

**FIRST QUARTER REPORT  
For the Period Ended December 31, 2017**

**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 December 31, 2017 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.

February 28, 2018

*"Signed"*

John Putters

President and Chief Executive Officer

*"Signed"*

Randa Kachkar

Chief Financial Officer

# VISIONSTATE CORP.

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**Company web site:**

[www.visionstate.com](http://www.visionstate.com)

**Shares Listed**

TSX Venture Exchange  
Trading symbol: VIS

**Officers and Directors:**

John A. Putters  
Gervin Antypowich  
Wally McNeil  
Ron Jackman  
Jim Duke  
Paul Fairbridge  
Perry Kinkaide  
Bob Leshchyshen

**Transfer Agent:**

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

**Share Capital**

Issued: 102,243,625

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## Interim Condensed Consolidated Statement of Comprehensive Loss

For the three months ended December 31, 2017

<b>(Unaudited)</b>	<b>3 months Dec 31/17 \$</b>	<b>3 months Dec 31/16 \$</b>
Revenue		
Product sales and maintenance	75,850	23,360
Cost of Sales	26,732	7,919
Gross Profit	49,118	15,441
Expenses		
Selling, general and administrative expenses	171,506	152,571
Depreciation of product development costs	-	3,965
Interest on convertible debentures	2,889	2,017
Other interest	10,389	8,948
	184,784	168,501
Net loss and comprehensive loss	(135,666)	(153,060)
	#	#
Weighted average number of shares outstanding	89,351,672	63,130,731
Basic and diluted net loss per common share (Note 14)	(\$.00)	(\$.00)

# VISIONSTATE CORP.

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## Interim Condensed Consolidated Statement of Financial Position

(Unaudited)

December 31, 2017

	Dec 31/17 Unaudited \$	Sep 30/17 Audited \$
<b>ASSETS</b>		
Current Assets		
Cash	42,683	-
Accounts receivable	6,028	17,040
Inventory (Note 5)	6,997	6,997
<b>TOTAL CURRENT ASSETS</b>	<b>55,708</b>	<b>24,037</b>
DEPOSIT	2,532	2,532
PRODUCT DEVELOPMENT COSTS (Note 6)	-	-
<b>TOTAL ASSETS</b>	<b>58,240</b>	<b>26,569</b>
<b>LIABILITIES</b>		
Current Liabilities		
Bank indebtedness	-	8,213
Accounts payable and accrued liabilities (Note 8)	480,163	623,425
Goods and Services tax payable	-	7,171
Advances from related parties (Note 9)	219,447	262,773
Promissory note payable (Note 10)	38,497	38,497
Convertible debentures (Note 12)	100,000	100,000
Deferred revenue	-	1,491
<b>TOTAL CURRENT LIABILITIES</b>	<b>838,107</b>	<b>1,041,570</b>
CONVERTIBLE DEBENTURES	50,249	50,249
<b>TOTAL LIABILITIES</b>	<b>888,356</b>	<b>1,091,819</b>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (Note 13)	7,208,682	6,837,882
Contributed Surplus	1,908,678	1,908,678
Convertible Debentures	22,057	22,057
Deficit	(9,969,533)	(9,833,867)
<b>TOTAL SHAREHOLDERS' DEFICIENCY</b>	<b>(830,116)</b>	<b>(1,065,250)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>	<b>58,240</b>	<b>26,569</b>

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# VISIONSTATE CORP.

## Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited)

December 31, 2017

	Shares		Warrant Reserve		Total	Contributed Surplus	Convertible Debenture	Deficit	Total
	Number	Amount	Number	Amount					
<b>Balance, October 1, 2017</b>	87,043,625	\$ 6,837,882	-	\$ -	\$ 6,837,882	\$ 1,908,678	\$ 22,057	\$ (9,833,867)	\$ (1,065,250)
Private placement (December 2017)	15,200,000	380,000	-	-	380,000	-	-	-	380,000
Share issuance cost	-	(9,200)	-	-	(9,200)	-	-	-	(9,200)
Net loss	-	-	-	-	-	-	-	(135,666)	(135,666)
<b>Balance, December 31, 2017</b>	<b>102,243,625</b>	<b>\$ 7,208,682</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 7,208,682</b>	<b>\$ 1,908,678</b>	<b>\$ 22,057</b>	<b>\$ (9,969,533)</b>	<b>\$ (830,116)</b>

	Shares		Warrant Reserve		Total	Contributed Surplus	Convertible Debenture	Deficit	Total
	Number	Amount	Number	Amount					
<b>Balance, October 1, 2016</b>	51,425,631	\$ 6,379,306	6,000,000	\$ 866,886	\$ 7,246,192	\$ 1,041,792	-	\$ (9,019,391)	\$ (731,407)
Private placement (October 2016)	15,000,000	150,000	-	-	150,000	-	-	-	150,000
Share issuance cost	-	(7,455)	-	-	(7,455)	-	-	-	(7,455)
Warrant expired (November 2016)	-	-	(6,000,000)	(866,886)	(866,886)	866,886	-	-	-
Net loss	-	-	-	-	-	-	-	(153,060)	(153,060)
<b>Balance, December 31, 2016</b>	<b>66,425,631</b>	<b>\$ 6,521,851</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 6,521,851</b>	<b>\$ 1,908,678</b>	<b>\$ -</b>	<b>\$ (9,172,451)</b>	<b>\$ (741,922)</b>

See accompanying notes to the consolidated financial statements

# VISIONSTATE CORP.

## Interim Condensed Consolidated Statement of Cash Flows

For the three months ended December 31, 2017

(Unaudited)	3 months ending	
	Dec 31/17	Dec 31/16
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	(135,666)	(153,060)
Items not affecting cash		
Depreciation of development costs	-	3,965
Fair value adjustment of investments	-	(1,620)
	(135,666)	(150,715)
Changes in non-cash working capital items		
Accounts receivable	11,012	(24,677)
Inventory	-	-
Goods and services tax receivable	(7,171)	-
Deferred revenue	(1,491)	-
Accounts payable and accrued liabilities	(143,262)	(42,605)
Net cash flows from operating activities	(276,578)	(216,687)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures on product development costs	-	(23,705)
Net cash flows from investing activities	-	(23,705)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Private placement net of share issue costs	370,800	142,545
Repayment from promissory note	-	(10,950)
Advances from related parties	(43,326)	76,443
Net cash flows from financing activities	327,474	208,038
<b>Increase/Decrease in cash</b>	<b>50,896</b>	<b>(32,354)</b>
<b>Cash (bank indebtedness) - beginning of period</b>	<b>(8,213)</b>	<b>13,857</b>
<b>Cash (bank indebtedness) - end of period</b>	<b>42,683</b>	<b>(18,497)</b>

# VISIONSTATE CORP.

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## Notes to the Interim Condensed Consolidated Financial Statements December 31, 2017 (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 December 31, 2017. 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 December 31, 2017, the Company incurred a net loss of \$135,666 and a working capital deficiency of \$782,399 and a shareholder deficiency of \$830,116.

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 (formerly CKX-V).

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

The main focus of the Company is its Visionstate Inc. division. This division is focused on building interactive smart applications into digital display networks that incorporate proprietary content management software, bundled with hardware products such as plasma and LCD touchscreens, and CSA-approved housings with integrated computing capacity (ViCCi and 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 way finding and efficiency applications, in several different target areas.

These unaudited interim condensed consolidated financial statements were approved by the Board of Directors on February 28, 2018.

### Note 3

#### Basis of Presentation

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#### 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, 2017.

## Notes to the Interim Condensed Consolidated Financial Statements December 31, 2017 (Unaudited)

### Note 3

Basis of Presentation  
Continued...

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The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of February 28, 2018, the date of the Board of Directors approval of the statements.

#### **Basis of Measurement**

The interim condensed consolidated financial statements have been prepared on the historical cost basis.

#### **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:

#### Accounts Receivable

The valuation of accounts receivable is based on management's evaluation of collectability and a provision for doubtful accounts is recorded as necessary.

#### Product development costs

The valuation of product development costs are based on management's best estimates of the future recoverability of these assets. The amounts recorded for depreciation of product development costs are based on management's best estimate of the remaining useful lives, residual values, and period of future benefit of the related assets. Net recoverable amount of product development costs are based on management's best estimates of its future cash flows and the appropriate discount rate to be used. The capitalization of product development costs is also subject to management's judgment on whether the criteria for deferral have been met.

#### 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.

# VISIONSTATE CORP.

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## Notes to the Interim Condensed Consolidated Financial Statements December 31, 2017 (Unaudited)

### Note 3

Basis of Presentation  
Continued...

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#### 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

### Note 4

Significant Accounting  
Policies

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The accounting policies applied by the Company in these interim condensed consolidated financial statements are the same as those applied by the Company in its audited consolidated financial statements for the year ended September 30, 2017.

### Note 5

Inventory

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	<b>December 31, 2017</b>	<b>September 30, 2017</b>
Inventory	<b>6,997</b>	6,997
	<b>\$ 6,997</b>	\$ 6,997

Cost of sales during the quarter ended December 31, 2017 is \$26,732 (December 31, 2016 - \$7,919).

# VISIONSTATE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements December 31, 2017 (Unaudited)

### Note 6

#### Product Development Costs

	<b>Cost</b>			<b>Balance at December 31, 2017</b>
	<b>Balance at September 30, 2017</b>	<b>Additions</b>	<b>Disposals</b>	
ViCCi 3	\$ 21,939	\$ -	\$ -	\$ 25,094
Website	14,205	-	-	15,264
iPhone Application	23,190	-	-	23,190
Multi-platform App	11,309	-	-	11,309
Rec Centre App	3,218	-	-	3,218
Food Court App	1,189	-	-	1,189
Static Directory	11,986	-	-	11,986
Linux conversion	16,140	-	-	16,140
Kiddie Cart	26,874	-	-	26,874
Cindi	123,736	-	-	126,908
Analytics Dashboard	58,800	-	-	66,801
Wanda	2,774	-	-	2,774
	<u>\$ 315,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 339,065</u>

	<b>Accumulated Depreciation</b>			<b>Balance at December 31, 2017</b>
	<b>Balance at September 30, 2017</b>	<b>Depreciation</b>	<b>Disposals</b>	
ViCCi 3	\$ 21,939	\$ -	\$ -	\$ 25,904
Website	14,205	-	-	15,264
iPhone Application	23,190	-	-	23,190
Multi-platform App	11,309	-	-	11,309
Rec Centre App	3,218	-	-	3,218
Food Court App	1,189	-	-	1,189
Static Directory	11,986	-	-	11,986
Linux Conversion	16,140	-	-	16,140
Kiddie Cart	26,874	-	-	26,784
Cindi	123,736	-	-	126,908
Analytics Dashboard	58,800	-	-	66,801
Wanda	2,774	-	-	2,774
	<u>\$ 315,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 339,065</u>

# VISIONSTATE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements December 31, 2017 (Unaudited)

### Note 6

Product Development  
Costs, Continued...

	<b>Net Book Value</b>	
	Balance at September 30, 2017	Balance at December 31, 2017
ViCCi 3	-	-
Website	-	-
iPhone Application	-	-
Multi-platform App	-	-
Rec Centre App	-	-
Food Court App	-	-
Static Directory	-	-
Linux Conversion	-	-
Kiddie cart	-	-
Cindi	-	-
Analytics Dashboard	-	-
Sensor	-	-
Wanda	-	-
	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

Depreciation provided during the quarter ended December 31, 2017 totaled \$Nil (December 31, 2016 - \$3,965)

### Note 7

Property and Equipment

	<b>Cost</b>			Balance at December 31, 2017
	Balance at September 30, 2017	Additions	Disposals	
Vehicle	\$ 51,550	\$ -	\$ -	\$ 51,550
Computer equipment	109,279	-	-	109,279
Furniture and fixtures	20,412	-	-	20,412
	<u>\$ 181,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,241</u>

  

	<b>Accumulated Depreciation</b>			Balance at December 31, 2017
	Balance at September 30, 2017	Additions	Disposals	
Vehicle	\$ 51,550	\$ -	\$ -	\$ 51,550
Computer equipment	109,279	-	-	109,279
Furniture and fixtures	20,412	-	-	20,412
	<u>\$ 181,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,241</u>

# VISIONSTATE CORP.

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## Notes to the Interim Condensed Consolidated Financial Statements December 31, 2017 (Unaudited)

### Note 7

Property and Equipment  
Continued...

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	<u>Net Book Value</u>	
	<u>Balance at September 30, 2017</u>	<u>Balance at December 31, 2017</u>
Vehicle	\$ -	\$ -
Computer equipment	-	-
Furniture and fixtures	-	-
	<u>\$ -</u>	<u>\$ -</u>

Depreciation provided during the quarter ended December 31, 2017 totaled \$nil (December 31, 2016 - \$Nil).

### Note 8

Accounts Payable and  
Accrued Liabilities

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

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Trade payables	\$ 244,593	\$ 238,875
Accrued liabilities	130,695	175,308
Accrued payroll	104,875	209,242
	<u>\$ 480,163</u>	<u>\$ 623,425</u>

# VISIONSTATE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements December 31, 2017 (Unaudited)

### Note 9 Advances from Related Parties

	December 31, 2017	September 30, 2017
Due to an individual related to a director, unsecured, interest payable at 10% per annum and without specified terms of repayment	\$ 22,657	\$ 37,511
Due to a company owned by an individual related to a director, unsecured, interest payable at 12% and without specified terms of repayment	11,872	11,872
Due to a director, unsecured, interest payable at 10% and without specified terms of repayment	6,122	11,905
Due to a director, unsecured, interest payable monthly at 10% per annum, and due on demand	83,700	83,700
Due to a company owned by a director, unsecured, non-interest bearing, and without specified terms of repayment	7,377	5,640
Due to a company controlled by a director, unsecured, interest payable monthly at 10% per annum, and without specified terms of repayment	42,750	37,000
Due to a company controlled by a director, unsecured, interest payable monthly at 10% per annum, and without specified terms of repayment	4,000	4,000
Due to a company owned by a director, unsecured, interest payable monthly at 10% per annum, and without specified terms of repayment	40,969	71,145
	<b>\$ 219,447</b>	<b>\$ 262,773</b>

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

Included in trade payables are the following related party balances:

	December 31, 2017	September 30, 2017
Due to directors	\$ 11,727	\$ 6,714
Due to companies owned by directors	10,280	21,043
Due to companies controlled by directors	1,840	34,469
Due to individuals related to a director	-	6,545
Due to a company owned by an individual related to a director	-	4,020
	<b>\$ 23,847</b>	<b>\$ 72,791</b>

# VISIONSTATE CORP.

## Notes to the Interim Condensed Consolidated Financial Statements December 31, 2017 (Unaudited)

### Note 10

Promissory Note  
Payable

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Promissory note payable is unsecured, interest payable 6% per annum with full amount and accrued interest due on demand	\$ 15,997	\$ 15,997
Promissory note payable is unsecured, interest payable 10% per annum with full amount and accrued interest due on demand	<u>22,500</u>	<u>\$ 22,500</u>
	<u>\$ 38,497</u>	<u>\$ 38,497</u>

### Note 11

Commitment

Effective December of 2016, the Company signed a new lease with the same landlord for 5 years to expire on March 31, 2022, and has the option to either renew the lease for five years at the same terms or to continue on a month to month basis after the expiry of the lease. The Company pays office rent, exclusive of operating costs, under the operating lease for which it has committed to make payments as follows:

2018	\$ 26,076
2019	26,940
2020	27,804
2021	27,804
Thereafter	13,902
	<u>\$ 122,526</u>

### Note 12

Convertible  
Debentures

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 \$124,172 (September 30, 2017 - \$121,283), 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 will mature on January 17, 2020. The principal amount of each Debenture may, at the option of the debenture holder, be convertible, in whole or in part during the term, into common shares of the Company ("Common Shares") at a price of \$0.05 in the first year and \$0.10 per common share for the remaining two years. Provided that the closing trading price of the Common Shares has not exceeded \$0.10 for twenty (20) consecutive trading days, accrued interest owing from the date of the last payment received until the date that conversion notice is received by the Company shall be paid on a semi-annual basis. The Company determined the liability and equity component of the convertible debenture to be \$50,249 and \$22,057 respectively, net of transaction costs.

# VISIONSTATE CORP.

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## Notes to the Interim Condensed Consolidated Financial Statements December 31, 2017 (Unaudited)

### Note 13 Share Capital

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Authorized:  
Unlimited number of common, voting shares  
Unlimited number of preferred shares

Issued:

	Shares		Warrants		Total
	Number	Amount	Number	Amount	
Balance September 30, 2017	87,043,825	\$ 6,837,882	-	\$ -	\$ 6,837,882
Private Placement December 2017	15,200,000	380,000	-	-	380,000
Share Issuance Cost	-	(9,200)	-	-	(9,200)
Balance, December 31, 2017	102,243,625	\$ 7,208,682	-	\$ -	\$ 7,208,682

### December, 2017

On December 11, 2017, the Company completed a private placement of 15,200,000 units ("Units") at a price of \$0.025 per Unit for gross proceeds of \$380,000. Each Unit is comprised of one common share.

### Stock options outstanding and stock based compensation:

The Company has a stock option plan under which directors, officers, employees, management and consultants of the Company and its subsidiaries and its affiliates, if any, are eligible to receive stock options. The maximum number of common shares issuable pursuant to the exercise of outstanding options granted under the plan is 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of the outstanding common shares of the Company. Options granted under the plan may not exceed five years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option is determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange(s) on which the Company's common shares are then listed.

There are no stock options issued or outstanding for the period ended December 31, 2017.

# VISIONSTATE CORP.

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## Notes to the Interim Condensed Consolidated Financial Statements December 31, 2017 (Unaudited)

### **Note 14** Net Loss per Common Share

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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.

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Net loss	\$ (135,666)	\$ (153,060)
Weighted average number of common shares outstanding	89,351,672	63,130,731
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.

### **Note 15** 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 December 31, 2017 in the amount of \$9,000 (December 31, 2016 - \$10,500) to an officer of the Company.

For the quarter ended December 31, 2017, the Company paid interest in the amount of \$8,041 to related parties (December 31, 2016 - \$8,198).

### **Note 16** Financial Instruments

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#### **Financial Instruments**

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

# VISIONSTATE CORP.

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## Notes to the Interim Condensed Consolidated Financial Statements December 31, 2017 (Unaudited)

### Note 16 Financial Instruments Continued...

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

Financial statement item	Classification	Measurement
Cash	Fair value through profit and loss	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost	Amortized cost
Convertible debentures	Financial liabilities measured at amortized cost	Amortized cost
Advances from related parties	Financial liabilities measured at amortized cost	Amortized cost
Promissory note payable	Financial liabilities measured at amortized cost	Amortized cost

#### Fair Value

The carrying values of cash, 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 and promissory note 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.

Included in advances from related parties are advances from directors, individuals related to a director, and companies owned by a director in the amount of \$7,377 which are non-interest bearing. As a result the Company believes the fair value of these financial instruments to be less than the carrying value at December 31, 2017. However, due to the uncertainty as to the eventual repayment date of these financial instruments, the Company is unable to estimate the fair 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 December 31, 2017, the Company had only cash, classified as “fair value through profit and loss”, measured at fair value – Level 1.

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## Notes to the Interim Condensed Consolidated Financial Statements December 31, 2017 (Unaudited)

### Note 16

Financial Instruments  
Continued...

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#### 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 \$6,028 at December 31, 2017. 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 December 31, 2017 are impaired.

The aging of accounts receivable is as follows:

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Current	\$ 397	\$ 4,342
31-90 days	4,791	1,648
91+ days	840	11,050
	<u>\$ 6,028</u>	<u>\$ 17,040</u>

#### 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 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 equity or debt financing

At December 31, 2017, the Company had cash in the amount of \$42,683 and accounts receivable of \$6,028 with which to meet its obligations. At December 31, 2017, the Company had a working capital deficiency of \$782,399.

The contractual maturity of the Company's liabilities of \$838,107 at December 31, 2017 is due on demand.

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## Notes to the Interim Condensed Consolidated Financial Statements December 31, 2017 (Unaudited)

### **Note 17** **Capital Disclosures**

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#### **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.

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>December 31, 2017</b>	September 30, 2017
Advances from related parties	\$ 219,447	\$ 262,773
Convertible debentures	172,306	172,306
Contributed surplus	1,908,678	1,908,678
Share capital	7,208,682	6,837,882
Deficit	(9,969,533)	(9,833,867)
	<b>\$ (460,420)</b>	<b>\$ (652,228)</b>

The Company plans 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.

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## Notes to the Interim Condensed Consolidated Financial Statements December 31, 2017 (Unaudited)

### **Note 18** **Subsequent Events**

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On February 21, 2018, the Company completed a private placement ("Private Placement") of 20,000,000 units ("Units") at a price of \$0.05 per Unit for gross proceeds of \$1,000,000. Each Unit is comprised of one (1) common share in the capital of the Company ("Common Share") and one (1) Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one (1) additional Common Share at a price of \$0.075 per Common Share for a period of two (2) years following the date of closing (the "Term"). In the event the Common Shares close at a price of greater than \$0.15 per Common Share for a period of greater than twenty (20) consecutive trading days, then the Term of the Warrants shall be automatically accelerated and shortened from two (2) years to thirty (30) calendar days following the date a press release is issued by the Company announcing the reduced Term, and a press release stating this fact shall be deemed to be sufficient notice to all warrant holders of the shortened Term as a result of the acceleration.

On February 22, 2018, the Company announced a private placement ("Private Placement") in the amount of \$350,000 at a price of \$0.05 per Unit. Each Unit is comprised of one (1) common share in the capital of the Company ("Common Share") and one (1) Common Share purchase warrant ("Warrant"). Each Warrant will entitle the holder to purchase one (1) additional Common Share at a price of \$0.075 per Common Share for a period of two (2) years following the date of closing (the "Term").