

**THIRD QUARTER REPORT  
For the Period Ended June 30, 2020**

**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, 2020 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 30, 2020

*"Signed"*

John Putters  
President and Chief Executive Officer

*"Signed"*

Randa Kachkar  
Chief Financial Officer

# VISIONSTATE CORP.

**Company web sites:**  
[www.visionstate.com](http://www.visionstate.com)

**Shares Listed**  
 TSX Venture Exchange  
 Trading symbol: VIS

**Officers and Directors:**  
 John A. Putters (CEO)  
 Gervin Antypowich  
 Wally McNeil  
 Ned Dimitrov  
 Jim Duke  
 Paul Fairbridge (Chair)  
 Kevin Gilbank  
 Debra Williams

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

**Share Capital**  
 Issued: 52,678,281 common shares

## Interim Condensed Consolidated Statement of Comprehensive Loss

For the three and nine months ended June 30, 2020

(Unaudited)	3 months Jun 30/20 \$	3 months Jun 30/19 \$	9 months Jun 30/20 \$	9 months Jun 30/19 \$
Revenue				
Product sales and maintenance	18,156	21,265	140,126	109,125
Cost of Sales	1,039	2,150	7,260	45,820
Gross Profit	17,117	19,115	132,866	63,305
Expenses				
Selling, general and administrative expenses	65,406	207,919	399,998	462,331
Interest and accretion on convertible debentures	7,036	4,482	21,024	15,210
Other interest	7,698	5,665	30,032	12,810
	80,140	218,066	451,054	490,351
Net loss and comprehensive loss	(63,023)	(198,951)	(318,288)	(427,046)
Weighted average number of shares outstanding	52,678,281 <sup>#</sup>	35,364,089 <sup>#</sup>	52,67,281 <sup>#</sup>	35,364,089 <sup>#</sup>
Basic and diluted net loss per common share	(\$.00)	(\$.00)	(\$.00)	(\$.00)

# VISIONSTATE CORP.

## Interim Condensed Consolidated Statement of Financial Position (Unaudited)

June 30, 2020

	Jun 30/20 Unaudited \$	Sep 30/19 Audited \$
<b>ASSETS</b>		
Current Assets		
Cash	-	-
Accounts receivable	70,896	12,265
Subscriptions receivable	-	-
Inventory (Note 5)	21,767	21,767
Prepaid Expenses	9,152	4,978
<b>TOTAL CURRENT ASSETS</b>	<b>101,185</b>	<b>39,010</b>
DEPOSIT	2,532	2,532
INVESTMENTS	227,143	227,143
RIGHT OF USE ASSET (Note 8)	31,885	-
PRODUCT DEVELOPMENT COSTS	-	-
PROPERTY AND EQUIPMENT	-	-
<b>TOTAL ASSETS</b>	<b>363,375</b>	<b>268,685</b>
<b>LIABILITIES</b>		
Current Liabilities		
Bank Indebtedness	27,171	69,758
Accounts payable and accrued liabilities (Note 6)	549,356	576,359
Goods and Services Tax Payable	-	-
Advances from related parties (Note 7)	210,318	154,914
Promissory note payable	15,997	15,997
Convertible debentures (Note 9)	167,973	163,439
Deferred Revenue	-	18,445
<b>TOTAL CURRENT LIABILITIES</b>	<b>970,815</b>	<b>998,912</b>
LEASE OBLIGATION	31,885	-
<b>TOTAL LIABILITIES</b>	<b>1,002,700</b>	<b>998,912</b>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share Capital (Note 10)	8,403,936	8,199,341
Contributed Surplus	1,923,106	1,908,678
Warrant Reserve (Note 10)	901,774	697,179
Convertible Debentures	-	14,428
Deficit	(11,868,141)	(11,549,853)
<b>TOTAL SHAREHOLDERS' DEFICIENCY</b>	<b>(639,325)</b>	<b>(730,227)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>	<b>363,375</b>	<b>268,685</b>

# VISIONSTATE CORP.

## Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited)

For the nine months ended June 30, 2020

	Shares		Warrant Reserve			Contributed Surplus	Convertible Debenture	Deficit	Total
	Number	Amount	Number	Amount	Total				
<b>Balance, October 1, 2019</b>	36,078,281	\$ 8,199,341	8,133,699	\$ 697,179	\$ 8,896,520	\$ 1,908,678	\$ 14,428	\$(11,549,853)	\$ (730,227)
Private placement (March 2020)	16,600,000	207,500	16,600,000	207,500	415,000	-	-	-	415,000
Share issuance cost	-	(2,905)	-	(2,905)	(5,810)	-	-	-	(5,810)
Convertible debenture equity	-	-	-	-	-	14,428	(14,428)	-	-
Net loss	-	-	-	-	-	-	-	(318,288)	(318,288)
<b>Balance, June 30, 2020</b>	<b>52,678,281</b>	<b>\$ 8,403,936</b>	<b>24,733,699</b>	<b>\$ 901,774</b>	<b>\$ 9,305,710</b>	<b>\$ 1,923,106</b>	<b>\$ -</b>	<b>\$(11,868,141)</b>	<b>\$ (639,325)</b>

	Shares		Warrant Reserve			Contributed Surplus	Convertible Debenture	Deficit	Total
	Number	Amount	Number	Amount	Total				
<b>Balance, October 1, 2018</b>	33,310,906	\$ 7,809,467	6,750,000	\$ 615,446	\$ 8,424,913	\$ 1,908,678	\$ 14,428	\$(10,596,596)	\$ (248,577)
Private placement (May 2019)	1,619,288	114,676	809,644	47,253	161,929	-	-	-	161,929
Share issuance cost	-	(2,126)	-	(877)	(3,003)	-	-	-	(3,003)
Private placement (June 2019)	1,148,110	78,786	574,055	36,025	114,811	-	-	-	114,811
Share issuance cost	-	(1,462)	-	(668)	(2,130)	-	-	-	(2,130)
Rounding	(23)	-	-	-	-	-	-	-	-
Convertible debenture	-	-	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	(427,046)	(427,046)
<b>Balance, June 30, 2019</b>	<b>36,078,281</b>	<b>\$ 7,999,341</b>	<b>8,133,699</b>	<b>\$ 697,179</b>	<b>\$ 8,696,520</b>	<b>\$ 1,908,678</b>	<b>\$ 14,428</b>	<b>\$(11,023,642)</b>	<b>\$ (404,016)</b>

See accompanying notes to the consolidated financial statements

# VISIONSTATE CORP.

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## Interim Condensed Consolidated Statement of Cash Flow

For the six months ended June 30, 2020

(Unaudited)	9 months ending	
	June 30/20	June 30/19
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	(318,288)	(427,046)
Items not affecting cash		
Accretion on convertible debenture	-	6,366
	(318,288)	(420,680)
Changes in non-cash working capital items		
Accounts receivable	(58,631)	(6,552)
Inventory	-	13,690
Accounts payable and accrued liabilities	(27,003)	168,213
Prepaid expenses	(4,174)	-
Deferred Revenue	(18,445)	(10,608)
Net cash flows from operating activities	(426,541)	(255,937)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments	-	(57,300)
Net cash flows from investing activities	-	(57,300)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Convertible debentures repaid	(9,894)	-
Advances from promissory notes	-	-
Advances from (repayments to) related parties	55,404	28,928
Shares issued	347,444	276,741
Net cash flows from financing activities	392,954	305,669
<b>Increase/Decrease in cash</b>	<b>(33,587)</b>	<b>(7,508)</b>
<b>Cash (bank indebtedness) - beginning of period</b>	<b>6,416</b>	<b>(17,051)</b>
<b>Cash (bank indebtedness) - end of period</b>	<b>(27,171)</b>	<b>9,483</b>

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## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2020 (Unaudited)

### Note 1

#### Going Concern

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These interim condensed consolidated financial statements have been prepared in accordance with 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, 2020. 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, 2020, the Company incurred a net loss of \$318,288, had a working capital deficiency of \$869,630 and a shareholder deficiency of \$639,325.

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

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

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

The Company provides interactive IoT based business solutions in the form of touchscreen and mobile way finding and efficiency applications, as well as consulting related services and support.

The main focus of the Company is its Visionstate lot Inc. division. This division is focused on building interactive smart applications into digital display networks that incorporate proprietary facility management software, bundled into a touchscreen computer, coupled with an app version, with integrated computing capacity (WANDA units) and digital facility cleaning recording and tracking products.

Visionstate is actively marketing these products to large customers such as shopping centres, hospitals, office buildings, airports and other places that require efficiency applications, in several different target areas.

These interim condensed consolidated financial statements were approved by the Board of Directors on August 30, 2020.

# VISIONSTATE CORP.

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## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2020 (Unaudited)

### 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 Institutional Accounting Standards Board. 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 conjunction with the annual audited financial statements for the year ended September 30, 2019.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of June 30, 2020.

##### **Basis of Measurement**

The interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are at fair value.

##### **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:

Investment: The fair value of the investment carried at fair value is subject to management estimates used in the valuation model to determine fair value.

##### **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

# VISIONSTATE CORP.

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## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2020 (Unaudited)

### **Note 4** Significant Accounting Policies

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These unaudited condensed consolidated interim financial statements follow the same accounting policies as outlined in the audited financial statements for the year ended September 30, 2019 except as follows:

#### **IFRS 16, Leases ("IFRS 16")**

The Company adopted IFRS 16 on October 1, 2019 using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively.

On adoption of IFRS 16, the Company recognized lease obligations in relation to all lease arrangements measured at the present value of the remaining lease payments from commitments disclosed as at September 30, 2019, adjusted by commitments in relation to arrangements not containing leases, short-term and low-value leases, and discounted using the incremental borrowing rate. No impairments were recognized for the right-of-use assets upon adoption.

Upon the adoption of IFRS 16, the Company adopted the following significant accounting policy on leases:

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease obligation is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date discounted using the rate implicit in each lease or, if that cannot be readily determined, the incremental borrowing rate. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the earlier of the useful life and term of the lease. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease liability.

### **Note 5** Inventory

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	<b>June 30, 2020</b>	<b>September 30, 2019</b>
Inventory	<b>21,767</b>	21,767
	<b>\$ 31,767</b>	\$ 21,767

Cost of sales during the three months ended June 30, 2020 is \$1,039 (June 30, 2019, - \$2,150) and nine months ended June 30, 2020 is \$7,260 (June 30, 2019 - \$45,820).

# VISIONSTATE CORP.

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## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2020 (Unaudited)

### Note 6

#### Accounts Payable and Accrued Liabilities

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

	<b>June 30, 2020</b>		September 30, 2019
Trade payables	\$ 255,455	\$	236,083
Accrued liabilities	169,422		211,004
Accrued payroll	124,479		129,272
	<b>\$ 549,356</b>	<b>\$</b>	<b>576,359</b>

# VISIONSTATE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2020 (Unaudited)

### Note 7

#### Advances from Related Parties

	<b>June 30, 2020</b>	September 30, 2019
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.

Included in trade payables are the following related party balances:

	<b>June 30, 2020</b>	September 30, 2019
Due to directors	\$ 73,372	\$ 126,218
Due to companies owned by directors	-	15,083
Due to companies controlled by directors	57,174	31,778
Due to individuals related to a director	1,092	2,178
	<b>\$ 131,638</b>	<b>\$ 175,257</b>

# VISIONSTATE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2020 (Unaudited)

### Note 8

#### Lease Obligations

The Company pays office rent, exclusive of operating costs, under a lease agreement expiring March 2022, for which it has committed to make payments as follows:

2020	\$27,804
2021	27,804
2022	13,902
	\$ 69,510

The present value of the lease payments was \$52,738 as at October 1, 2019 and lease payments of \$20,853 were made for the period ended June 30, 2020.

The right of use asset recorded at October 31, 2019 was \$52,738

### Note 9

#### Convertible Debentures

	Liability	Equity
Balance, October 1, 2016	\$ 100,000	\$ -
Convertible debentures issued	54,019	23,711
Transactions costs	(3,770)	(1,654)
Balance, September 30, 2017	150,249	22,057
Repayments	(17,128)	(7,629)
Balance, September 30, 2018 and December 31, 2018	\$ 133,121	\$ 14,428
Convertible debentures issued	15,000	-
Accretion	15,318	-
Balance, September 30, 2019	\$ 163,439	\$ 14,428
Expiry of conversion feature	-	(14,428)
Accretion	4,534	-
		-
Balance, June 30, 2020	\$ 167,973	\$ -

# VISIONSTATE CORP.

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## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2020 (Unaudited)

### Note 9

#### Convertible Debentures, Continued...

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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 and due on demand. The Company is in arrears on the interest payments relating to the debentures in the amount of \$138,525 (September 30, 2019 - \$132,816), 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 and incurred transaction costs of \$5,424. The Debentures bear an interest rate of twelve percent (12%) per annum payable semi-annually and is due on demand. In 2018, the Company repaid \$24,757 of these debentures with \$17,128 and \$7,629 allocated to the liability and equity component respectively.

On September 1, 2019, the Company issued unsecured convertible debentures for an aggregate principal amount of \$15,000. The debentures bear interest at a rate of twenty four percent (24%) per annum and is due on demand.

### Note 10

#### Share Capital

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#### Private Placements:

#### 2020

#### March, 2020

On March 27, 2020, the Company completed a private placement of 16,600,000 units ("Units") at a price of \$0.025 per Unit, for gross proceeds of \$415,000. 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 \$0.05 per common share for a period of twenty four months following the date of the closing. The gross proceeds of \$207,500 and \$207,500 were allocated to the common shares and warrants, respectively. Warrants were valued as of March 27, 2020 using the Black-Scholes model using the following assumptions: expected dividend rate of 0%; expected volatility of 242%; risk free rate of 1.81%; and expected life of 2 year. Share issuance costs of \$5,810 and \$nil have been allocated to the common shares and warrants respectively.

# VISIONSTATE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2020 (Unaudited)

### Note 10

Share Capital, Continued...

Authorized Share Capital:

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

Stock options outstanding and stock based compensation:

The Company has no stock option plan presently.

Warrants outstanding:

A summary of the warrants outstanding as at June 30, 2020 and September 30, 2019 is presented below:

	June 30, 2020		September 30, 2019	
	Warrants	Weighted Average Exercise price	Warrants	Weighted Average Exercise price
Warrants outstanding, beginning of year	8,133,699	\$ 0.30	6,750,000	\$ .30
Issued	16,600,000	0.05	1,383,699	0.30
Total Warrants	24,733,699	0.13	8,133,699	0.30

### Note 11

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, 2020	June 30, 2019
Net loss	\$ (318,288)	\$ (427,046)
Weighted average number of common shares outstanding	52,678,281	35,364,089
Basic net loss per common share	\$ (0.00)	\$ (0.00)

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

# VISIONSTATE CORP.

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## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2020 (Unaudited)

### **Note 12** Related Party Transactions

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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 and accounting fees for the quarter ended June 30, 2020 in the amount of \$9,000 (June 30, 2019 - \$28,500) and for the nine months ended June 30, 2020 \$27,000 (9 months ended June 30, 2019 – \$84,178) to officers of the Company.

For the quarter and nine months ended June 30, 2020, the Company paid interest in the amount of \$2,528 and \$15,239 to related parties (June 30, 2019 3 months – \$1,384 and 9 months - \$14,897).

### **Note 13** Financial Instruments

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#### **Financial Instruments**

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

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.

As at June 30, 2020 the Company had an investment measured at fair value Level 2.

#### **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 \$70,896 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. No accounts receivable at June 30, 2020 are impaired.

# VISIONSTATE CORP.

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## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2020 (Unaudited)

### Note 13 Financial Instruments Continued...

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The aging of accounts receivable is as follows:

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

#### **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 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 additional debt or equity financing.

At March June 30, 2020, the Company had accounts receivable of \$70,896 with which to meet its obligations. At June 30 2020 the Company had a working capital deficiency of \$869,630.

The contractual maturity of the Company's liabilities of \$970,815 at June 30, 2020 is due within twelve months.

#### **Interest Rate Risk**

Interest rate risk is the risk that the fair value or 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.

#### **Market Risk**

Market risk is the risk that the fair value or 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.

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## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2020 (Unaudited)

### **Note 14** Capital Disclosures

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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 capital structure consisted of the following:

	<b>June 30, 2020</b>	September 30, 2019
Advances from related parties	\$ 210,318	\$ 154,914
Convertible debentures	167,973	177,867
Contributed surplus	1,923,106	1,908,678
Share capital	8,403,936	8,199,341
Warrant reserve	901,774	697,179
Deficit	(11,868,141)	(11,549,853)
	<b>\$ (261,034)</b>	<b>\$ (411,874)</b>

The Company is focused on its higher gross margin revenue streams in order to generate more positive cash flows and has moved toward products that can be mass deployed off the shelf with less custom work. 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 financing from related parties.

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

### **Note 15** Contingency

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On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic.

In Canada, the Government of Alberta declared a provincial state of public health emergency as per the Province of Alberta's Public Health Act on March 17, 2020 with respect to COVID-19.

As of the date of these financial statements, the extent to which COVID-19 impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted and dependent upon new information which may emerge concerning the severity of COVID-19 and actions taken to contain this or its impact, among others.

# VISIONSTATE CORP.

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## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2020 (Unaudited)

### **Note 16** IRAP Grant

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In response to Covid 19, the Canadian federal government established a grant program for prior technology company clients as a salary relief measure. This program, administered by the National Research Council, was in the form of a grant as a percentage of staff salaries. The grant funds received totaled \$50,820 and were used to directly offset payroll costs for the quarter ending June 30, 2020