

**THIRD QUARTER REPORT  
For the Period Ended June 30, 2021**

**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, 2021 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, 2021

*"Signed"*

John Putters

President and Chief Executive Officer

*"Signed"*

Randa Kachkar

Chief Financial Officer

# VISIONSTATE CORP.

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

Shares Listed  
TSX Venture Exchange  
Trading symbol: VIS

## Officers and Directors:

John A. Putters  
Jim Duke  
Kevin Gilbank  
Ned Dimitrov

Transfer Agent:  
Computershare  
Suite 800, 324 - 8 Ave. SW  
Calgary, Alberta  
Canada T2P 2Z2

Share Capital  
Issued: 105,955,935 Common Shares

## Interim Condensed Consolidated Statement of Comprehensive Income (Loss)

For the three and nine months ended June 30, 2021

(Unaudited)	3 months June 30/21 \$	3 months June 30/ 20 \$	9 months June 30/21	9 months June 30/ 20
Revenue				
Product sales, service and maintenance	200,916	18,156	541,585	140,126
Interest revenue	-	-	7,500	-
Cost of Sales	1,002	1,039	10,795	7,260
Gross Profit	199,914	17,117	538,340	132,866
Expenses				
Selling, general and administrative expenses	179,359	65,406	418,000	399,998
Depreciation of property and equipment	467	-	467	-
Interest on convertible debentures	2,084	7,036	7,421	21,024
Other interest	975	7,698	22,794	30,032
	182,885	80,140	448,682	451,054
Net income (loss) and comprehensive income (loss)	17,029	(63,023)	89,658	(318,288)
Weighted average number of shares outstanding	# 105,522,248	# 42,368,506	# 105,522,248	# 42,368,506
Basic and diluted net income (loss) per common share	\$.00	(\$ .00)	\$.00	(\$ .00)

See accompanying notes

# VISIONSTATE CORP.

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

June 30, 2021

	Jun 30/21 Unaudited \$	Sep 30/20 Audited \$
<b>ASSETS</b>		
Current Assets		
Cash	1,135,147	-
Accounts receivable	46,920	12,176
Inventory (Note 5)	18,537	19,767
Prepaid expenses	5,000	9,152
<b>TOTAL CURRENT ASSETS</b>	<b>1,205,604</b>	<b>41,095</b>
DEPOSIT	2,532	2,532
INVESTMENT (Note 7)	1,277,143	227,143
PROPERTY AND EQUIPMENT (Note 6)	5,094	-
RIGHT OF USE ASSET (Note 10)	9,756	19,509
<b>TOTAL ASSETS</b>	<b>2,500,129</b>	<b>290,279</b>
<b>LIABILITIES</b>		
Current Liabilities		
Bank indebtedness	-	4,691
Accounts payable and accrued liabilities (Note 8)	377,018	881,262
Advances from related parties (Note 9)	38,985	216,936
Promissory note payable	15,997	15,997
Convertible debentures (Note 11)	122,815	165,489
Deferred revenue	150,000	22,374
Current portion of lease obligation	9,299	17,770
<b>TOTAL CURRENT LIABILITIES</b>	<b>714,114</b>	<b>1,324,519</b>
LONG-TERM DEBT	39,204	29,204
LEASE OBLIGATION	9,254	9,929
<b>TOTAL LIABILITIES</b>	<b>762,572</b>	<b>1,363,652</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital (Note 12)	10,216,571	8,398,121
Contributed Surplus	2,165,500	2,165,500
Warrant Reserve (Note 12)	1,548,844	646,022
Deficit	(12,193,358)	(12,283,016)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<b>1,737,557</b>	<b>(1,073,373)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<b>2,500,129</b>	<b>290,279</b>

See accompanying notes

# VISIONSTATE CORP.

## Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

June 30, 2021

	Shares		Warrant Reserve		Contributed Surplus		Deficit		Total
	Number	Amount	Number	Amount	Total	Surplus	Deficit	Total	
紀要翌 Balance, October 1, 2020	52,678,281	\$ 8,398,121	22,233,699	\$ 646,022	\$ 9,044,143	\$ 2,165,500	\$ (12,283,016)	\$ (1,073,373)	
Balance, October 1, 2020	52,678,281	\$ 8,398,121	22,233,699	\$ 646,022	\$ 9,044,143	\$ 2,165,500	\$ (12,283,016)	\$ (1,073,373)	
Private placement (February 25, 2021)	30,100,000	897,048	30,397,600	607,952	1,505,000	-	-	1,505,000	
Share issuance cost	-	(5,975)	-	(2,905)	(8,880)	-	-	(8,880)	
Private placement (March 24, 2021)	11,036,674	391,727	11,036,674	215,273	607,000	-	-	607,000	
Warrant Exercises (Feb and Mar 2021)	4,399,920	225,500	(4,399,920)	(87,998)	137,502	-	-	137,502	
Private placement (April 8, 2021)	7,080,770	276,150	7,080,770	184,100	460,250	-	-	460,250	
Warrant exercises (April, 2021)	660,290	34,000	(660,290)	(13,600)	20,400	-	-	20,400	
Net profit	-	-	-	-	20,400	-	89,658	89,658	
<b>Balance, June 30, 2021</b>	<b>105,955,935</b>	<b>\$ 10,216,571</b>	<b>65,688,533</b>	<b>\$ 1,548,844</b>	<b>\$ 11,765,415</b>	<b>\$ 2,165,500</b>	<b>\$ (12,193,358)</b>	<b>\$ 1,737,557</b>	

	Shares		Warrant Reserve		Contributed Surplus		Convertible Debenture		Total
	Number	Amount	Number	Amount	Total	Surplus	Deficit	Total	
Balance, October 1, 2019	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>

See accompanying notes

# VISIONSTATE CORP.

## Interim Condensed Consolidated Statement of Cash Flows

For the nine months ended June 30, 2021

(Unaudited)	9 months ending	
	Jun 30/21	Jun 30/20
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit (loss) for the period	89,658	(318,288)
Depreciation of right-of-use asset	9,753	-
Depreciation of equipment	467	-
	99,878	(318,288)
Changes in non-cash working capital items		
Accounts receivable	(34,744)	(58,631)
Prepaid Expense	4,152	(4,174)
Inventory	1,230	-
Deferred revenue	127,626	(18,445)
Accounts payable and accrued liabilities	(504,244)	(27,003)
Net cash flows from operating activities	(306,102)	(426,541)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(5,561)	-
Investment	(1,050,000)	-
Net cash flows from investing activities	(1,055,561)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advance from long term debt	10,000	-
Convertible debenture repaid	(42,674)	(9,894)
Advances from (repayments to) related parties	(177,951)	55,404
Shares issued	2,730,152	347,444
Cost of shares issued	(8,880)	-
Repayments on lease obligations	(9,146)	-
Net cash flows from financing activities	2,501,501	392,954
<b>Increase/Decrease in cash</b>	<b>1,139,838</b>	<b>(33,587)</b>
<b>Cash (bank indebtedness) - beginning of period</b>	<b>(4,691)</b>	<b>6,416</b>
<b>Cash (bank indebtedness) - end of period</b>	<b>1,135,147</b>	<b>(27,171)</b>

See accompanying notes

# VISIONSTATE CORP.

---

## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2021 (Unaudited)

### Note 1

#### Going Concern

---

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.

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

### Note 2

#### General

---

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

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

The Company provides interactive electronic business solutions in the form of touchscreen and mobile way finding and efficiency applications, as well as consulting, graphic and web design and 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 with integrated computing capacity (WAnDA units) and digital efficiency 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 27, 2021.

### 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, 2020.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of June 30, 2021.

## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2021 (Unaudited)

### Note 3

Basis of Presentation

Continued...

---

#### **Basis of Measurement**

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments at fair value as described in the accounting policies noted below.

#### **Functional Currency**

The consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries' functional currency.

#### **Use of Estimates and Judgements**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

#### **Convertible debentures**

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

#### **Income taxes**

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

#### **Financial Instruments**

The Company estimates and discloses the fair value of financial instruments. When fair value cannot be derived from an active market, it is determined using valuation techniques, namely

## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2021 (Unaudited)

### Note 3

#### Basis of Presentation

#### Continued...

---

the discounted cash flow method. If possible data is derived from observable markets and, if not, judgment is required to determine fair value.

#### Lease Obligation

The incremental borrowing rate is based on estimates made by management taking into consideration economic environment, terms, and underlying risk inherent to the asset. The carrying balance of the right of use asset, lease obligation and interest expense may vary due to changes in market conditions. Judgments are required to determine if a contract is, or contains, a lease. These judgements require an assessment of whether the contract conveys the right to control the use of identified asset for a period of time in exchange for consideration. Determining the term of a lease contract used to discount lease payments, requires significant estimates by management to determine the likelihood of renewal, cancellation, or termination of lease agreement upon inception of the lease.

#### Right-of-use assets

Right-of use assets are amortized over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of amortization recorded during the year. When there are indicators that right-of-use assets may be impaired, the Company is required to the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs of disposal. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

#### Canada Emergency Business Account ("CEBA") Loan

When determining the discount rate used to estimate the fair value of the CEBA loan, the Company considers market conditions and other internal and external factors. The Company also estimates its credit rating and benchmarks the discount rate to certain fixed indices.

#### Warrant Reserve

The amounts recorded for the warrant-reserve is based on assumptions used in the Black-Scholes option pricing model. The assumptions for future volatility, market price of the Company's shares, expected lives of the options, expected forfeiture rates, and expected dividends is based on management's best estimate at the time the options are issued.

#### Going Concern

The assessment of the Company's ability to continue as a going concern through achieving profitable operations, continued financial support from related parties or accessing additional funding involves judgment based on historical experience and expectation of future events.

# VISIONSTATE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2021 (Unaudited)

### Note 4 Significant Accounting Policies

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, 2020.

### Note 5 Inventory

	June 30, 2021	September 30, 2020
Hardware	18,537	19,767
	<u>\$ 18,537</u>	<u>\$ 19,767</u>

Inventory included in direct expenses during the 3 months ended June 30, 2021 is \$NIL and the nine months ending June 30, 2021 is \$1,230 (3 months ending June 30, 2020 - \$NIL and 9 months ending June 30, 2020 is \$NIL).

### Note 6 Property and Equipment

	Cost			Balance at June 30, 2021
	Balance at September 30, 2020	Additions	Disposals	
Computer equipment	\$ -	\$ 5,561	\$ -	\$ 5,561
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,561</u>

	Accumulated Depreciation			Balance at June 30, 2021
	Balance at September 30, 2020	Additions	Disposals	
Computer equipment	\$ -	\$ 467	\$ -	\$ 467
	<u>\$ -</u>	<u>\$ 467</u>	<u>\$ -</u>	<u>\$ 467</u>

	Net Book Value	
	Balance at September 30, 2020	Balance at June 30, 2021
Computer equipment	\$ -	\$ 5,094
	<u>\$ -</u>	<u>\$ 5,094</u>

Depreciation provided during the 3 and 9 months ended June 30, 2021 totaled \$467 (June 30, 2020 - \$Nil and \$Nil).

# VISIONSTATE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2021 (Unaudited)

### Note 7 Investment

a) Investment

Investment is comprised of 428,572 common shares of Freedom Cannabis Inc. and was purchased for \$0.35 per common share for total consideration of \$150,000. The Company purchased an additional 2,857,143 common shares of Freedom Cannabis Inc. on March 12, 2021 for \$0.35 per common share for total consideration of \$1,000,000.

b) Convertible Debenture Receivable

During fiscal year 2018, the Company purchased a convertible debenture from Exceed Solar Inc. in the amount of \$122,000 and advanced an additional \$64,100 during the year ended September 30, 2019. The convertible debenture bears interest at 7% per annum payable on or before April 30, 2020, with the right to convert to common shares for a 20% interest on the date of conversion. Exceed Solar Inc. is controlled by a relative of an officer and director of the Company. The fair value of the convertible debenture receivable was determined to be \$nil in previous fiscal years based on the Company assessing the collectability of the receivable to be unlikely from the financial information available for the investment. An interest payment in the amount of \$7,500 was received and recorded by the Company, in the current nine months ended June 30, 2021.

c) Investment

In April, 2021, the Company advanced Fifty Thousand Dollars (\$50,000) to Exceed Solar Inc. as a further investment into the company pending purchase of Exceed Solar as per the resolution passed by shareholders at the AGM held on October 2, 2020.

### Note 8 Accounts Payable and Accrued Liabilities

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

	<u>June 30, 2021</u>	<u>September 30, 2020</u>
Trade payables	\$ 77,581	\$ 456,828
Accrued liabilities	278,686	195,658
Accrued payroll	20,751	228,776
	<u>\$ 377,018</u>	<u>\$ 881,262</u>

# VISIONSTATE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements June 30 2021 (Unaudited)

### Note 9

#### Advances from Related Parties

	June 30, 2021	September 30, 2020
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	-	22,789
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	38,985	38,985
	<b>\$ 38,985</b>	<b>\$ 216,936</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:

	June 30, 2021	September 30, 2020
Due to directors	\$ -	\$ 154,884
Due to former directors	-	1,842
Due to companies controlled by directors	4,249	50,109
Due to individuals related to a director	-	3,862
	<b>\$ 4,249</b>	<b>\$ 210,697</b>

# VISIONSTATE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2021 (Unaudited)

### Note 10 Lease Obligation and Right-of-Use-Asset

Right-of-use asset	Cost	Accumulated Depreciation	June 30, 2021	September 30, 2020
	\$ 65,030	\$ 55,274	\$ 9,756	\$ 19,509

### Note 11 Convertible Debentures

	Liability	Equity
Balance, September 30, 2018	\$ 133,121	\$ 14,428
Convertible debentures issued	15,000	-
Accretion	15,318	-
Balance, September 30, 2019	\$ 163,439	\$ 14,428
Accretion	2,050	-
Matured debentures	-	(14,428)
<b>Balance, September 30, 2020</b>	<b>\$ 165,489</b>	<b>-</b>
Debenture repaid March 2021	(40,674)	
Debenture repaid, June 2021	(2,000)	
<b>Balance, June 30, 2021</b>	<b>\$ 122,815</b>	<b>-</b>

### Note 12 Share Capital

#### 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 outstanding stock options

#### Warrants outstanding:

A summary of the warrants outstanding as at June 30, 2021 and September 30, 2020 is presented below:

#### Common shares issued:

In February, 2021, the Company completed an offering of 30,100,000 common shares in a private placement at a price of \$0.05 per Common Share for gross proceeds of \$1,505,000. The Offering includes one full warrant at \$0.075 for every common share purchased for a period of 36 months from date of closing.

In March, 2021, the Company completed an offering of 11,036,674 common shares in a private placement at a price of \$0.055 per Common Share for gross proceeds of \$607,000. The Offering includes one full warrant at \$0.07 for every common share purchased for a period of 36 months from date of closing.

# VISIONSTATE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2021 (Unaudited)

### Note 12

#### Share Capital Continued...

In April 2021, the Company completed an offering of 7,080,770 common shares in a private placement at a price of \$0.065 per Common Share for gross proceeds of \$460,250. The Offering includes one full warrant at \$0.085 for every common share purchased for a period of 36 months from date of closing.

	June 30, 2021		September 30, 2020	
	Warrants	Weighted Average Exercise price	Warrants	Weighted Average Exercise price
Warrants outstanding, beginning of year	22,233,699	\$ 0.05	8,133,699	\$ .30
Issued	30,397,600	0.07	16,600,000	0.05
Issued	11,036,674	0.07	-	-
Exercised	(4,399,920)	0.05	-	-
Expired	-	-	(2,500,000)	0.05
Issued	7,080,770	0.085		
Exercised	(660,290)	0.05		
Total Warrants	65,688,533	0.065	22,233,699	0.05

### Note 13

#### Related Party Transactions

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

The Company paid management and accounting fees for the quarter ended June 30, 2021 in the amount of \$9,000 (3 months ended June 30, 2020 - \$9,000) and in the nine months ended June 30, 2021, \$32,000 (9 months ended June 30, 2020 - \$27,000) to an officer of the Company.

For the quarter ended June 30, 2021, the Company paid interest in the amount of \$974.63 to related parties (June 30, 2020 - \$2,528). For the nine months ended June 30, 2021, the Company paid interest in the amount of \$7,932 to related parties (June 30, 2020 - \$15,239).

### Note 14

#### Financial Instruments

#### Financial Instruments

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

**Notes to the Interim Condensed Consolidated Financial Statements June 30, 2021  
(Unaudited)**

**Note 14**  
Financial Instruments  
Continued...

**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.

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, 2021 the Company had cash classified as “fair value through profit and loss”, measured at fair value Level 1. The investment is 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 \$46,920 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. No accounts receivable at June 30, 2021 are 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 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.

# VISIONSTATE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2021 (Unaudited)

### Note 14 Financial Instruments Continued...

At June 30, 2021, the Company had \$1,135,147 cash and accounts receivable of \$46,920 with which to meet its obligations. At June 30, 2021 the Company had a working capital of \$491,490.

The contractual maturity of the Company's contractual liabilities of \$554,815 at June 30, 2021 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.

### Note 15 Capital Disclosures

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

The Company's officers and senior management take full responsibility for managing the Company's capital and do so through regular meetings and review of financial information. The Company's Board of Directors is responsible for overseeing this process.

The capital structure consisted of the following:

	June 30, 2021	September 30, 2020
Advances from related parties	\$ 39,985	\$ 216,936
Convertible debentures	122,815	165,489
Contributed surplus	2,165,500	2,165,500
Share capital	10,216,571	8,398,121
Warrant reserve	1,548,844	646,022
Deficit	(12,193,358)	(12,283,016)
	<u>\$ 1,900,357</u>	<u>\$ (690,948)</u>

The Company plans to continue to focus on higher gross margin revenue streams in order to generate more positive cash flows by moving toward products that can be mass deployed off the shelf and 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.

# VISIONSTATE CORP.

---

## Notes to the Interim Condensed Consolidated Financial Statements June 30, 2021 (Unaudited)

### **Note 16** **IRAP Grant**

---

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 in Q1 2021 totaled \$11,462 and were used to directly offset payroll costs in the first quarter, ended December 31, 2020.