

**THIRD QUARTER REPORT
For the Period Ended June 30, 2018**

**Notice of No Auditor Review of the
Interim Condensed Consolidated Financial Statements**

The accompanying unaudited interim condensed consolidated financial statements of Visionstate Corp. for the quarter ended June 30, 2018 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. The Company's external auditors have not reviewed these statements.

August 29, 2018

"Signed"

John Putters
President and Chief Executive Officer

"Signed"

Randa Kachkar
Chief Financial Officer

VISIONSTATE CORP.

Company web sites:
www.visionstate.com

Shares Listed
TSX Venture Exchange
Trading symbol: VIS

Officers and Directors:
John A. Putters
Gervin Antypowich
Wally McNeil
Ron Jackman
Jim Duke
Paul Fairbridge
Kevin Gilbank
Debra Williams

Transfer Agent:
Computershare
Suite 600, 530-8 Ave. SW
Calgary, Alberta
Canada T2P 3S8

Share Capital
Issued: 133,243,625 common shares

Interim Condensed Consolidated Statement of Comprehensive Loss

For the three and nine months ended June 30, 2018

(Unaudited)	3 months Jun 30/18 \$	3 months Jun 30/17 \$	9 months Jun 30/18 \$	9 months Jun 30/17 \$
Revenue				
Product sales and maintenance	37,943	69,024	166,492	124,247
Advertising Sales	-	-	-	-
Cost of Sales	17,038	29,737	66,300	45,193
Gross Profit	20,905	39,287	100,192	79,054
Expenses				
Selling, general and administrative expenses	172,944	125,994	669,366	407,631
Depreciation of product development costs	-	3,826	-	11,479
Interest on convertible debentures	2,972	4,407	8,706	8,436
Other interest	4,711	14,363	26,796	41,201
	180,627	148,590	704,868	468,747
Net loss and comprehensive loss	(159,721)	(109,303)	(575,506)	(389,693)
Weighted average number of shares outstanding	114,467,228	65,703,613	114,467,228	65,703,613
Basic and diluted net loss per common share	(\$.00)	(\$.00)	(\$.01)	(\$.01)

VISIONSTATE CORP.

Interim Condensed Consolidated Statement of Financial Position

(Unaudited)

June 30, 2018

	June 30/18 Unaudited \$	Sep 30/17 Audited \$
ASSETS		
Current Assets		
Cash	382,639	-
Accounts receivable	27,151	17,040
Goods and Services Tax Receivable	962	-
Inventory (Note 5)	45,511	6,997
TOTAL CURRENT ASSETS	456,263	24,037
INVESTMENTS	467,000	-
DEPOSIT	3,932	2,532
TOTAL ASSETS	927,195	26,569
LIABILITIES		
Current Liabilities		
Bank Indebtedness	-	8,213
Accounts payable and accrued liabilities (Note 8)	340,712	623,425
Goods and Services Tax Payable	-	7,171
Advances from related parties (Note 9)	116,383	262,773
Promissory note payable (Note 10)	13,283	38,497
Convertible debentures (Note 12)	100,000	150,249
Deferred Revenue	-	1,491
TOTAL CURRENT LIABILITIES	570,378	1,091,819
CONVERTIBLE DEBENTURE	25,673	-
TOTAL LIABILITIES	596,051	1,091,819
SHAREHOLDERS' DEFICIENCY		
Share Capital (Note 13)	8,809,782	6,837,882
Contributed Surplus	1,908,678	1,908,678
Convertible Debentures	22,057	22,057
Deficit	(10,409,373)	(9,833,867)
TOTAL SHAREHOLDERS' DEFICIENCY	331,144	(1,065,250)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	927,195	26,569

VISIONSTATE CORP.

Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited)

For the nine months ended June 30, 2018

	Shares		Warrant Reserve		Total	Contributed Surplus	Convertible Debenture	Deficit	Total
	Number	Amount	Number	Amount					
Balance, October 1, 2017	87,043,625	\$ 6,837,882	-	\$ -	\$ 6,837,882	\$ 1,908,678	\$ 22,057	\$ (9,833,867)	\$ (1,065,250)
Private placement (December 2017)	15,200,000	380,000	-	-	380,000	-	-	-	380,000
Share issuance cost	-	(9,200)	-	-	(9,200)	-	-	-	(9,200)
Private placement (January 2018)	20,000,000	500,000	20,000,000	500,000	1,000,000	-	-	-	1,000,000
Share issuance cost	-	(8,900)	-	-	(8,900)	-	-	-	(8,900)
Share Issuance (February 2018)	4,000,000	260,000	-	-	260,000	-	-	-	260,000
Private placement (March 2018)	7,000,000	175,000	7,000,000	175,000	350,000	-	-	-	350,000
Net loss	-	-	-	-	-	-	-	(575,506)	(575,506)
Balance, June 30, 2018	133,243,625	\$ 8,134,782	27,000,000	\$ 675,000	\$ 8,809,782	\$ 1,908,678	\$ 22,057	\$(10,409,373)	\$ 331,144

	Shares		Warrant Reserve		Total	Contributed Surplus	Convertible Debenture	Deficit	Total
	Number	Amount	Number	Amount					
Balance, October 1, 2016	51,425,625	\$ 6,379,306	6,000,000	\$ 866,886	\$ 7,246,192	\$ 1,041,792	\$ -	\$ (9,019,391)	\$ (731,407)
Private placement (October 2016)	15,000,000	150,000	-	-	150,000	-	-	-	150,000
Share issuance cost	-	(7,455)	-	-	(7,455)	-	-	-	(7,455)
Warrant expired (November 2016)	-	-	(6,000,000)	(866,886)	(866,886)	866,886	-	-	-
Private placement (June 2017)	20,360,000	305,400	-	-	305,400	-	-	-	305,400
Share issuance cost	-	(13,217)	-	-	(13,217)	-	-	-	(13,217)
Net loss	-	-	-	-	-	-	-	(389,693)	(389,693)
Balance, June 30, 2017	86,785,625	\$ 6,814,034	-	\$ -	\$ 6,814,034	\$ 1,908,678	\$ -	\$(9,409,084)	\$ (686,372)

See accompanying notes to the consolidated financial statements

VISIONSTATE CORP.

Interim Condensed Consolidated Statement of Cash Flow

For the nine months ended June 30, 2018

(Unaudited)	9 months ending	
	June 30/18	June 30/17
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(575,506)	(389,693)
Items not affecting cash		
Depreciation of property and equipment	-	-
Depreciation of development costs	-	11,479
	(575,506)	(378,214)
Changes in non-cash working capital items		
Accounts receivable and Goods and Services Tax receivable	(18,244)	(1,447)
Inventory	(38,514)	(8,430)
Accounts payable and accrued liabilities	(282,713)	-
Deferred Revenue	(1,491)	(24,402)
Net cash flows from operating activities	(916,468)	(412,493)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on product development costs	-	(106,445)
Purchase of property and equipment	(1,400)	-
Investments	(467,000)	1,560
Net cash flows from investing activities	(468,400)	(104,885)
CASH FLOWS FROM FINANCING ACTIVITIES		
Convertible debentures issue	(24,576)	77,730
Advances from promissory notes	(25,214)	3,585
Advances from related parties	(146,390)	38,672
Shares issued	1,971,900	434,728
Net cash flows from financing activities	1,775,720	554,713
Increase/Decrease in cash	(390,852)	37,335
Cash (bank indebtedness) - beginning of period	8,213	13,857
Cash (bank indebtedness) - end of period	382,639	51,192

VISIONSTATE CORP.

Notes to the Interim Condensed Consolidated Financial Statements June 30, 2018 (Unaudited)

Note 1

Going Concern

These interim condensed consolidated financial statements have been prepared using International Financial Reporting Standards (IFRS) that are applicable to a going concern which contemplates the realization of assets and settlement of liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt on the validity of this assumption. Visionstate Corp. (the "Company" or "Visionstate") has been unable to generate a profit from operations up to June 30, 2018. The Company's current credit facilities are not sufficient to fund working capital, convertible debenture repayment, and other cash requirements for future years. The Company's ability to continue as a going concern is dependent on accessing additional funding.

As at June 30, 2018, the Company incurred a net loss of \$575,506 and has working capital of \$114,115.

These interim condensed consolidated financial statements do not reflect adjustments in the carrying value of the assets and liabilities, the reported revenues and expenses and the balance sheet classifications that would be necessary if the going concern assumption were not appropriate.

Note 2

General

The Company is traded on the TSX Venture Exchange ("TSX-V") under the symbol VIS-V (formerly CKX-V).

The head office and principal address are located at 8634 - 53 Avenue, Edmonton, Alberta, Canada, T6E 5G2.

The Company is focused on the growing market for products related to the Internet of Things (IoT). Visionstate's primary product is a smart device used to track cleaning and maintenance activities in public restrooms.

"WANDA", an acronym for Washroom Notification and Digital Aid, is currently installed in public restrooms across North America, including hospitals, airports and shopping centres. WANDA replaces antiquated paper based systems with just-in-time tracking of restroom cleaning and maintenance activities. The analytics produced by WANDA provide valuable insights into cleaning performance and efficiency aiding building operators to track and manage resource utilization, as well as with efficiencies and planning.

These unaudited interim condensed consolidated financial statements were approved by the Board of Directors on August 28, 2018.

Note 3

Basis of Presentation

Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance and compliance with International Accounting Standard 34, ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain financial information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. The disclosure herein is incremental to the disclosure included in the annual consolidated financial statements. The interim condensed consolidated financial statements should be read in

VISIONSTATE CORP.

Notes to the Interim Condensed Consolidated Financial Statements June 30, 2018 (Unaudited)

Note 3

Basis of Presentation
Continued...

conjunction with the annual audited financial statements for the year ended September 30, 2017.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of August 28, 2018, the date of the Board of Directors approval of the statements.

Basis of Measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis.

Functional Currency

The interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and judgments that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

Accounts Receivable

The valuation of accounts receivable is based on management's evaluation of collectability and a provision for doubtful accounts is recorded as necessary.

Share-based compensation and warrants

Share-based payments and warrants are measured at grant date fair value. For stock options and warrants granted, the fair value of the options and warrants granted are estimated by applying an option pricing model. Option pricing models include assumptions for expected volatility of the share price, forfeiture rate, expected dividends and the risk-free interest rate for the life of the option or warrants.

VISIONSTATE CORP.

Notes to the Interim Condensed Consolidated Financial Statements June 30, 2018 (Unaudited)

Note 3

Basis of Presentation Continued...

Convertible debentures

The allocation of convertible debentures between its liability and equity components is based on market interest rates available to the Company on non-convertible, unsecured debt instruments with similar terms. The determination of market interest rates is based on management's best estimate.

Income taxes

The amounts recorded for deferred income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on estimates of the probability of the Company utilizing certain assets. To the extent assumptions regarding future probability change, there can be a change in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

Financial Instruments

The Company estimates and discloses the fair value of financial instruments. When fair value cannot be derived from an active market, it is determined using valuation techniques, namely the discounted cash flow method. If possible data is derived from observable markets and, if not, judgement is required to determine fair value.

Note 4

Significant Accounting Policies

The accounting policies applied by the Company in these interim condensed consolidated financial statements are the same as those applied by the Company in its audited financial statements for the year ended September 30, 2017.

Note 5

Inventory

	June 30, 2018	September 30, 2017
Raw material	45,511	6,997

Cost of sales during the three months and nine months ended June 30, 2018 is \$17,038 and \$66,300 (three months ended June 30, 2017 - \$29,737 and nine months ended June 30, 2017 - \$45,193).

VISIONSTATE CORP.

Notes to the Interim Condensed Consolidated Financial Statements June 30, 2018 (Unaudited)

Note 6 Product Development Costs

	Cost			Balance at June 30, 2018
	Balance at September 30, 2017	Additions	Disposals	
ViCCi 3	\$ 21,939	\$ -	\$ -	\$ 21,939
Website	14,205	-	-	14,205
iPhone Application	23,190	-	-	23,190
Multi-platform App	11,309	-	-	11,309
Rec Centre App	3,218	-	-	3,218
Food Court App	1,189	-	-	1,189
Static Directory	11,986	-	-	11,986
Linux conversion	16,140	-	-	16,140
Kiddie Cart	26,874	-	-	26,874
Cindi	123,736	-	-	123,736
Analytics Dashboard	58,800	-	-	58,800
Wanda	2,774	-	-	2,774
	<u>\$ 315,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,360</u>

	Accumulated Depreciation			Balance at June 30, 2018
	Balance at September 30, 2017	Depreciation	Disposals	
ViCCi 3	\$ 21,939	\$ -	\$ -	\$ 21,939
Website	14,205	-	-	14,205
iPhone Application	23,190	-	-	23,190
Multi-platform App	11,309	-	-	11,309
Rec Centre App	3,218	-	-	3,218
Food Court App	1,189	-	-	1,189
Static Directory	11,986	-	-	11,986
Linux Conversion	16,140	-	-	16,140
Kiddie Cart	26,874	-	-	26,784
Cindi	123,736	-	-	123,736
Analytics Dashboard	58,800	-	-	58,800
Wanda	2,774	-	-	2,774
	<u>\$ 315,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,360</u>

VISIONSTATE CORP.

Notes to the Interim Condensed Consolidated Financial Statements June 30, 2018 (Unaudited)

Note 6

Product Development
Costs, Continued...

	<u>Net Book Value</u>	
	Balance at September 30, 2017	Balance at June 30, 2018
ViCCi 3	-	-
Website	-	-
iPhone Application	-	-
Multi-platform App	-	-
Rec Centre App	-	-
Food Court App	-	-
Static Directory	-	-
Linux Conversion	-	-
Kiddie cart	-	-
Cindi	-	-
Analytics Dashboard	-	-
Sensor	-	-
Wanda	-	-
	<u>-\$</u>	<u>-\$</u>

Depreciation provided during the quarter and nine months ended June 30, 2018 totaled \$Nil for the three and \$Nil for the nine months (three months June 30, 2017 - \$3,965 and nine months June 30, 2017 was \$7,653)

Note 7

Property and Equipment

	<u>Cost</u>			Balance at June 30, 2018
	Balance at September 30, 2017	Additions	Disposals	
Vehicle	\$ 51,550	\$ -	\$ -	\$ 51,550
Computer equipment	109,279	-	-	109,279
Furniture and fixtures	<u>20,412</u>	-	-	<u>20,412</u>
	<u>\$ 181,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,241</u>

	<u>Accumulated Depreciation</u>			Balance at June 30, 2018
	Balance at September 30, 2017	Additions	Disposals	
Vehicle	\$ 51,550	\$ -	\$ -	\$ 51,550
Computer equipment	109,279	-	-	109,279
Furniture and fixtures	<u>20,412</u>	-	-	<u>20,412</u>
	<u>\$ 181,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,241</u>

VISIONSTATE CORP.

Notes to the Interim Condensed Consolidated Financial Statements June 30, 2018 (Unaudited)

Note 7

Property and Equipment
Continued...

	<u>Net Book Value</u>	
	<u>Balance at September 30, 2017</u>	<u>Balance at June 30, 2018</u>
Vehicle	\$ -	\$ -
Computer equipment	-	-
Furniture and fixtures	-	-
	<u>\$ -</u>	<u>\$ -</u>

Depreciation provided during the quarter and nine months ended June 30, 2018 totaled \$Nil for the three and \$Nil for the nine months (three months ended June 30, 2017 - \$3,826 and nine months ended June 30, 2017 was \$11,479)

Note 8

Accounts Payable and
Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following items:

	<u>June 30, 2018</u>	<u>September 30, 2017</u>
Trade payables	\$ 181,560	\$ 238,875
Accrued liabilities	159,152	175,308
Accrued payroll	-	209,242
	<u>\$ 340,712</u>	<u>\$ 623,425</u>

VISIONSTATE CORP.

Notes to the Interim Condensed Consolidated Financial Statements June 30, 2018 (Unaudited)

Note 9

Advances from Related Parties

	June 30, 2018	September 30, 2017
Due to an individual related to a director, unsecured, interest payable at 10% per annum and without specified terms of repayment	\$ 8,893	\$ 37,511
Due to a company owned by an individual related to a director, unsecured, interest payable at 12% and without specified terms of repayment	11,872	11,872
Due to a director, unsecured, interest payable at 10% and without specified terms of repayment	5,122	11,905
Due to a director, unsecured, interest payable monthly at 10% per annum, and due on demand	73,700	83,700
Due to a company owned by a director, unsecured, non-interest bearing, and without specified terms of repayment	7,377	5,640
Due to a company controlled by a director, unsecured, interest payable monthly at 10% per annum, and without specified terms of repayment	-	37,000
Due to a company controlled by a director, unsecured, interest payable monthly at 10% per annum, and without specified terms of repayment	-	4,000
Due to a company owned by a director, unsecured, interest payable monthly at 10% per annum, and without specified terms of repayment	9,419	71,145
	\$ 116,383	\$ 262,773

The advances from related parties are provided to the Company for working capital purposes.

Included in trade payables are the following related party balances:

	June 30, 2018	September 30, 2017
Due to directors	\$ -	\$ 6,714
Due to companies owned by directors	-	21,043
Due to companies controlled by directors	6,354	34,469
Due to individuals related to a director	-	6,545
Due to a company owned by an individual related to a director	-	4,020
	\$ 6,354	\$ 72,791

VISIONSTATE CORP.

Notes to the Interim Condensed Consolidated Financial Statements June 30, 2018 (Unaudited)

Note 10

Promissory Note
Payable

	<u>June 30, 2018</u>	<u>September 30, 2017</u>
Promissory note payable is unsecured, interest payable 6% per annum with full amount and accrued interest due on demand	\$ 13,283	\$ 15,997
Promissory note payable is unsecured, interest payable 10% per annum with full amount and accrued interest due on demand	-	\$ 22,550
	<u>\$ 13,283</u>	<u>\$ 38,497</u>

Note 11

Commitment

The Company pays office rent, exclusive of operating costs, under the operating lease for which it has committed to make payments as follows:

2018	\$ 26,076
2019	26,940
2020	27,804
2021	27,804
Thereafter	13,902
	<u>\$ 122,526</u>

Note 12

Convertible
Debentures

The Company issued convertible debentures in the amount of \$100,000 on May 2, 2008 which expired on May 2, 2011. The Company is currently negotiating with the debenture holders to extend the terms on the convertible debentures. The convertible debentures bear interest at a rate of 8.0% per annum, payable quarterly in arrears, due on demand.

The Company is in arrears on the interest payments relating to the debentures in the amount of \$127,017 (September 30, 2017 - \$121,283), which is reflected in accounts payable and accrued liabilities. As a result of being in arrears with the interest payments, the Company is obligated to pay interest on the interest in default.

On January 17, 2017, the Company issued unsecured convertible debentures ("Debentures") for an aggregate principal amount of \$77,730. The Debentures bear an interest rate of twelve percent (12%) per annum payable semi-annually and will mature on January 17, 2020. The principal amount of each Debenture may, at the option of the debenture holder, be convertible, in whole or in part during the term, into common shares of the Corporation ("Common Shares") at a price of \$0.05 per Common Share if converted during the first year from the date of issuance. Provided that the closing trading price of the Common Shares has not exceeded \$0.10 for twenty (20) consecutive trading days, accrued interest owing from the date of the last payment received until the date that conversion notice is received by the Corporation shall be paid on a semi-annual basis. In January, 2018, the Company repaid \$10,000 of this debenture leaving a balance owing of \$67,730 as at January 12, 2018. In June, 2018, the Company repaid \$20,000 of this debenture leaving a balance owing of \$47,730 as at June 30, 2018.

VISIONSTATE CORP.

Notes to the Interim Condensed Consolidated Financial Statements June 30, 2018 (Unaudited)

Note 13

Share Capital

Authorized:

Unlimited number of common, voting shares
Unlimited number of preferred shares

Issued:

	Shares		Warrants		Total
	Number	Amount	Number	Amount	
Balance September 30, 2017	87,043,825	\$ 6,837,882	-	\$ -	\$ 6,837,882
Private Placement December 2017	15,200,000	380,000	-	-	380,000
Share Issuance Cost	-	(9,200)	-	-	(9,200)
Private Placement February 2018	20,000,000	500,000	20,000,000	500,000	1,000,000
Share Issuance Cost	-	(8,900)	-	-	(8,900)
Share Issuance	4,000,000	260,000	-	-	260,000
Private Placement March 2018	7,000,000	175,000	7,000,000	175,000	350,000
Balance, June 30, 2018	133,243,625	\$ 8,134,782	27,000,000	\$ 675,000	\$ 8,809,782

December, 2017

On December 11, 2017, the Company completed a private placement of 15,200,000 units ("Units") at a price of \$0.025 per Unit for gross proceeds of \$380,000. Each Unit is comprised of one common share.

February, 2018

On February 8, 2018, the Company completed a share issuance of 4,000,000 units ("Units") for the acquisition of 10384801 Canada Inc., doing business under the name "Chatbot Incubator" ("Chatbot"). The terms of the transaction included the issuance of common shares of Visionstate to the shareholders of Chatbot Incubator as consideration for the acquisition. Approximately 30% of the shares held by Chatbot shareholders were purchased in exchange for 4,000,000 common shares of Visionstate at a deemed price of \$0.065 per common share, for the consideration of \$260,000.

On February 21, 2018, the Company completed a private placement of 20,000,000 units ("Units") at a price of \$0.05 per Unit, for gross proceeds of \$1,000,000. Each Unit is comprised of one common share and one common share purchase warrant.

March, 2018

On March 27, 2018 the Company completed a private placement of 7,000,000 units ("Units") at a price of \$0.05 per Unit for gross proceeds of \$350,000. Each Unit is comprised of one common share and one common share purchase warrant.

Stock options outstanding and stock based compensation:

The Company has a stock option plan under which directors, officers, employees, management and consultants of the Company and its subsidiaries and its affiliates, if any, are eligible to receive stock options. The maximum number of common shares issuable pursuant to the exercise of outstanding options granted under the plan is 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of the outstanding common shares of the Company. Options granted under the plan may not exceed five years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option is determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange(s) on which the Company's common shares are then listed.

VISIONSTATE CORP.

Notes to the Interim Condensed Consolidated Financial Statements June 30, 2018 (Unaudited)

Note 14

Share Capital
Continued...

Stock options outstanding and stock based compensation:

The Company has a stock option plan under which directors, officers, employees, management and consultants of the Company and its subsidiaries and its affiliates, if any, are eligible to receive stock options. The maximum number of common shares issuable pursuant to the exercise of outstanding options granted under the plan is 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of the outstanding common shares of the Company. Options granted under the plan may not exceed five years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option is determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange(s) on which the Company's common shares are then listed.

There are no stock options issued or outstanding for the period ended June 30, 2018.

Warrants outstanding:

A summary of the warrants outstanding as at June 30, 2018 and September 30, 2017 and changes during the period then ended is presented below:

	June 30, 2018		September 30, 2017	
	Warrants	Weighted Average Exercise price	Warrants	Weighted Average Exercise price
Warrants outstanding, beginning of period	-	\$ -	6,000,000	\$ 0.20
Expired	-	-	(6,000,000)	0.20
Warrants issued February 2018	20,000,000	0.075		
Warrants issued March 2018	7,000,000	0.075		
Warrants exercisable, end of period	27,000,000	\$ 0.075	-	\$ -

VISIONSTATE CORP.

Notes to the Interim Condensed Consolidated Financial Statements June 30, 2018 (Unaudited)

Note 15 Net Loss per Common Share

Basic net loss per common share is determined by dividing net loss available to common shareholders as reported in the Consolidated Statements of Net Loss, Comprehensive Loss and Deficit by the weighted average number of common shares outstanding for the period.

	June 30, 2018	June 30, 2017
Net loss	\$ (575,506)	\$ (389,693)
Weighted average number of common shares outstanding	114,467,228	65,703,613
Basic net loss per common share	\$ (0.01)	\$ (0.01)

The effect of all outstanding stock options, convertible debentures and warrants were excluded from the diluted net loss per common share calculation as the results would be anti-dilutive.

Note 16 Related Party Transactions

Key management of the Company includes the Chief Executive Officer and Chief Financial Officer. Remuneration paid to them during the period is as follows:

The Company paid management fees for the three and nine months ended June 30, 2018 in the amount of \$28,500 and \$84,178 respectively (June 30, 2017 - \$15,000 and \$8,000 respectively) to two officers of the Company, one of which is also a Director of the Company.

The Company paid interest in the amount of \$1,384 and \$14,897 for the three and nine months ended June 30, 2018 (June 30, 2017 - \$9,734 and \$26,613 respectively) to directors and officers of the Company.

Note 17 Financial Instruments

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, promissory note payable, convertible debentures and advances from related parties.

VISIONSTATE CORP.

Notes to the Interim Condensed Consolidated Financial Statements June 30, 2018 (Unaudited)

Note 17 Financial Instruments Continued...

The Company has designated its financial assets and liabilities as follows:

Financial statement item	Classification	Measurement
Cash, investments and bank indebtedness	Fair value through profit and loss	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost	Amortized cost
Convertible debentures	Financial liabilities measured at amortized cost	Amortized cost
Advances from related parties	Financial liabilities measured at amortized cost	Amortized cost
Promissory note payable	Financial liabilities measured at amortized cost	Amortized cost

Fair Value

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments. Financial instruments also include advances from related parties, convertible debentures and promissory note payable. Management considers that no events have occurred subsequent to the inception of these financing arrangements that would indicate that fair value differs substantially from carrying value.

Included in advances from related parties are advances from directors, individuals related to a director, and companies owned by a director in the amount of \$7,377 which are non-interest bearing. As a result the Company believes the fair value of these financial instruments to be less than the carrying value at June 30, 2018. However, due to the uncertainty as to the eventual repayment date of these financial instruments, the Company is unable to estimate the fair value.

The following provides an analysis of financial instruments that are measured at fair value, grouped into 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 and liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are not observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

VISIONSTATE CORP.

Notes to the Interim Condensed Consolidated Financial Statements June 30, 2018 (Unaudited)

Note 17 Financial Instruments Continued...

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consists of accounts receivable. The maximum exposure to credit risk as represented by the carrying amount of the financial asset is \$27,151 at June 30, 2018. In the normal course of business, the Company evaluates the financial condition of its customers on a continuing basis and reviews the credit worthiness of all new customers. Management assesses the need for allowances for potential credit losses by considering the credit risk of specific customers, historical trends and other information. No accounts receivable at June 30, 2018 are impaired.

The aging of accounts receivable is as follows:

	June 30, 2018	September 30, 2017
Current	\$ 18,956	\$ 4,342
31-90 days	3,307	1,648
91+ days	4,888	11,050
	\$ 27,151	\$ 17,040

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The \$100,000 convertible debenture is due on demand. The Company is currently negotiating with the debenture holders to extend the terms or convert their debentures to shares. The Company is actively working towards increasing marketing activities to improve sales of its software to meet future working capital requirements, but it may have to seek debt or equity financing.

At June 30, 2018, the Company had cash in the amount of \$ 382,369 and accounts receivable of \$27,151 with which to meet its obligations.

The contractual maturity of the Company's liabilities of \$470,378 at June 30, 2018 and the convertible debentures principal balance of \$147,730 is due on demand.

Market Risk

Market risk is the risk that the fair value of the future cash flows of financial instruments will fluctuate due to changes in interest rates. Market risk arises as a result of the Company generating revenues through leases. The Company has not entered into any transactions to hedge this risk.

VISIONSTATE CORP.

Notes to the Interim Condensed Consolidated Financial Statements June 30, 2018 (Unaudited)

Note 18 **Capital Disclosures**

The Company's objectives when managing its capital structure are to provide sufficient capital to maintain its current operations and to continue with the development of new and existing products. The Company has no externally imposed capital restrictions.

The Company's officers and senior management take full responsibility for managing the Company's capital and do so through regular meetings and review of financial information.

The capital structure consisted of the following:

	June 30, 2018	September 30, 2017
Advances from related parties	\$ 116,383	\$ 262,773
Convertible debentures	147,730	172,306
Contributed surplus	1,908,678	1,908,678
Share capital	8,809,782	6,837,882
Deficit	(10,409,373)	(9,833,867)
	\$ (573,200)	\$ (652,228)

The Company continues to receive interest from potential customers in its wayfinding and efficiency applications as market adoption of smart facility management tools continues to expand. The Company also plans to focus on expanding reseller partnerships in order generate more positive cash flows. Management believes that successful execution of its business plan will result in sufficient cash flow to meet its objectives and current obligations.

Methods used by the Company to manage its capital include the issuance of new share capital and issuance of convertible debentures.

The Company's capital management objectives have remained unchanged over the years presented.