

## Management Discussion and Analysis

**Dated: August 30, 2021**

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, 2021, should be read in conjunction with the audited consolidated financial statements and the notes thereto for the fiscal year ending September 30, 2020.

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.

## **Business Overview**

Visionstate IoT Inc is the operating division of Visionstate Corp. and its primary business is providing Internet of things (IoT) solutions to the facility management industry. Visionstate IoT Inc. has a suite of products designed to monitor cleaning activities in virtually any facility, and has been installed in locations across North America, including hospitals, airports, office buildings, recreational centers, casinos and shopping centers, to name a few.

The technology tracks cleaning activities in these facilities and provides detailed analytics on the efficiency and performance of those events. The onset of the global COVID-19 pandemic has made this technology even more relevant as customers implement new protocols associated with cleaning standards.

Visionstate IoT Inc. markets three main products. Wanda, which is an IoT device installed at the entrance of public restrooms, collects data input by cleaning staff to track activities such as what was cleaned, when it was cleaned, and by whom. Wanda also collects data from sensors, including foot traffic through an area, and performance and supply levels of restroom dispensers such as soap, toilet paper and paper towels.

Over the past year, in response to COVID-19, the Company has also launched two new products, including a mobile app to track cleaning compliance and IoT buttons that can be quickly deployed and used to flag alerts in remote locations where connectivity and power may not be readily available. In May 2020, the Company deployed the mobile app to a network of warehouses in Canada which at the time were deemed essential services. The deployment to some 35 locations was executed within a six-week time frame.

The development and subsequent deployment of WandaMOBILE represents a significant shift in the company's ability to provide a more comprehensive solution to the facility management industry. While Wanda tablets have historically been restroom centric, the mobile app expands the ability to collect data on cleaning activities throughout a facility. Management believes the addition of the mobile app to the Wanda suite of products will have a significant impact on future revenue generation.

Visionstate IoT sells its products through a large, global distributor which carries inventory of the Wanda device and distributes directly to customers. In fourth quarter of fiscal year 2020, the Company entered into a new three-year agreement with its partner that includes sales, marketing and distribution of the Wanda products. The agreement enables Visionstate to focus on developing new IoT technology while it earns residual revenue through license fees. The agreement also includes monthly retainer fees which represents a new and consistent revenue source for Visionstate.

The company's revenue model is based on software as a service and Visionstate IoT earns monthly fees associated with the financial model. As a Company built on the software as a service (SaaS) model, Visionstate IoT Inc. is focused on accumulating customers to build the residual income generated from license fees. Typically for companies based on SaaS models, performance is measured by the growth in customer acquisition as license agreements extend over a 36-month period.

To further enhance the company's ability to acquire customers, it actively seeks new value-added partnerships to consolidate Visionstate as a leader in the smart technology sector. The Company has developed partnerships with established, global companies to increase sales and to enhance the

technology. This includes integrating smart dispensers developed by established brands. Data generated by these devices are collected in the Wanda database and analyzed collectively with other data sources including information input by the front-line workers. This strategy strengthens the Wanda solution in the marketplace as it increasingly becomes a hub for all data generated by sensor driven devices.

Also, because of the company's global distribution agreement, Visionstate IoT can focus on developing new technology to continue building value into the solution. This is in part enhanced by the monthly retainer fees the Company is generating through the agreement. In the fiscal year 2020, the Company enhanced its technology by developing cleaning protocol features for its mobile app as well as tracking occupancy levels by leveraging people counting sensors and the Wanda device.

In May 2021, the Company announced the creation of a new division of Visionstate Corp. called NEXTVision IoT Inc. The new division was established to expand the Company's IoT capabilities by entering new markets, including the cannabis sector. At the same time the Company signed a \$500,000 contract with a cannabis producer to implement IoT in the production process to increase efficiencies and maximize crop yields.

In July 2021, the Company further expanded its technology by announcing a joint venture to pursue opportunities with RFID or radio frequency identification. The technology has been applied to the oil and gas sector to track products entering and leaving the warehouse. The same technology can be applied to Wanda applications for tracking inventory and movement of the cleaning staff.

## **Overall Performance**

During the fiscal year 2020, Visionstate Corp. was focused on continuing to build its relationship with its global distribution partner, Bunzl. This partnership has commenced to significantly advance the WANDA product's footprint through Bunzl's global reach giving Visionstate the opportunity to entrench itself in with the major players in the facility management industry, and to continue the development of smart devices. Sales from this relationship continue to increase and will continue to manifest in a much larger way in fiscal 2021 as Bunzl continues to expand sales in the global marketplace.

During the fiscal year 2020 the company invested resources into two main things – research into Sensor technology and expanding the reach of the Wanda product through reseller and partner relationships. In Fiscal 2021, management is taking note of the benefits of those investments as sales reach increases and expands globally without any direct investment into sales personnel by the Company.

During the three months ended June 30, 2021, selling, general and administrative expenses increased to \$179,359 from \$65,406 in the quarter ended June 30, 2020 and increased to \$418,000 in June 30, 2021 from \$399,998 in the nine months ended June 30, 2021. This was a result of the Company investing in Market Making and Investor Relations coupled with legal and TSX related costs for the three financings completed in Q2 and Q3. As well, to be considered is that in the previous fiscal year the Company received a grant from the National Research Council to subsidize payroll costs for a little over fifty thousand dollars which was directly applied against payroll expenses thereby decreasing those costs by that amount.

Gross revenues for the three months ended June 30, 2021 increased by \$182,760 to \$200,916 (revenues were \$18,156 in the 3 months ended June 30, 2020, approximately 90%), and the gross margin percentage increased to 99.5% (2020 – 94%). Gross revenues for the nine months ended June 30, 2021 increased by \$401,459 to \$541,585 (revenues were \$140,126 in the nine months ended June 30, 2020, approximately 75%), and the gross margin percentage increased to 98% (2020 – 94.9%). This was the result of the new Cannabis facility IoT development contract with Freedom Cannabis as well as a result of the Company taking on research and development work for its partner Bunzl on a monthly charge out basis as per the partnership agreement. Additionally, the sales of WANDA incur 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 once the cost of the software were amortized to zero. Management is anticipating further increases on margins as the reseller partnership with Bunzl grows, and their team is fully trained and continues executing. 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 as well as reducing the potential for competition to enter the market when the big players are already committed to and selling the WANDA product.

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 licenses increases, so does the revenue.

As a result of these two partnerships, management has successfully focused the Company’s attention to the continued enhancement of their IoT offerings and left the sales and inventory management to the expertise of their partner. This will allow management to continue expanding the capabilities of the software while collecting residual license and initial set up fees. Management will continue to monitor the results of these relationships 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.

	2018	2019	2020
Total Revenue	\$ 200,484	\$ 113,774	\$ 130,144
Net Loss	\$ (762,157)	\$ (953,257)	\$ (722,670)
Basic and Diluted Net Loss per Common Share	\$ (0.01)	\$ (0.03)	\$ (0.02)
Total Assets	\$ 451,455	\$ 268,685	\$ 290,279
Total Long Term Financial Liabilities	\$ 33,121	\$ -	\$ 39,133

## 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 ended June 30, 2021 was \$200,916 and nine months ended June 30, 2021 was \$541,585 (three months ended June 30, 2020 was \$18,156 and nine months ended June 30, 2020 was \$140,126). The increase in revenue was a result of increased license fees from prior sales of Wanda licenses and sales of contracted development work, fees from a new IoT development contract with Freedom Cannabis as well as interest earned from a prior investment. The gross margin for the three and nine months ended June 30, 2021 was \$199,914 and \$538,340 (\$17,117 and \$132,866 in the three and nine months ended June 30, 2020). The Gross Margin percentage for the three and nine months ended June 30, 2021 was 99.5% and 97.2%. For 2020 the gross margin percentage was 98% and 94.9%. Management believes that its cost of sales will increase as the Company invests into the new Cannabis Facility IoT software however that too will be fully expensed as per IFRS standards and costs of sales will go back down once that is done.

## Selling, General and Administrative

Selling, general and administrative expenses for the quarter and nine months ending June 30, 2021 were \$179,359 and \$418,000 respectively (\$65,406 and \$399,998 respectively for the 3 and 6 month period ended June 30, 2020). These costs include research expenses, as well as public company compliance fees, financing cost, investor relations costs, accounting and legal fees, staffing and general office expenses.

Selling, general and administrative expenses have increased as a result of no offset to payroll expenses from a federal Covid 19 payroll relief grant through the National Research Council IRAP program, which the Company received last year, as well as financing costs for three financings, legal and investor relations costs.

## Summary of Quarterly Results

Description	Apr 21 – Jun 21	Jan 21 – Mar 21	Oct 20 – Dec 20	Jul 20 – Sep 20	Apr 20 – Jun 20	Jan 20 – Mar 20	Oct 19 – Dec 19	Jul 19 – Sep 19
Total Revenue	200,916	227,663	128,006	49,081	18,156	20,256	42,651	7,649
Net Income (Loss)	17,029	31,736	40,893	(404,482)	(63,023)	(192,572)	(62,593)	(526,211)
Basic and Diluted Net Loss Per Common Share	\$.00	\$.00	\$.00	(.02)	(.00)	(.00)	(.03)	(.03)

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 beginning 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. Recently the Company entered into an agreement to develop IoT for the cannabis sector grow facility space and already has interest from several companies for this product. 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, research and develop new IoT products, and establish strategic reseller and other relationships and expanding its global penetration.

## Related Party Transactions

During the three and nine months ended June 30, 2021, the Company paid management fees and accounting fees in the amount of \$9,000 and \$32,000 (2020 - \$9,000 and \$27,000) which is included in selling, general and administrative expenses to companies controlled by members of management and \$975 and \$7,932 (2020 - \$2,528 and 15,239) in interest to related parties.

<b>Advances from Related Parties</b>	<b>June 30, 2021</b>	<b>September 30, 2020</b>
Due to an individual related to a director, unsecured, interest payable at 10% per annum and without specified terms of repayment	\$ -	\$ 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
Due to a director, unsecured, interest payable at 10% per annum and without specified terms of repayment	-	8,805
Due to a former director, unsecured, interest payable monthly at 10% per annum, and due on demand	-	73,700
Due to a director, unsecured, interest payable at 10% per annum and without specified terms of repayment	-	2,500
Due to a director, unsecured, interest payable at 10% per annum and without specified terms of repayment	-	22,788
Due to a director, unsecured, interest payable at 10% per annum and without specified terms of repayment	-	44,920
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

	<b>38,985</b>	38,986
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	<b>\$ 38,985</b>	\$216,936
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The advances from related parties have been provided to the Company for working capital purposes.

## Share Data

**Shares Outstanding:** 105,855,935 common shares as at May 31, 2021.

**Stock Options Outstanding:** Nil options outstanding as at May 31, 2021.

**Common Share Purchase Warrants Outstanding:** 67,852,513 as at May 31, 2021

## 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	Original Classification (Measurement) IAS 39	New Classification and measurement
Cash and bank indebtedness	Fair Value through profit and loss (fair value)	Amortized cost
Accounts receivable	Loans and receivables (amortized costs)	Amortized cost
Investment	Fair Value through profit and loss (fair value)	FVTPL
Conversion feature of convertible debenture receivable	Fair Value through profit and loss (fair value)	N/A
Accounts payable and accrued liabilities	Other financial liabilities measured at amortized cost	Amortized cost
Convertible debentures	Other financial liabilities measured at amortized cost	Amortized cost
Advances from related parties	Other financial liabilities measured at amortized cost	Amortized cost
Promissory note payable	Other financial liabilities measured at amortized cost	Amortized cost
Long Term Debt	Other financial liabilities measured at amortized cost	Amortized cost

## Fair Value

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments. Financial instruments also include advances from related parties, convertible debentures, long term debt 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) inactive 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, 2021, the investments are 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 assets is \$ 46,920 as at June 30, 2021. 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 June 30, 2021, no accounts receivable are past due or impaired.

The aging of accounts receivable is as follows:

	June 30 , 2021	September 30, 2020
Current	\$ 37,525	\$ 6,121
31 – 90 days	421	1,100
91+ days	8,974	4,955
	\$ 46,920	\$ 12,176

## 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 \$122,815 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, 2021, the Company had \$1,135,147 in cash and accounts receivable of \$46,920 (2020 - \$Nil and \$70,896 respectively) with which to meet its obligations. At June 30, 2021 the Company had working capital of \$491,490 (deficiency of \$869,630 at June 30, 2020).

The contractual maturity of the Company's liabilities of \$554,815 at June 30, 2021 (\$970,815 June 30, 2020) 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 \$2,165,500 (June 30, 2020 - \$1,923,106) share capital of \$10,216,571 (June 30, 2020 - \$8,403,936), warrant reserve of \$1,548,844 (June 30, 2020 - \$901,774), advances from related parties of \$38,985 (June 30, 2021 - \$210,318) and convertible debentures of \$122,815 (June 30, 2020 - \$167,973) 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

Company management anticipates growth for Visionstate IoT in 2021 as a result of the COVID-19 pandemic and the relevance of the Wanda solution in tracking new cleaning protocols. The Company's focus will be on customer acquisition to continue building the residual based income. As a result of the Company's new global distribution agreement signed in October 2020, Visionstate will also be generating revenue from monthly retainer fees which represents a new revenue source. The Company also initiated a new IoT product during the quarter – a facility management IoT solution for the Cannabis sector and has already secured contracts for the software, pre-development.

As a Company based on the SaaS model, Visionstate raised additional capital in the second quarter of the 2021 fiscal year for the purposes of technology enhancement and customer acquisition. Increased customer acquisition is a measure of success for SaaS companies since each new customer adds to the monthly residual income. Visionstate will continue to leverage its global partnerships to facilitate new sales and build the sales pipeline.

The Company will continue to invest in new technology to further position Visionstate IoT Inc. as a global leader in smart technology. This includes the addition of RFID features and the development of new agnostic sensors that can retrofit top brands in restroom dispensers.

## Impact of COVID-19

Although Visionstate's IoT (Internet of Things) technology is an important solution for tackling the virus on the front lines, the Company did experience a temporary slowdown in sales, particularly in the early stages of the outbreak where our customers were focused exclusively on dealing with the impacts of COVID-19 and the subsequent shut down of the global economy.

However, as economies and facilities begin to reopen, a new mind set has emerged as it pertains to cleaning and hygiene. No longer are cleaning practices taken for granted, and in fact customers now expect a heightened commitment to cleaning protocols. Additionally, as schools reopen in the winter of 2021, it is incumbent upon facility managers to ensure the health of these students, in the same way businesses must take proactive measures to protect their own customers.

In the meantime, Visionstate has been responding to the market demand. The Company has released a new compliance feature that provides real time data on cleaning protocols and whether they are being met. Visionstate, using its people counter sensors, has also developed a new feature for occupancy levels in restrooms and other areas, again, a response to COVID-19 and the need to social distance. Finally, the team at Visionstate is working on making Wanda essentially touchless to patrons who want to leave feedback. Complementing the "Touch for Service" button on the Wanda display will be the ability to scan a code to provide that information on mobile phones. Although we do use an antimicrobial overlay on every Wanda, perception is important, and Visionstate feels it's necessary to provide the public with that option.

With the staged reopening of the North American economies coming in 2021, Visionstate management expects significant growth in both sales and sales pipeline. The addition of the Company's two new products, WandaMOBILE and IoT Quicktouch buttons for alerts, has helped sales considerably due to their fast deployment and no requirement for infrastructure investment, including power and Internet.