

**THIRD QUARTER REPORT
For the Period Ended June 30, 2019**

**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, 2019 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 28, 2019

"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: 36,078,281 common shares

Interim Condensed Consolidated Statement of Comprehensive Loss

For the three and nine months ended June 30, 2019

(Unaudited)	3 months Jun 30/19 \$	3 months Jun 30/18 \$	9 months Jun 30/19 \$	9 months Jun 30/18 \$
Revenue				
Product sales and maintenance	21,265	37,943	109,125	166,492
Cost of Sales	2,150	17,038	45,820	66,300
Gross Profit	19,115	20,905	63,305	100,192
Expenses				
Selling, general and administrative expenses	207,919	172,944	462,331	669,366
Interest on convertible debentures and accretion	4,482	2,972	15,210	8,706
Other interest	5,665	4,711	12,810	26,796
	218,066	180,627	490,351	704,868
Net loss and comprehensive loss	(198,951)	(159,721)	(427,046)	(575,506)
Weighted average number of shares outstanding	# 35,364,089	# 28,616,807	# 35,364,089	# 28,616,807
Basic and diluted net loss per common share	(\$.00)	(\$.00)	(\$.00)	(\$.01)

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Interim Condensed Consolidated Statement of Financial Position (Unaudited)

June 30, 2019

	June 30/19 Unaudited \$	Sep 30/18 Audited \$
ASSETS		
Current Assets		
Cash	9,483	17,051
Accounts receivable	31,603	25,051
Inventory (Note 5)	41,467	55,157
TOTAL CURRENT ASSETS	82,553	97,259
DEPOSIT	2,532	2,532
INVESTMENTS	227,143	227,143
CONVERTIBLE DEBENTURE RECEIVABLE	181,821	124,521
TOTAL ASSETS	494,049	451,455
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	599,795	431,582
Goods and Services Tax Payable	-	-
Advances from related parties (Note 10)	137,652	108,724
Promissory note payable (Note 11)	15,997	15,997
Convertible debentures (Note 13)	100,000	100,000
Deferred Revenue	-	10,608
TOTAL CURRENT LIABILITIES	853,444	666,911
CONVERTIBLE DEBENTURE	39,487	33,121
TOTAL LIABILITIES	892,931	700,032
SHAREHOLDERS' DEFICIENCY		
Share Capital (Note 14)	8,030,859	7,809,467
Contributed Surplus	1,908,678	1,908,678
Warrant Reserve (Note 14)	670,795	615,446
Convertible Debentures	14,428	14,428
Deficit	(11,023,642)	(10,596,596)
TOTAL SHAREHOLDERS' DEFICIENCY	(398,882)	(248,577)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	494,049	451,455

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Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited)

For the nine months ended June 30, 2019

	Shares		Warrant Reserve		Total	Contributed Surplus	Convertible Debenture	Deficit	Total
	Number	Amount	Number	Amount					
Balance, October 1, 2018	133,243,625	\$ 7,809,467	27,000,000	\$ 615,446	\$ 8,424,913	\$ 1,908,678	\$ 14,428	\$(10,596,596)	\$ (248,577)
Private Placement	11,069,594	221,393	5,534,797	55,348	276,741	-	-	-	276,741
Net loss	-	-	-	-	-	-	-	(427,046)	(427,046)
Balance, June 30, 2019	<u>144,313,219</u>	<u>\$ 8,030,860</u>	<u>32,734,820</u>	<u>\$ 670,794</u>	<u>\$ 8,701,654</u>	<u>\$ 1,908,678</u>	<u>\$ 14,428</u>	<u>\$(11,023,642)</u>	<u>\$ (398,882)</u>

	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	<u>133,243,625</u>	<u>\$ 8,134,782</u>	<u>27,000,000</u>	<u>\$ 675,000</u>	<u>\$ 8,809,782</u>	<u>\$ 1,908,678</u>	<u>\$ 22,057</u>	<u>\$(10,409,373)</u>	<u>\$ 331,144</u>

See accompanying notes to the consolidated financial statements

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Interim Condensed Consolidated Statement of Cash Flow

For the nine months ended June 30, 2019

(Unaudited)	9 months ending	
	June 30/19	June 30/18
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(427,046)	(575,506)
Items not affecting cash		
Accretion on convertible debenture	6,366	-
	(420,680)	(575,506)
Changes in non-cash working capital items		
Accounts receivable	(6,552)	(18,244)
Inventory	13,690	(38,514)
Accounts payable and accrued liabilities	168,213	(282,713)
Deferred Revenue	(10,608)	(1,491)
Net cash flows from operating activities	(255,937)	(916,468)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(1,400)
Investments	(57,300)	(467,000)
Net cash flows from investing activities	(57,300)	(468,400)
CASH FLOWS FROM FINANCING ACTIVITIES		
Convertible debentures issue	-	(24,576)
Advances from promissory notes	-	(25,214)
Advances from related parties	28,928	(146,390)
Shares issued	276,741	1,971,900
Net cash flows from financing activities	305,669	1,775,720
Increase/Decrease in cash	(7,508)	(390,852)
Cash (bank indebtedness) - beginning of period	(17,051)	8,213
Cash (bank indebtedness) - end of period	9,483	382,639

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2019 (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, 2019. 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, 2019, the Company incurred a net loss of \$427,046 and has a working capital deficiency of \$770,891.

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, 2019.

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

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2019 (Unaudited)

Note 3

Basis of Presentation
Continued...

conjunction with the annual audited financial statements for the year ended September 30, 2018.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of August 28, 2019, 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.

Investment and Associates

The fair value of the investment carried at fair value is subject to management estimates used in the valuation model to determine fair value. The valuation of investment carried at cost or amortized cost, as well as the investment in associate, is also based on management's assessment of the evidence of impairment. Measurement of an impairment loss is subject to management's estimate of the fair value of the investment. Management judgement is also involved in determining the classification of investments as fair value through profit and loss.

Convertible debenture Receivable

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.

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2019 (Unaudited)

Note 3

Basis of Presentation
Continued...

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, 2018, except from the adoption of the following accounting standards effective October 1, 2018.

The Company adopted IFRS 15 using the modified retrospective method. Under the modified retrospective method, the Company will apply the guidance retrospectively only to the most current period presented in the financial statements. To do so, the Company will recognize the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings at the date of initial application, which is October 1, 2018. An entity may elect to apply the modified retrospective method to either all contracts as of the date of initial application or only to contracts that are not completed as of this date. The Corporation has elected to apply the modified retrospective method only to those contracts not completed before the date of initial application. Since the Corporation applied the percentage of completion method to account for revenue in the current year and prior year, there will be no cumulative effect needed to be recognized in opening retained earnings.

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2019 (Unaudited)

Note 4

Significant Accounting

Policies

Continued...

The Company adopted IFRS 9 which includes revised guidance on the classification and measurement of financial assets. While it largely retains the existing requirements in IAS 39, *Financial Instruments: Recognition and Measurement* for the classification and measurement of financial liabilities, it eliminates the previous categories for financial assets of held to maturity, loans and receivables and available for sale. Upon adoption, we reclassified our financial instruments as follows:

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Cash	FVTPL	FV
Investment and conversion feature of convertible debenture receivable	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Convertible debenture receivable	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Convertible debentures	Other financial liabilities	Amortized cost
Advances from related parties	Other financial liabilities	Amortized cost
Promissory note payable	Other financial liabilities	Amortized cost

There was no impact on the measurement of any of these instruments at the date of transition.

The new standard also includes a new expected credit loss model for calculating impairment on financial assets. This change did not have a material impact on the financial statements.

IFRS 9 also introduces new hedge accounting requirements. Since the Corporation does not apply hedge accounting, there was no impact on the financial statements.

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2019 (Unaudited)

Note 5 Inventory

	June 30, 2019	September 30, 2018
Raw material	41,467	55,157

Cost of sales during the three months and nine months ended June 30, 2019 is \$2,150 and \$45,820 (three months ended June 30, 2018 - \$17,038 and nine months ended June 30, 2018 - \$66,300).

Note 6 Investment and Convertible Debenture Receivable

a) Investment

Investment is comprised of 428,572 common shares of Freedom Cannabis Inc. and was purchased for \$0.35 per common share for total consideration of \$150,000. The fair value of the investment at September 30, 2018 and June 30, 2019, is \$227,143 and was determined using information from subsequent offering of units that occurred. The subsequent units offered comprised of one common share and one half of a warrant and were offered at a price of \$0.60 per unit.

b) Convertible Debenture Receivable

During the fiscal year 2018, the Company purchased a convertible debenture from Exceed Solar Inc. in the amount of \$122,000. During the fiscal year 2019, the Company purchased an additional \$59,821; The convertible debenture bears interest at 7% per annum payable on or before April 30, 2020, with the right to convert to common shares for a 20% interest on the date of conversion. Exceed Solar Inc. is controlled by officers and directors of the Company. The Company determined the note receivable and conversion feature component of the convertible debenture receivable to be \$163,639 and \$36,364 respectively.

Note 7 Product Development Costs

	Cost			Balance at June 30, 2019
	Balance at September 30, 2018	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>

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2019 (Unaudited)

Note 7

Product Development

Costs

Continued...

	<u>Accumulated Depreciation</u>			<u>Balance at June 30, 2019</u>
	<u>Balance at September 30, 2018</u>	<u>Depreciation</u>	<u>Disposals</u>	
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>

	<u>Net Book Value</u>	
	<u>Balance at September 30, 2018</u>	<u>Balance at June 30, 2019</u>
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)

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2019 (Unaudited)

Note 8

Property and Equipment

	Cost			Balance at June 30, 2019
	Balance at September 30, 2018	Additions	Disposals	
Vehicle	\$ 51,550	\$ -	\$ -	\$ 51,550
Computer equipment	109,279	-	-	109,279
Furniture and fixtures	20,412	-	-	20,412
	<u>\$ 181,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,241</u>

	Accumulated Depreciation			Balance at June 30, 2019
	Balance at September 30, 2018	Additions	Disposals	
Vehicle	\$ 51,550	\$ -	\$ -	\$ 51,550
Computer equipment	109,279	-	-	109,279
Furniture and fixtures	20,412	-	-	20,412
	<u>\$ 181,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,241</u>

	Net Book Value	
	Balance at September 30, 2018	Balance at June 30, 2019
Vehicle	\$ -	\$ -
Computer equipment	-	-
Furniture and fixtures	-	-
	<u>\$ -</u>	<u>\$ -</u>

Note 9

Accounts Payable and Accrued Liabilities

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

	June 30, 2019	September 30, 2018
Trade payables	\$ 190,288	\$ 188,852
Accrued liabilities	293,033	171,727
Accrued payroll	102,745	71,003
	<u>\$ 599,795</u>	<u>\$ 431,582</u>

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2019 (Unaudited)

Note 10

Advances from Related Parties

	June 30, 2019	September 30, 2018
Due to an individual related to a director, unsecured, interest payable at 10% per annum and without specified terms of repayment	\$ 14,601	\$ 16,500
Due to a company owned by an individual related to a director, unsecured, interest payable at 12% and without specified terms of repayment	1,872	1,872
Due to a director, unsecured, interest payable at 10% and without specified terms of repayment	-	5,122
Due to a director, unsecured, interest payable monthly at 10% per annum, and due on demand	73,700	73,700
Due to a company owned by a director, unsecured, non-interest bearing, and without specified terms of repayment	4,222	6,640
Due to a company controlled by a director, unsecured, interest payable monthly at 10% per annum, and without specified terms of repayment	937	-
Due to a company owned by a director, unsecured, interest payable monthly at 10% per annum, and without specified terms of repayment	42,320	4,890
	\$ 137,652	\$ 108,724

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, 2019	September 30, 2018
Due to directors	\$ 3,616	\$ 2,974
Due to companies owned by directors	-	-
Due to companies controlled by directors	44,134	12,610
Due to individuals related to a director	584	390
	\$ 48,334	\$ 15,974

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2019 (Unaudited)

Note 11

Promissory Note Payable

	<u>June 30, 2019</u>	<u>September 30, 2018</u>
Promissory note payable is unsecured, interest payable 6% per annum with full amount and accrued interest due on demand	\$ 15,997	\$ 15,997
	<u>\$ 15,997</u>	<u>\$ 15,997</u>

Note 12

Commitment

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

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

Note 13

Convertible Debentures

	<u>Liability</u>	<u>Equity</u>
Balance, October 1, 2016	\$ 100,000	\$ -
Convertible debentures issued	54,019	23,711
Transactions costs	(3,770)	(1,654)
Balance, September 30, 2017	<u>150,249</u>	<u>22,057</u>
Repayments	(17,128)	(7,629)
Balance, September 30, 2018	\$ 133,121	\$ 14,428
Accretion	6,366	-
Balance, June 30, 2019	<u>\$ 139,487</u>	<u>\$ 14,428</u>

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2019 (Unaudited)

Note 13

Convertible
Debentures
Continued....

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 \$24,757 of this debenture.

Note 14

Share Capital

Authorized:
Unlimited number of common, voting shares and unlimited number of preferred shares

Authorized Share Capital:

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

Private Placements:

2018

December, 2017

On December 11, 2017, the Company completed a private placement of 15,200,000 common shares at a price of \$0.025 per common share for gross proceeds of \$380,000. Share issuance costs of \$20,347 have been netted against the issuance of the common shares.

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 fair value of \$0.028 per common share, for the consideration of \$112,000. Share issuance costs of \$9,122 have been netted against the issuance of common shares. The investment in Chatbot was reviewed at the end of the year, and management concluded the investment in Chatbot was fully impaired. An impairment loss of \$112,000 was recorded in the year ended September 30, 2018.

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2019 (Unaudited)

Note 14

Share Capital
Continued...

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. Each warrant entitles the holder to purchase one additional common share at a price of \$0.075 per common share for a period of twenty-four months following the date of the closing. The gross proceeds of \$511,991 and \$488,009 were allocated to the common shares and warrants, respectively. Warrants were valued as of February 21, 2018 using the Black-Scholes model using the following assumptions: expected dividend rate of 0%; expected volatility of 283%; risk free rate of 1.84%; and expected life of 2 years. Share issuance costs of \$11,358 and \$10,807 have been netted against the issuance of common shares and warrants respectively.

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. Each warrant entitles the holder to purchase one additional common share at a price of \$0.075 per common share for a period of twenty-four months following the date of the closing. The gross proceeds of \$210,426 and \$139,574 were allocated to the common shares and warrants, respectively. Warrants were valued as of March 27, 2018 using the Black-Scholes model using the following assumptions: expected dividend rate of 0%; expected volatility of 285%; risk free rate of 1.85%; and expected life of 2 years. Share issuance costs of \$2,005 and \$1,330 have been netted against the issuance of common shares and warrants respectively.

May, 2019

On May 1, 2019 the Company completed a private placement of 6,477,154 units ("Units") at a price of \$0.025 per Unit for gross proceeds of \$161,930. Each Unit is comprised of one common share and one half common share purchase warrant. Each half warrant entitles the holder to purchase one additional half common share at a price of \$0.05 per half common share for a period of twelve months following the date of the closing. The gross proceeds of \$145,837 were allocated to the common shares and \$16,093 were allocated to the warrants, respectively. Warrants were valued as of May 1, 2019 using the Black-Scholes model using the following assumptions: expected dividend rate of 0%; expected volatility of 285%; risk free rate of 1.85%; and expected life of 1 year. Share issuance costs of \$3,000 have been netted against the issuance of common shares and warrants respectively.

June, 2019

On June 20, 2019 the Company completed a private placement of 4,592,440 units ("Units") at a price of \$0.025 per Unit for gross proceeds of \$114,811. Each Unit is comprised of one common share and one half common share purchase warrant. Each half warrant entitles the holder to purchase one additional half common share at a price of \$0.05 per half common share for a period of twelve months following the date of the closing. The gross proceeds of \$103,330 were allocated to the common shares and \$11,481 were allocated to the warrants, respectively. Warrants were valued as of June 20, 2019 using the Black-Scholes model using the following assumptions: expected dividend rate of 0%; expected volatility of 285%; risk free rate of 1.85%; and expected life of 1 year.

Stock options outstanding and stock based compensation:

The Company has no stock options presently.

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2019 (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, 2019	June 30, 2018
Net loss	\$ (427,046)	\$ (575,506)
Weighted average number of common shares outstanding	35,364,089	28,616,807
Basic net loss per common share	\$ (0.00)	\$ (0.00)

The effect of all outstanding 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, 2019 in the amount of \$28,500 and \$82,500 respectively (June 30, 2018 - \$28,500 and \$84,178 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 \$2,614 and \$3,021 for the three and nine months ended June 30, 2019 (June 30, 2018 - \$1,384 and \$14,897 respectively) to directors and officers of the Company.

Note 17

Financial Instruments

Financial Instruments

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

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.

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2019 (Unaudited)

Note 17

Financial Instruments
Continued...

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 \$4,222 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, 2019. 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.

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 \$31,603 at June 30, 2019. 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, 2019 are impaired.

The aging of accounts receivable is as follows:

	June 30, 2019	September 30, 2018
Current	\$ 23,374	\$ 4,342
31-90 days	812	1,648
91+ days	7,417	11,050
	<u>\$ 31,603</u>	<u>\$ 17,040</u>

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.

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2019 (Unaudited)

Note 17

Financial Instruments Continued...

At June 30, 2019, the Company had cash in the amount of \$ 9,483 and accounts receivable of \$31,603 with which to meet its obligations.

The contractual maturity of the Company's liabilities of \$599,795 at June 30, 2019 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.

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, 2019	September 30, 2018
Advances from related parties	\$ 137,652	\$ 108,724
Convertible debentures	153,915	147,549
Contributed surplus	1,908,678	1,908,678
Share capital	8,030,859	7,809,467
Deficit	(11,023,642)	(10,596,596)
	\$ (792,538)	\$ (6,732)

The Company continues to receive interest from potential customers in its facility management and efficiency applications as market adoption of smart facility management tools continues to expand. The Company also continues to focus on expanding reseller partnerships in order to generate more sales resulting in positive cash flows. Based on current sales activity and market interest, management believes that continued progress with 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 sales, the issuance of new share capital and issuance of convertible debentures.

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

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2019 (Unaudited)

Note 19 Subsequent Events

The Company completed a share consolidation of its share capital on the basis of one (1) post-consolidation common share for every four (4) pre-consolidation common shares effective on August 21, 2019.

Prior to the share consolidation the Company had a total of 144,313,219 common shares issued and outstanding and as a result of the share consolidation, the Company now has a total of 36,078,281 common shares issued and outstanding.