

**THIRD QUARTER REPORT
For the Period Ended June 30, 2022**

**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, 2022 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 29, 2022

"Signed"

John Putters
President and Chief Executive Officer

"Signed"

Randa Kachkar
Chief Financial Officer

VISIONSTATE CORP.

Company web site:
www.visionstate.com

Shares Listed
 TSX Venture Exchange
 Trading symbol: VIS

Officers and Directors:

John A. Putters
 Jim Duke
 Angel Valov
 Ned Dimitrov
 Belinda Davidson

Transfer Agent:

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

Share Capital

Issued: 110,306,335 Common Shares

Interim Condensed Consolidated Statement of Comprehensive Income (Loss)

For the three and nine months ended June 30, 2022

(Unaudited)	3 months June 30/22 \$	3 months June 30/ 21 \$	9 months June 30/22 \$	9 months June 30/ 21 \$
REVENUE				
Product sales	30,104	161,208	107,620	391,010
Technical support and license fees	33,040	30,000	96,372	15,560
Development contracts	24,467	9,708	168,587	135,015
Interest revenue	-	-	-	7,500
	87,611	200,916	372,579	549,085
EXPENSES				
Selling, general and administrative expenses	150,379	179,359	399,046	252,698
Salaries and benefits (Note 5)	97,475	81,591	282,275	153,122
Direct expenses	73,093	1,943	100,752	13,221
Depreciation of right of use asset (Note 10)	9,165	3,251	15,669	9,704
Depreciation of property and equipment	-	467	-	467
Finance costs	3,534	3,059	10,935	30,215
Total Expenses	333,646	269,670	808,677	459,477
Net income (loss) and comprehensive income (loss)	(246,035)	(68,754)	(436,098)	89,658
	#	#	#	#
Weighted average number of shares outstanding	109,655,716	73,012,085	107,405,104	59,456,216
Basic and diluted net income (loss) per common share	\$0.00	\$0.00	\$0.00	\$0.00

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Interim Condensed Consolidated Statement of Financial Position

(Unaudited)

June 30, 2022

	Jun 30/22 Unaudited \$	Sep 30/21 Audited \$
ASSETS		
Current Assets		
Cash	49,887	635,956
Accounts receivable	53,536	35,028
Inventory (Note 6)	15,088	18,537
Loan Receivable	206,687	206,687
Prepaid expenses	57,643	21,427
TOTAL CURRENT ASSETS	382,841	917,635
DEPOSIT	2,532	2,532
INVESTMENT (Note 7)	608,572	558,572
RIGHT OF USE ASSET (Note 10)	174,155	6,504
TOTAL ASSETS	1,168,100	1,485,243
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8)	479,524	472,763
Advances from related parties (Note 9)	-	8,844
Promissory note payable	20,196	20,196
Convertible debentures (Note 11)	100,000	100,000
Deferred revenue	9,621	160,614
Taxes payable	-	7,486
Current portion of lease obligation	12,322	9,929
TOTAL CURRENT LIABILITIES	621,663	779,832
LONG-TERM DEBT	50,379	50,379
LEASE OBLIGATION (Note 10)	178,078	-
TOTAL LIABILITIES	850,120	830,211
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	10,285,961	10,078,341
Contributed Surplus	2,165,500	2,165,500
Warrant Reserve (Note 12)	1,624,708	1,733,282
Deficit	(13,758,189)	(13,322,091)
TOTAL SHAREHOLDERS' EQUITY	317,980	655,032
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,168,100	1,485,243

See accompanying notes

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Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited)

June 30, 2022

	Shares		Warrant Reserve			Contributed Surplus	Deficit	Total
	Number	Amount	Number	Amount	Total			
Balance, October 1, 2021	105,955,935	\$ 10,078,341	65,390,313	\$ 1,733,282	\$ 11,811,623	\$ 2,165,500	\$(13,322,091)	\$ 655,032
Warrants exercised November 2021	535,000	29,350	(535,000)	(7,044)	22,306	-	-	22,306
Warrants exercised January 2022	400,000	20,000	(400,000)	(5,266)	14,734	-	-	14,734
Warrants exercised February 2022	2,365,400	118,270	(2,365,400)	(31,144)	87,126	-	-	87,126
Warrants exercised March 2022	800,000	40,000	(800,000)	(10,533)	29,467	-	-	29,467
Warrants expired	-	-	(2,074,399)	(54,587)	(54,587)	-	-	(54,587)
Net loss	-	-	-	-	-	-	(436,098)	(436,098)
Balance, June 30, 2022	<u>110,056,335</u>	<u>\$ 10,285,961</u>	<u>59,215,514</u>	<u>\$ 1,624,708</u>	<u>\$ 11,910,669</u>	<u>\$ 2,165,500</u>	<u>\$(13,758,189)</u>	<u>\$ 317,980</u>

	Shares		Warrant Reserve			Contributed Surplus	Deficit	Total
	Number	Amount	Number	Amount	Total			
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	-	-	-	-	-	-	89,658	89,658
Balance, June 30, 2021	<u>105,955,935</u>	<u>\$ 10,216,571</u>	<u>65,688,533</u>	<u>\$ 1,548,844</u>	<u>\$ 11,765,415</u>	<u>\$ 2,165,500</u>	<u>\$(12,193,358)</u>	<u>\$ 1,737,557</u>

See accompanying notes

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Interim Condensed Consolidated Statement of Cash Flows

For the nine months ended June 30, 2022

(Unaudited)	9 months ending	
	Jun 30/22	Jun 30/21
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit (loss) for the period	(436,098)	89,658
Depreciation of right-of-use asset	15,669	9,753
Depreciation of equipment	-	467
	(420,429)	99,878
Changes in non-cash working capital items		
Accounts receivable	(18,508)	(34,744)
Prepaid Expense	(36,216)	4,152
Inventory	3,449	1,230
Taxes payable	(7,486)	-
Deferred revenue	(150,993)	127,626
Accounts payable and accrued liabilities	6,761	(504,244)
Net cash flows from operating activities	(623,422)	(306,102)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(5,561)
Investment	(50,000)	(1,050,000)
Net cash flows from investing activities	(50,000)	(1,055,561)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from long term debt	-	10,000
Convertible debenture repaid	-	(42,674)
Advances from (repayments to) related parties	(8,844)	(177,951)
Shares issued	99,046	2,730,152
Cost of shares issued	-	(8,880)
Repayments on lease obligations	(2,849)	(9,146)
Net cash flows from financing activities	87,353	2,501,501
Increase/Decrease in cash	(586,069)	1,139,838
Cash (bank indebtedness) - beginning of period	635,956	(4,691)
Cash (bank indebtedness) - end of period	49,887	1,135,147

See accompanying notes

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2022 (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 28, 2022.

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, 2021.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of June 30, 2022.

Notes to the Interim Condensed Consolidated Financial Statements June 30, 2022 (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.

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, judgment is required to determine fair value.

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2022 (Unaudited)

Note 3

Basis of Presentation Continued...

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.

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.

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, 2021.

Note 5

Payroll Expenses

In fiscal year 2021, the Company received \$95,337 in COVID relief funding from the National Research Council's IRAP program. Those funds were applied as an offset to the salaries and benefits expenses in the first half of fiscal 2021.

In the nine month period ending June 30, 2022, the Company received \$6,875 from the provincial Alberta Works Program. The funds were used to offset salaries and benefits as they were a government grant to be used as a hiring incentive.

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2022 (Unaudited)

Note 6 Inventory

	June 30, 2022	September 30, 2021
Hardware	15,088	18,537
	\$ 15,088	\$ 18,537

Inventory included in direct expenses during the 3 months ended June 30, 2022 is \$1,353 and the nine months ending June 30, 2022 is \$3,449 (3 months ending June 30, 2021 - \$NIL and 9 months ending June 30, 2021 is \$1,230).

Note 7 Investment

Investment is comprised of 3,285,715 (2020 - 428,572) common shares of Freedom Cannabis Inc. and was purchased for \$0.35 per common share for total consideration of \$1,150,000. The fair value of the investment at September 30, 2021 was determined based on a subsequent offering by Freedom Cannabis Inc. in September 2021. The subsequent units offered comprised of one common share and one common share purchase warrant and were offered at a price of \$0.25 per unit. Based on the private placements referenced, the fair value of the common shares were determined to be \$0.17 per common share as at September 30, 2021 for a total carrying amount of \$558,572 (2020 - \$227,143). No changes were made to valuation in the three and nine months ended June 30, 2022.

In January of 2022, the Company invested an additional \$50,000 into Exceed Solar by way of a repayable loan. The loan bears interest at a flat rate of \$1,500 and is repayable, in full, on or before December 31, 2022.

Note 8 Accounts Payable and Accrued Liabilities

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

	June 30, 2021	September 30, 2021
Trade payables	\$ 101,376	\$ 202,331
Accrued liabilities	328,521	182,631
Accrued payroll	44,238	63,500
Goods and Services Tax Payable	5,389	24,301
	\$ 479,524	\$ 472,763

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Notes to the Interim Condensed Consolidated Financial Statements June 30 2022 (Unaudited)

Note 9

Advances from Related Parties

	June 30, 2022	September 30, 2021
Due to an officer, unsecured, interest payable at 10% per annum and without specified terms of repayment	-	2,058
Due to a company owned by an officer, unsecured, interest payable monthly at 10% per annum and without specified terms of repayment	-	6,786
	\$ -	\$ 8,844

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

Included in trade payables are the following related party balances:

	June 30, 2022	September 30, 2021
Due to directors	\$ -	\$ 113,983
Due to former directors	19,333	15,333
Due to companies controlled by directors	3,775	4,725
Due to individuals related to a director	-	-
	\$ 23,108	\$ 134,041

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2022 (Unaudited)

Note 10

Lease Obligation and Right-of-Use-Asset

The Company renewed its lease for its office premises commencing April 1, 2022 when the prior lease ended. The associated lease obligation and right-of-use asset information is summarized below. There is no renewal option in the lease agreement and therefore it has been excluded from the calculation. The lease was renewed on January 12, 2022 for five years commencing April 1, 2022.

	June 30, 2022	September 30, 2021
Right-of-use Asset		
Balance, beginning of year	6,504	
New lease obligation	\$ 183,320	\$ 19,509
Less: depreciation	(15,669)	(13,005)
	<u>\$ 174,155</u>	<u>\$ 6,504</u>
Lease Obligation		
Balance, beginning of year	\$ 8,325	\$ 27,699
Plus new lease obligation	183,329	
Less: lease payments	(3,446)	(20,736)
finance expense	2,192	2,966
	<u>190,400</u>	<u>9,929</u>
Total lease liability	190,400	9,929
Less: current portion	(12,322)	(9,929)
	<u>\$ 178,078</u>	<u>\$ -</u>
Lease Commitments – undiscounted cash flow:		
Five years	\$ 183,320	
Finance charges	(43,577)	
	<u>\$ 139,743</u>	

Note 11

Convertible Debentures

	Liability	Equity
Balance, September 30, 2019	\$ 163,439	\$ 14,428
Matured debentures	-	(14,428)
Accretion	2,050	-
	<u>\$ 165,489</u>	<u>\$ -</u>
Balance, September 30, 2020	\$ 165,489	-
Accretion	-	-
Repayment	(65,489)	-
Balance, September 30, 2021	<u>\$ 100,000</u>	<u>\$ -</u>
Repayment	-	-
Balance, June 30, 2022	<u>\$ 100,000</u>	<u>-</u>

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2022 (Unaudited)

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 not registered a stock option plan presently.

Warrants outstanding:

A summary of the warrants outstanding as at June 30, 2022 and September 30, 2021 is presented below:

	June 30, 2022		September 30, 2021	
	Warrants	Weighted Average Exercise price	Warrants	Weighted Average Exercise price
Warrants outstanding, beginning of year	65,390,313	\$ 0.07	22,233,699	\$.30
Issued	-	-	48,217,134	0.05
Exercised	4,003,400	0.05	-	-
Exercised	97,000	0.06	-	-
Expired	1,288,200	0.05	-	-
Expired	786,199	0.06	-	-
Total Warrants	59,215,514	0.07	65,390,313	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, 2022 in the amount of \$10,500 (3 months ended June 30, 2021 - \$9,000) and in the nine months ended June 30, 2022, \$31,650 (9 months ended June 30, 2021 - \$32,000) to an officer of the Company.

For the quarter ended June 30, 2022, the Company paid interest in the amount of \$NIL to related parties (June 30, 2021 - \$975). For the nine months ended June 30, 2022, the Company paid interest in the amount of \$539 to related parties (June 30, 2021 - \$7,932).

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2022 (Unaudited)

Note 14 **Financial Instruments**

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, loan receivable, investment, 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, 2022 the Company had investment classified as "fair value through profit and loss", 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 \$53,536 at June 30, 2022. 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, 2022 are impaired.

The aging of accounts receivable is as follows:

	June 30, 2022	September 30, 2021
Current	\$ 28,995	\$ 29,006
31-90 days	4,878	420
91+ days	19,663	5,602
	\$ 53,536	\$ 35,028

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2022 (Unaudited)

Note 14 Financial Instruments Continued...

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The \$100,000 convertible debenture is due on demand. The Company is currently negotiating with the debenture holders to extend the terms or convert their debentures to shares. The Company is actively working towards increasing marketing activities to improve sales of its software to meet future working capital requirements, but it may have to seek additional debt or equity financing.

At June 30, 2022, the Company had \$49,887 cash and accounts receivable of \$53,536 with which to meet its obligations. At June 30, 2022 the Company had a working capital deficiency of \$238,822.

The contractual maturity of the Company's contractual liabilities of \$599,720 at June 30, 2022 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, 2022	September 30, 2021
Advances from related parties	\$ -	\$ 8,844
Convertible debentures	100,000	100,000
Contributed surplus	2,165,500	2,165,500
Share capital	10,285,961	10,078,341
Warrant reserve	1,624,708	1,733,282
Deficit	(13,758,189)	(13,322,091)
	\$ 417,980	\$ 763,876

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Notes to the Interim Condensed Consolidated Financial Statements June 30, 2022 (Unaudited)

Note 15

Capital Disclosures
Continued...

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.