

## Management Discussion and Analysis

**Dated: August 30, 2020**

The following management's discussion and analysis of the financial condition and results of operations of Visionstate Corp. (the "Company"), for the three and nine months ended June 30, 2020, should be read in conjunction with the audited consolidated financial statements and the notes thereto for the fiscal year ending September 30, 2019.

The Company's 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. The Company's external auditors, RSM Alberta LLP, have performed an audit of the consolidated financial statements.

All amounts have been expressed in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Forward-Looking Information**

This MD&A may contain "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein may be forward-looking statements. Generally, forward-looking statements may be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "proposed", "is expected", "budgets", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved.

These forward-looking statements reflect the Company's current beliefs and are based on information currently available to the Company and on assumptions the Company believes are reasonable. These assumptions include, but are not limited to, demand for the Company's products, meeting budgets and forecasts and future costs and expenses being based on historical costs and expenses, adjusted for inflation. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements. Such risks and other factors may include, but are not limited to: the early stage development of the Company's products; general business, economic, competitive, political and social uncertainties; an un-diversified customer base for the Company's products; competition; delay or failure to receive board or regulatory approvals; changes in legislation affecting the Company; timing and availability of external financing on acceptable terms; conclusions of economic evaluations; and lack of qualified, skilled labor or loss of key individuals.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that cause

results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws.

### **Visionstate and the COVID-19 Pandemic**

The initial stages of the COVID-19 pandemic, which resulted in the shutdown of global economies, had an impact on the Company's ability to sell its products. Although Visionstate's IoT technology is directly related to the cleaning and hygiene industries, during the months of March, April, May and June of 2020, customers were focused on lock downs and reacting to the pandemic instead of installing new technology.

Since North American economies have entered into various stages of reopening, the interest in Visionstate's technology has grown significantly. Management believes this is a direct result of the introduction of new cleaning protocols in almost every sector, including schools, retail, airports, and public facilities, to name a few.

During the periods of economic slowdown, which includes the Company's third quarter ending June 30, 2020, the Company accessed wage subsidy financing through the Industrial Research Assistance Program administered by the federal government. The wage subsidy enabled the Company to maintain its staffing complement.

The Company focused efforts on research and development during the third quarter, including new software features designed to address the pandemic. During the period the development staff worked from home and were able to continue their efforts toward developing the mobile app and the WandaMOBILE, and included features to create custom cleaning protocols that can be tracked through detailed reporting and analytics. WandaMOBILE enables facility managers to track all cleaning and maintenance activities in a building and is not focused solely on restrooms. The quick deployment and low maintenance of the app provides high margins for Visionstate's revenue streams and is structured as a software as a service model. The Company launched both these products in early July 2020.

Visionstate also launched WandaQuickTouch during this quarter; an innovative product that requires no existing infrastructure to install, QuickTouch is a small, 2.5-inch IoT button that can be quickly deployed to accept cleaning alerts and cleaning responses. Use case scenarios include hospital patient rooms for cleaning alerts, or remote restrooms on large campuses that may not require the full Wanda solution.

Additionally, as a consequence of COVID, the Company commenced development of occupancy tracking using its people counting sensors and the Wanda device (10, 15-inch devices mounted near restrooms). The occupancy tracking allows customers to know whether or not it is safe to enter the restroom. Although Wanda devices are protected by an antimicrobial overlay, the Company understands the reluctance of patrons to interact with touchscreens, Visionstate is building a new feature that enables patrons to scan a code and provide feedback from their mobile device, as a solution.

Although the pandemic affected the short-term sales for the Company, management saw this as an opportunity to build more robust technology designed to address emerging issues as a consequence of COVID-19. This positions the Company positively as economies begin to reopen and look for technology solutions that will help monitor and track new cleaning protocols as they are introduced.

## Business Overview

Visionstate Corp. conducts its operations and derives revenue primarily through Visionstate IoT Inc., a software company that specializes in applications for the growing Internet of Things (IoT) market. The Company's focus is on the facility management industry where cleaning and maintenance are daily activities and have historically relied upon paper-based systems for tracking this information.

Visionstate's main product is a facility management software solution called WANDA (Washroom Attendant Notification Digital Aid) and replaces the antiquated paper-based system of tracking cleaning and maintenance activities in public restrooms. WANDA tracks and archives cleaning times and resources utilized.

The power behind WANDA lies in the analytics dashboard that collects information on important issues related to restroom management such as public alerts, cleaning times, resources utilized, staff who carried out the activity, and maintenance and cleaning activities performed. The analytics can then be used to identify areas where greater efficiencies can be achieved, such as cleaning schedules and efficient use of supplies and labor. As well, the analytics are utilized by facility operations departments for future planning of resources including staffing and budgets. As an example, facility operators can use the system to understand when peak cleaning periods are and schedule and deploy staffing accordingly.

The WANDA product is also being utilized for raising the public's perception about the importance of cleanliness and hygiene, as well as the mitigation of risk through the collection of data pertinent to when and how certain areas were cleaned.

During the third fiscal quarter the Company began rolling out new products that were in development over the past few months. This includes WandaMOBILE and Wanda QuickTouch, as described above. These products lend to software as a service revenue models with no upfront costs and recurring software licensing revenue. The Company's objective is to deploy the products quickly in order to build up the residual income. In both instances, WandaMOBILE and Wanda QuickTouch, the margins are high, in the realm of 90 plus per cent.

As a result of the COVID-19 pandemic, a greater emphasis is being put on cleaning compliance. The Visionstate software development team is currently working on new features of the Wanda solution to strengthen the compliance reporting features to respond to the demands of this pandemic. This is particularly important for WandaMOBILE in that it allows facility managers to build custom compliance protocols and track them throughout the entire facility, not just in restroom environments.

Visionstate markets WANDA primarily through a global reseller which is prominent in the facility management industry. This strategy reduces Visionstate's need to hire and manage sales teams while enabling the Company to tap into a global sales network. Management believes this strategy will serve to protect Visionstate from potential competitors by establishing early relationships with the more prominent players in the facility management sector.

The interest in WANDA has increased dramatically as a result of growing interest in and understanding of IoT (Internet of Things), connected smart devices and the analytics they collect, by the marketplace. Visionstate has had particular success in hospitals, shopping centers, airports and large private or public buildings. The Company has deployed approximately 250 units to date, and these units have been installed in locations throughout North America and the UK.

In the third fiscal quarter the Company began deploying its new mobile app, called WandaMOBILE, which is currently being installed in 55 warehouse locations across Canada, deemed by the federal government as essential services. Additionally, the Company deployed additional IoT buttons, called Wanda QuickTouch, to a global real estate equity company based in New York. Wanda QuickTouch enables quick deployment of alert-based cleaning issues, requiring no infrastructure to install as it is battery operated, and requires no connectivity as it automatically connects to the LTE-M network.

### **Overall Performance**

During the fiscal years 2018 and 2019, the Company was focused on advancing its relationship with its global distribution partner, Bunzl. This partnership continues to grow and is significantly advancing the WANDA product's footprint in the marketplace through Bunzl's global reach giving Visionstate the opportunity to entrench itself with the major players in the facility management industry, and to continue the development of smart devices. Sales from this relationship are being realized and will continue to grow as Bunzl closes on sales it is exploring.

During the three and nine months ended June 30, 2020, selling, general and administrative expenses decreased to \$65,406 from \$207,919 for the 3 month period and to \$399,998 from \$462,331 for the 9 month period. One of the impacting factors was a result of the application of a Canadian federal government grant for Covid 19 salary relief administered by the National Research Council. The grant funds received totaled \$50,820 and were used to directly offset payroll costs for the quarter ending June 30, 2020, as per program conditions. This resulted in a decreased salary expense total. Otherwise the operating costs would have been in line with previous year's selling, general and administrative expenses for the same nine months except for in the three months in the prior year, the Company paid out director stipends and incurred investor relations expenses that it did not incur in the quarter for this year.

Gross revenues for the 3 and 9 months ended June 30, 2020 were \$18,156 (\$21,265 June 30, 2019) and \$140,126 (\$109,125 June 30, 2019). This is comparable with previous year's revenue despite the Covid 19 impact on the economy. This bodes well for the Company as facility operators rush to implement cleaning tracking solutions such as Wanda in preparation for reopening post Covid shutdowns.

The gross profit is steadily increasing – three months ending June 30, 2020 resulted in a gross profit of \$17,117 with a margin of 94% and the nine months ending June 30, 2020, a gross profit of \$132,866 and a margin of almost 95% (3 months of June 2019, a gross profit of \$19,115 with a percentage of 90% and nine months ending June 30, 2019 a gross profit of \$63,305 with percentage 58%). This is a direct result of the Company taking on research and development work for its partner Bunzl coupled with the sales of WANDA incurring very little cost as a result of IFRS requirements to amortize the entire software cost. While this may have resulted in poorer results in previous years, it has created an opportunity for the Company to generate larger profits on WANDA sales. Management is anticipating further increases on margins as the reseller partnership with Bunzl grows and their team continues executing. Coupled with this is the low cost of the Wanda mobile and lot Button products and high profit margins on those sales. Management believes that disruptive technology like WANDA is best sold through relationships with the

large players in the industry rather than traditional sales methods. The Company believes this strategy, over the long term, will generate a greater amount of market penetration as it requires significantly less intervention at deployment and little to no inventory carrying costs and little to no investment in sales resources.

Added to this is the increase in sales requests resulting from the Covid pandemic. Cleaning tracking is more relevant than ever as facility managers become more and more reliant on reporting solutions to be compliant with new demands by facility users and health authorities. Wanda has risen to the forefront as an effective way to manage this tracking and reporting requirement. Additionally, with new products including the one touch IoT button and the Wanda mobile app launches, Wanda is gaining a bigger foothold as it becomes more affordable and easy to deploy in multi level buildings and smaller expense conscious facilities.

Revenues are driven primarily by the sale of this IoT product and derived from recurring licensing and software support fees, thus as the number of units increase, so does the revenue.

As a result of the Bunzl partnership, management has successfully focused the Company's attention to the continued enhancement of the product software and left the sales and inventory management to the expertise of their partner. This has allowed management to continue expanding the product line adding the Mobile Wanda App and the lot Button and the enhancement of the capabilities of the Wanda software while collecting residual license and initial set up fees from Bunzl. Management will continue to monitor the results of this relationship very closely to ensure it is serving the company well.

### **Selected Annual Information**

The following table details the company's previous three years performance (in Canadian dollars) based on audited financial results prepared in accordance with International Financial Reporting Standards.

	2017	2018	2019
Total Revenue	\$ 174,465	\$ 200,484	\$ 113,774
Net Loss	\$ (814,476)	\$ (762,157)	\$ (953,257)
Basic and Diluted Net Loss per Common Share	\$ (0.01)	\$ (0.01)	\$ (0.03)
Total Assets	\$ 26,569	\$ 451,455	\$ 268,685
Total Long Term Financial Liabilities	\$ 50,249	\$ 33,121	\$ -

### **Results of Operations**

The accompanying audited consolidated financial statements include the accounts of the Company and its wholly owned subsidiary and operating division, Visionstate Inc. and have been prepared in

accordance with International Financial Reporting Standards (“IFRS”) for financial statements and include all of the disclosures normally contained in the Company’s annual financial statements.

## Revenue

Total revenues for the three months and nine months ended June 30, 2020 were \$18,156 and \$140,126 (\$21,265 for the 3 months and \$109,125 for the 9 months ended June 30, 2019). The decrease in revenue for the 3 month period was a result of the shut-down of business operations at customer locations due to the Covid 19 pandemic. Sales that were held in the funnel for the period are now being reinitiated as facilities open again and are able to install the product. The gross margin for the 3 months ended June 30, 2020 was \$17,117 (\$19,115 for the quarter ended June 30, 2019) and \$132,866 for the nine months ended June 30, 2020 (\$63,305 for the 9 months ended June 30, 2019). The Gross Margin percentage for the three months ended June 30, 2020 increased to 94% (2019 – 90%) and the 9 months ended June 30, 2020 increased to almost 95% (2019 – 90%). Management believes that its cost of sales will continue to decrease as the cost of developing the software has been totally amortized and returns on prior sales license fees continue to grow incrementally as sales are made, coupled with the very increasingly high profit margins resulting from the Wanda mobile and the Wanda IoT Button sales.

## Selling, General and Administrative

Selling, general and administrative expenses for the 3 months and 9 months ending June 30, 2020 were \$65,406 and \$399,998 (\$207,919 for the 3 months and \$462,331 for the 9 months ended June 30, 2019). These costs include research expenses, as well as public company compliance fees, investor relations costs, accounting and legal fees, staffing and general office expenses.

Selling, general and administrative expenses decreased as a result of a decrease in staffing related costs – a federal government Covid 19 salary offset grant administered through the National Research Council in the amount of \$50,820 was applied against salary costs for the period.

## Summary of Quarterly Results

Description	Apr 20 – Jun 20	Jan 20 – Mar 20	Oct 19 – Dec 19	Jul 19 – Sept 19	Apr 19 – Jun 19	Jan 19 – Mar 19	Oct 18 – Dec 18	Jul 18 – Sept 18
Total Revenue	18,156	20,256	101,714	7,649	21,265	29,226	58,634	33,992
Net Loss	(63,023)	(192,572)	(62,593)	(526,211)	(198,951)	(131,919)	(96,176)	(186,571)

Basic and Diluted Net Loss Per Common Share	(.00)	(.00)	(.00)	(.03)	(.00)	(.00)	(.00)	(.01)
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The quarterly results of the Company mainly fluctuate as a result of variations in revenue, amortization, public company costs and staffing included in selling, general and administrative expenses. Revenue varies directly on the number of units sold and the number of license renewals.

### Liquidity and Capital Resources

The Company has limited financial resources and its ability to continue as a going concern is dependent on attaining profitability. Visionstate continues to deploy its client management software which has given the company a proprietary platform upon which to customize each client, and this has given the company the ability to deploy in much shorter periods of time to a larger and more varied customer base.

Furthermore, the company is continuing to receive requests for quotations from different market sectors and is beginning to see a definite increase in interest for its product in different areas of the marketplace as IoT becomes increasingly popular as a resource for analytics collection as well as an awareness of cleaning tracking as a result of the Covid pandemic. The Company is also continuing to roll its products out into the US market and internationally, reaching a larger marketplace thereby getting a competitive advantage.

As at the year end, the Company had negative working capital and is dependent on recurring licensing fees, sales of product and related party advances to ensure adequate cash flow to cover expenses and continue as a going concern. There are no assurances the Company will be able to raise additional funds or attain profitability. The company however continues to deploy its product and establish strategic reseller and other relationships and expanding its global penetration and is currently in discussions with its partner for a new product the Company is currently developing that is strategic to mass market penetration.

### Related Party Transactions

During the 3 and 9 months ended June 30, 2020, the Company paid management fees and accounting fees in the amount of \$9,000 and \$27,000 (2019 - \$28,500 and \$84,178) which is included in selling, general and administrative expenses to companies controlled by members of management and \$2,528 and \$15,239 (2019 - \$1,384 and \$14,897) in interest to related parties.

<b>Advances from Related Parties</b>	<b>June 30, 2020</b>	<b>September 30, 2019</b>
Due to an individual related to a director, unsecured, interest payable at 10% per annum and without specified terms of repayment	\$ 15,715	\$ 13,365
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% per annum and without specified terms of repayment	-	5,159
Due to a former director, unsecured, interest payable monthly at 10% per annum, and due on demand	73,700	73,700
Due to a director, unsecured, interest payable at 10% per annum and without specified terms of repayment	4,000	5,000
Due to a director, unsecured, interest payable at 10% per annum and without specified terms of repayment	10,919	8,800
Due to a director, unsecured, interest payable at 10% per annum and without specified terms of repayment	55,094	7,500
Due to a director, unsecured, interest payable at 10% per annum and without specified terms of repayment	10,000	-
Due to a company owned by a director, unsecured, interest payable monthly at 10% per annum and without specified terms of repayment	39,018	39,518
	<b>\$ 210,318</b>	<b>\$154,914</b>

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

## Share Data

**Shares Outstanding:** 52,678,281 common shares as at August 30, 2020.

**Stock Options Outstanding:** Nil options to purchase common shares are outstanding as at August 30, 2020.

**Common Share Purchase Warrants Outstanding:** 24,733,699 as at August 30, 2020

## Financial Instruments

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

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

Financial statement item	Classification and measurement
Cash and bank indebtedness	Fair Value through profit and loss – Amortized cost
Accounts receivable	Loans and receivables – Amortized cost
Investment	Fair Value through profit and loss – Amortized cost
Convertible debenture receivable	Loans and receivables – Amortized cost
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

## 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 investment, convertible debenture receivable, advances from related parties, convertible debentures and promissory notes 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.

## 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 assets is \$ 70,896 as at June 30, 2020. 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. At March 31, 2020, no accounts receivable are past due or impaired.

The aging of accounts receivable is as follows:

	June 30, 2020	September 30, 2019
Current	\$ 22,381	\$ 2,443
31 – 90 days	47,199	972
91+ days	1,316	8,850
	\$ 70,896	\$ 12,265

## 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 \$167,973 convertible debenture is due on demand. The Company is currently negotiating with debenture holders to extend the terms or convert their debentures to shares. The Company is actively working toward increasing activities to improve sales of its software to meet future working capital requirements, but it may have to seek equity or debt financing

At June 30, 2020, the Company had accounts receivable of \$70,896 (June 30, 2019 - \$31,603 in AR and \$9,483 in cash) with which to meet its obligations. At June 30, 2020 the Company had a working capital deficiency of \$869,630 (\$770,891 at June 30, 2019).

The contractual maturity of the Company's liabilities of \$970,815 at June 30, 2020 (\$892,931 at June 30, 2019) is due on demand.

### **Interest Rate Risk**

Interest rate risk is the risk that the fair value of the future cash flows of financial instruments will fluctuate due to changes in interest rates. The Company is susceptible to interest rate fair value risk on its fixed rate debt.

### **Capital Management**

The Company considers the contributed surplus of \$1,923,106 (June 30, 2019 - \$1,908,678) share capital of \$8,403,936 (June 30, 2019 - \$8,199,341), warrant reserve of \$901,774 (June 30, 2019 - \$697,179), advances from related parties of \$210,318 (June 30, 2019 - \$154,914) and convertible debentures of \$167,973 (June 30, 2019 - \$163,439) as capital. 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 Company's Board of Directors is responsible for overseeing this process.

The Company is receiving greater interest from the Canadian, US and European marketplaces, including hospitals, airports and shopping centers, in its applications. As well, the Company is successfully managing its relationship with its reseller and management feels will assist the Company to expand its market reach more expeditiously. 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.

### **Critical Accounting Policies and Estimates**

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes.

There is a full discussion and description of the Company's critical accounting policies in the audited consolidated financial statements for the fiscal year ended September 30, 2019.

## Future Plans and Outlook

As post pandemic economies continue to reopen globally, Visionstate management strongly believes the Company has a unique opportunity to capture the market for IoT technology that can track and monitor new cleaning protocols as they are introduced. Cleaning protocols have become more important than ever for companies to ensure they do not cause an outbreak of COVID-19 due to poor cleaning practices, and to provide confidence to their returning customers.

To capture this market, management is focusing on sales growth and in further developing cutting edge technology. In terms of sales, the introduction of two new products during the third fiscal quarter has expanded the Company's ability to increase residual revenue significantly. Since there are no challenges associated with deployment and installation of the mobile app, it can be quickly and easily deployed and immediately generate residual revenue. The WandaMOBILE app is one of the easiest methods of tracking cleaning compliance and is priced at \$25 per month per activation (or an average of \$75 per month per location).

Company management also believes the mobile app and the QuickTouch button are easier to sell through sales networks because they require little or no infrastructure. As a result, the Company is concentrating on these products and is running keyword ad campaigns specifically targeting potential customers. The Company is also planning to hold WebEx seminars showing various applications for the Company's technology.

For development, the Company continues to position Wanda as a hub for all smart data coming from restroom environments. This includes further integration projects for third party sensors that feed data into the Wanda system and are presented on the analytics dashboard. These integration projects generate development revenue for the Company and result in opportunities for potential partners to sell Wanda as a bundled solution.