' EQUITY (continued)**b) Warrants**

On July 9, 2021, the Company formed a joint venture, Winkel (Note 12). In connection with the agreement, the Company issued 1,550,000 warrants to Grupo Modelo. These warrants had a total fair value of \$8,845,763, or \$5.70 per warrant, using the Black Scholes model with the following inputs: i) exercise price: \$8.40; ii) share price: \$7.80; iii) term: 5.00 years; iv) volatility: 100%; v) discount rate: 0.74%. Each warrant is exercisable for one common share at \$6.30 (CAD \$8.40) per share for a period of five years subject to the following vesting conditions:

- 15% vested immediately upon execution (vested);
- 15% vest upon the execution of a definitive agreement for the formation of a joint venture (vested);
- 20% vest upon the joint venture installed and operating in at least 1,500 locations ("Milestone 3") (vested);
- 20% vest upon the joint venture installed and operating in at least 5,000 locations ("Milestone 4");
- 15% will vest upon the joint venture installed and operating in at least 20,000 locations ("Milestone 5"); and
- 15% will vest upon the joint venture installed and operating in at least 30,000 locations ("Milestone 6").

The vesting conditions are not related to the market price of the equity instruments of the Company and, as a result, they are non-market performance conditions. At December 31, 2023 and September 30, 2024, management re-assessed when certain conditions will be met, and did not expect Milestones 4 to 6 to vest prior to the expiry of the warrants. As a result, share based compensation expense of \$194,110 (CAD\$261,945) previously recognized for the vesting of these milestones was reversed during the year ended December 31, 2023.

In addition, to the above warrants, the Company will issue to Modelo 500,000 additional top up Warrants (the "Additional Warrants") upon the satisfaction of Milestone 3 which, if met, will be priced at the date of satisfaction of Milestone 3 and which will be subject to the following vesting conditions:

- 50% will vest immediately (vested); and
- 50% will vest upon the satisfaction of Milestone 4.

Each Additional Warrant will have an exercise price equal to the closing price of the Company's shares on the last trading prior to the date of satisfaction of Milestone 3 and will be exercisable for a period of five years from the date of issuance. The Additional Warrants have a total fair value of \$482,480, or \$9.65 per warrant, using the Black Scholes model with the following inputs: i) exercise price: \$18.00; ii) share price: \$18.00; iii) term: 5.00 years; iv) volatility: 97%; v) discount rate: 3.55%.

During the year ended December 31, 2022, Milestone 3 was achieved and 250,000 of the Additional Warrants vested. The Company however, has not yet issued these warrants and, an obligation to issue securities was recorded during the year ended December 31, 2022 of \$318,906 (CAD\$431,994).

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

16. SHAREHOLDERS' EQUITY (continued)**b) Warrants (continued)**

The other 250,000 Additional Warrants related to the attainment of Milestone 4 are not expected to vest and therefore no expense was recognized during the nine months ended September 30, 2024 (2023 - \$306,105).

As part of the brokered private placement completed during the nine months ended September 30, 2024, 4,464,200 warrants were allocated a fair value of \$115,965 (CAD\$156,257) based on the residual method. 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. 357,136 agent warrants were also issued pursuant to the offering. Each agent warrant entitles the holder to purchase one common share at a price of CAD\$0.16 for a period of 36 months from the closing date.

These warrants had a total fair value of \$14,575 (CAD\$19,673), or CAD\$0.06 per warrant, using the Black Scholes model with the following inputs: i) exercise price: CAD\$0.16; ii) share price: CAD\$0.10; iii) term: 3.00 years; iv) volatility: 108.07%; v) discount rate: 3.78%. 357,156 agent warrants were also issued pursuant to the private placement. 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.

An additional 444,444 warrants were issued as part of a debt settlement agreement, these warrants were allocated a fair value of \$Nil based on the residual method. Each warrant is exercisable for one common share of the Company at a price of CAD\$0.1125 per warrant share for a period of three years from the date of issuance.

In connection with the debt settlement agreement mentioned above, 500,000 warrants were issued as consideration to the creditor for the debt settlement agreement. Each warrant is exercisable for one common share of the Company at a price of CAD\$0.1125 per warrant share for a period of three years from the date of issuance. These warrants had a total fair value of \$30,101 (CAD\$41,431), or CAD\$0.08 per warrant, using the Black Scholes model with the following inputs: i) exercise price: CAD\$0.12; ii) share price: CAD\$0.11; iii) term: 3.00 years; iv) volatility: 124%; v) discount rate: 4.18%.

The Company also issued 4,800,000 warrants as consideration for the SPV1 loan (Note 5) to the lenders. Each warrant is exercisable for one common share of the Company at a price of CAD\$0.135 per warrant share for a period of five years from the date of issuance. These warrants had a total fair value of \$225,503 (CAD\$308,139), or CAD\$0.06 per warrant, using the Black Scholes model with the following inputs: i) exercise price: CAD\$0.135; ii) share price: CAD\$0.08; iii) term: 5.00 years; iv) volatility: 124%; v) discount rate: 3.66%.

On July 9, 2024, the Company also issued an additional 500,000 warrants as consideration for the deferment of the monthly payments due related to the SPV1 loan (Note 5) to the lenders. Each warrant is exercisable for one common share of the Company at a price of \$0.055 (CAD\$0.08) per warrant share for a period of five years from the date of issuance.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

16. SHAREHOLDERS' EQUITY (continued)**b) Warrants (continued)**

These warrants had a total fair value of \$207,082 (CAD\$282,413), or CAD\$0.07 per warrant, using the Black Scholes model with the following inputs: i) exercise price: CAD\$0.08; ii) share price: CAD\$0.07; iii) term: 5.00 years; iv) volatility: 125%; v) discount rate: 3.47%. The entire fair value has been recorded as part of the share-based payments.

Continuity of the Company's warrants is as follows:

	Number of warrants	Weighted average exercise price (\$CAD)	Weighted average exercise price (\$USD)
Outstanding, December 31, 2022	8,148,916	\$ 5.00	\$ 3.70
Granted	17,988,651	4.49	3.39
Exercised	(49,412)	1.70	1.28
Expired	(2,049,485)	1.68	1.27
Outstanding, December 31, 2023	24,038,670	\$ 1.87	\$ 1.39
Granted	11,065,780	0.14	0.10
Expired	(907,789)	0.65	0.48
Outstanding, September 30, 2024	34,196,661	\$ 1.19	\$ 0.86

As at September 30, 2024, the following warrants were outstanding and exercisable:

Number of warrants outstanding	Exercise price (\$CAD)	Exercise price (\$USD)	Expiry date	Number of warrants exercisable
1,550,000	8.40	6.34	March 18, 2026	775,000
302,190	0.8	0.57	July 20, 2025	302,190
7,000	0.8	0.57	July 25, 2025	7,000
2,214,994	5.00	3.77	July 28, 2025	2,214,994
153,334	3.00	2.26	July 28, 2025	153,334
887,183	5.00	3.77	August 31, 2025	887,183
12,500	3.00	2.26	November 10, 2025	12,500
324,220	5.00	3.77	November 10, 2025	324,220
6,725,000	0.80	0.57	July 20, 2027	6,725,000
1,122,700	0.75	0.57	July 25, 2027	1,122,700
658,000	0.75	0.57	August 11, 2027	658,000
9,173,760	0.16	0.12	December 22, 2026	9,173,760
4,821,336	0.16	0.12	January 23, 2027	4,821,336
944,444	0.11	0.08	May 1, 2027	944,444
4,800,000	0.14	0.10	May 22, 2029	4,800,000
500,000	0.08	0.06	July 9, 2029	500,000
34,196,661	1.19	0.87		33,421,661

As at September 30, 2024, the weighted average remaining contractual life of outstanding warrants is 2.60 years.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

16. SHAREHOLDERS' EQUITY (continued)**c) Options**

Continuity of the Company's stock options is as follows:

	Number of options	Weighted average exercise price (\$CAD)	Weighted average exercise price (\$USD)
Outstanding, December 31, 2022	1,432,583	\$ 4.86	\$ 3.40
Granted	640,600	2.31	1.72
Exercised	(101)	1.70	1.30
Expired	(282,000)	3.00	2.30
Forfeited	(136,500)	5.00	3.70
Outstanding, December 31, 2023	1,654,582	\$ 4.14	\$ 3.06
Forfeited	(136,548)	2.72	2.01
Outstanding, September 30, 2024	1,518,035	4.22	3.12
Exercisable, September 30, 2024	1,332,166	\$ 4.05	\$ 2.99

As at September 30, 2024, the following stock options were outstanding and exercisable:

Number of options outstanding	Exercise price (\$CAD)	Exercise price (\$USD)	Expiry date	Number of options exercisable
5,000	3.00	2.20	Dec 15, 2024	5,000
25,000	3.00	2.20	Jan 12, 2025	25,000
204,899	1.70	1.30	Oct 6, 2025	204,899
30,000	2.50	1.80	Nov 24, 2025	30,000
286,250	5.10	3.80	Aug 10, 2026	286,250
3,336	6.00	4.40	Aug 20, 2026	3,336
27,500	7.50	5.50	Sep 20, 2026	27,500
3,000	9.70	7.20	Oct 1, 2026	3,000
12,000	16.20	12.00	Nov 18, 2026	12,000
15,000	12.50	9.20	Dec 15, 2026	10,000
265,000	8.10	6.00	Jan 27, 2027	185,000
19,500	8.10	6.00	Jan 31, 2027	13,000
10,000	5.40	4.00	Apr 27, 2027	6,667
10,000	2.80	2.10	Aug 18, 2027	10,000
62,500	3.00	2.20	Oct 24, 2027	50,831
479,050	2.50	1.80	Mar 31, 2028	399,683
60,000	0.45	0.34	October 31, 2026	60,000
1,518,035	4.14	3.06		1,332,166

As at September 30, 2024, the weighted average remaining contractual life of outstanding options is 2.03 years.

During the nine months ended September 30, 2024, the Company granted nil options (2023 - 5,606,000) options with a fair value of \$Nil (2023 - \$422,871).

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

16. SHAREHOLDERS' EQUITY (continued)**c) Options (continued)**

Share-based payments relating to options vesting during the nine months ended September 30, 2024, using the Black-Scholes option pricing model was \$55,119 (2023 - \$780,994).

Employee options were measured at fair value on the grant date and recognized over the vesting period from the date of grant. Nonemployee options were measured indirectly with reference to the fair value of the equity instruments granted as the fair value of goods and services received cannot be measured reliably. Nonemployee options are measured at the end of each reporting period over the term that goods and services are received.

There were no options granted during the nine months ended September 30, 2024, and the fair value of stock options granted during the nine months ended September 30, 2023, was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	September 30, 2024	September 30, 2023
Risk-free interest rate	-	3.02%
Expected volatility	-	100%
Dividend yield	-	0%
Expected life	-	5.00 years

d) Restricted Share Units ("RSU")

Share-based payments relating to RSUs vesting during the nine months ended September 30, 2024, using the Black-Scholes option pricing model was \$14,795 (2023 - \$20,221).

As at September 30, 2024, there were 25,000 RSUs outstanding of which 16,667 RSUs were vested and 8,333 unvested.

Continuity of the Company's RSUs is as follows:

	Number of RSUs	Weighted average fair value per award (\$CAD)	Weighted average fair value per award (\$USD)
Outstanding, December 31, 2022	44,175	\$ 7.50	\$ 5.60
Exercised	(4,175)	7.20	5.40
Forfeited	(15,000)	6.20	4.70
Outstanding, December 31, 2023 and September 30, 2024	25,000	\$ 8.30	\$ 6.20
Exercisable, September 30, 2024	16,667	\$ 8.24	\$ 6.02

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

17. EXPENSES BY NATURE

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Marketing expenses	\$ 55,340	\$ 332,260	\$ 319,155	\$ 696,830
Meals and entertainment	2,188	4,023	6,646	26,287
Tradeshaw expenses	-	-	-	45,028
Salaries and wages	294,563	381,033	991,838	1,099,616
Total sales and marketing expense	\$ 352,091	\$ 717,316	\$ 1,317,639	\$ 1,867,761
General and administrative expenses	\$ 141,150	\$ 245,039	\$ 486,561	\$ 572,722
Professional fees	110,603	210,272	383,639	442,594
Consulting fees	143,293	162,798	495,391	434,862
Management fees	-	-	-	62,500
Rent	4,034	3,639	19,698	10,954
Salaries and wages	14,473	75,942	98,632	205,143
Travel	17,564	13,030	22,940	118,212
Depreciation (Note 8)	189,051	11,445	209,516	34,382
Lease-related depreciation (Note 15)	7,351	22,739	25,531	68,218
Utilities	7,978	32,781	33,683	63,487
Bad debt expenses	64,877	3,772	121,835	36,403
Penalties and fees	-	528	-	528
Transfer agent and filing fees	10,673	19,911	42,118	43,460
Total general and administrative expense	\$ 711,047	\$ 801,896	\$ 1,939,544	\$ 2,093,465
Consulting fees	\$ 113,725	\$ 260,530	\$ 373,182	\$ 795,770
Contract development and materials expense	18,856	24,059	73,151	125,645
Salaries and wages	142,500	248,750	480,000	799,655
Total research and development expenses	\$ 275,081	\$ 533,339	\$ 926,333	\$ 1,721,070

18. RELATED PARTY TRANSACTIONS*Key management compensation*

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

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

18. RELATED PARTY TRANSACTIONS (continued)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Management fees	\$ 229,400	\$ 239,400	\$ 778,200	\$ 770,700
Share-based payments	15,485	1,804	31,076	663,118
	\$ 244,885	\$ 241,204	\$ 809,276	\$ 1,433,818

Other related party transactions

During the nine months ended September 30, 2024, and 2023, other related party transactions consisted of the following:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Revenue earned on the sale of software, included in license fee revenue	\$ -	\$ 1,800	\$ -	\$ 1,800
Revenue earned from the Winkel MSA	\$ 156,188	\$ -	\$ 416,500	\$ -
Revenue earned on the provision of consulting services, included in professional services revenue	\$ -	\$ 30,000	\$ -	\$ 90,000
Rental income on sublease	\$ -	\$ 13,414	\$ -	\$ 35,522
Marketing expenses paid to a related entity, included in sales and marketing expenses	\$ 6,228	\$ 28,358	\$ 38,457	\$ 253,306
Accounting and administrative fees paid to related entities, included in general and administrative expenses	\$ 21,840	\$ 20,447	\$ 66,298	\$ 61,342
Interest expense for notes payable to related parties, excluding discount accretion	\$ 49,056	\$ 19,973	\$ 142,711	\$ 55,031

Related party balances

As of September 30, 2024, an amount of \$501,326 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 \$142,711 is included in accounts payable and accrued liabilities (December 31, 2023 - \$43,747).

At September 30, 2024, \$1,369,087 (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.

At September 30, 2024, \$2,209,583 (December 31, 2023 - \$1,672,493) was due from Winkel of which \$662,180 is recognized and included in trade and other receivables.

During the nine months ended September 30, 2024, the Company advanced a net \$80,000 (2023 - \$490,181) 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.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

18. RELATED PARTY TRANSACTIONS (continued)

As at September 30, 2024, \$47,718 (CAD\$64,500) was due from related parties for the subscription of units during the private placement (December 31, 2023 - \$65,417).

19. DEFERRED REVENUE

From time to time, the Company receives consideration in advance of the services being rendered; this is presented as deferred revenue on the balance sheet. The following table summarizes the deferred revenue activity for the nine months ended September 30, 2024, and the year ended December 31, 2023:

Balance, December 31, 2022	\$	7,681
Deposits received		221,687
Revenue recognized		(143,063)
Balance, December 31, 2023	\$	86,305
Deposits received		95,487
Revenue recognized		(78,172)
Balance, September 30, 2024	\$	103,620

20. OPERATING SEGMENTS

The Company operates in one reportable segment being the development and sale of software as a service, including any required hardware to operate the software.

Geographic information related to the Company's assets and location of its customers is as follows:

	September 30, 2024				December 31, 2023			
	United States	Mexico	Other	Total	United States	Mexico	Other	Total
Inventory	\$ -	\$ -	\$ -	\$ -	\$ 1,975	\$ -	\$ -	\$ 1,975
Equipment	\$ 15,696	\$ 1,995,915	\$ -	\$ 2,011,611	\$ 43,764	\$ -	\$ -	\$ 43,764
ROU asset	\$ 2,452	\$ -	\$ -	\$ 2,452	\$ 27,982	\$ -	\$ -	\$ 27,982

	September 30, 2024				September 30, 2023			
	United States	Other	Mexico	Total	United States	Mexico	Other	Total
Revenue	\$ 449,397	\$ 2,754	\$ 554,000	\$ 1,006,151	\$ 241,712	\$ -	\$ 77,375	\$ 319,087

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

21. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue its operations and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its equity, promissory notes and convertible debt.

For the nine months ended September 30, 2024, there was no change in the Company's approach to capital management. The Company's primary source of capital is through the issuance of common shares. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.

22. FINANCIAL RISK MANAGEMENT

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

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Foreign exchange risks are closely monitored, and attempts are made to match foreign cash inflows and outflows. As at September 30, 2024, the Company is primarily exposed to foreign exchange risk through its cash and cash equivalents denominated in Canadian dollars. The Company mitigates foreign exchange risk by monitoring foreign exchange rate trends and evaluating reinvestment opportunities when possible. The Company does not currently hedge its foreign exchange risk. Based on current exposures as at September 30, 2024 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 \$156 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 September 30, 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

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

22. FINANCIAL RISK MANAGEMENT (continued)*Credit risk (continued)*

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.

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

	September 30, 2024	December 31, 2023
Current	\$ 30,273	\$ 90,877
1- 30 days	33,064	516,382
31- 60 days	99,669	5,830
61 - 90 days	19,527	(13,399)
91+ days	840,993	712,312
Provision for doubtful accounts	(796,012)	(678,160)
Total	\$ 227,514	\$ 633,842

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at September 30, 2024, the Company is not exposed to significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through equity financing obtained through the issuance of equity and common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

23. BASIS OF FAIR VALUE

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

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

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

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

23. BASIS OF FAIR VALUE (continued)

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

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

24. CONTINGENCY

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

Interknowlogy

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, Interknowlogy 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 September 30, 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 (Note 12). During the nine months ended September 30, 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 September 30, 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.

VSBLTY Groupe Technologies Corp.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Expressed in United States dollars)

(Unaudited)

25. SUPPLEMENTAL CASHFLOW INFORMATION

	September 30, 2024		September 30, 2023
Supplemental cash flow disclosures:			
Interest paid	\$ 1,480	\$	99,264
Non-Cash Investing and Financing Activities:			
Consideration warrants issued	\$ 44,194	\$	-
Fair value of warrants, options and RSUs exercised	\$ -	\$	24,074
Broker warrants issued	-	\$	80,089
Shares issued to settle debt	105,496	\$	80,000

26. SUBSEQUENT EVENTS*Share subscriptions received in advance*

During the subsequent period, the Company received \$453,970 in additional funds from an existing investor. They are anticipated to call for a common stock issuance at C\$.010 per share.