



YNVISIBLE INTERACTIVE INC.

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

Ynvisible Interactive Inc.

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(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF YNVISIBLE INTERACTIVE INC.

Opinion

We have audited the consolidated financial statements of Ynvisible Interactive Inc. and its subsidiaries (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, and remain alert for indications that the other information appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ♦ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Kevin Kwan.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2022

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YNVISIBLE INTERACTIVE INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	As at	
	December 31, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,107,403	\$ 1,809,637
Amounts receivable	1,067,968	466,292
Inventories	73,522	-
Prepaid expenses	189,860	159,799
Total current assets	17,438,753	2,435,728
Non-current assets		
Deposits	5,566	17,593
Right-of-use assets (Note 5)	371,981	753,989
Fixed assets (Note 6)	1,975,569	2,331,249
Intangible assets (Note 7)	387,455	495,625
Total non-current assets	2,740,571	3,598,456
Total assets	\$ 20,179,324	\$ 6,034,184
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 1,100,268	\$ 1,285,465
Current portion of lease liabilities (Note 5)	298,757	351,906
Deferred project grants	603,639	426,456
Total current liabilities	2,002,664	2,063,827
Non-current liabilities		
Lease liabilities (Note 5)	72,608	399,898
Total liabilities	2,075,272	2,463,725
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	37,530,455	17,565,296
Reserve (Note 9)	2,886,382	1,597,619
Share subscriptions received (Note 9)	-	459,130
Obligation to issue shares (Note 9)	47,809	114,409
Deficit	(22,388,865)	(16,614,794)
Accumulated other comprehensive income	28,271	448,799
Total shareholders' equity	18,104,052	3,570,459
Total liabilities and shareholders' equity	\$ 20,179,324	\$ 6,034,184

Note 1 – Corporate Information and Going Concern

Note 14 – Subsequent Events

Approved and authorized for issue on behalf of the Board of Directors on April 29, 2022:

“Alexander Helmel”

Director

“Jani-Mikael Kuusisto”

Director

The accompanying notes are an integral part of these consolidated financial statements.



YNVISIBLE INTERACTIVE INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Years Ended December 31,	
	2021	2020
Revenue		
Sales	\$ 1,377,727	\$ 387,912
Cost of sales	(1,011,728)	(272,534)
Gross profit	365,999	115,378
Expenses		
Bad debt	39,222	-
Compensation and consulting (Note 8)	3,010,647	2,535,203
Depreciation (Notes 5, 6, and 7)	570,162	684,777
Development and production	292,877	115,441
Interest and bank charges	15,204	27,034
Marketing and promotion	728,867	305,678
Office facilities and services	414,757	391,567
Professional fees	860,461	415,638
Share-based compensation (Notes 8 and 9)	1,166,814	333,946
Transfer and listing fees	150,623	67,780
Travel and project investigation	88,206	63,257
Total operating expenses	7,337,840	4,940,321
Loss from operations	(6,971,841)	(4,824,943)
Other items		
Rental income	300,331	249,474
Income and gains	165,243	109,767
Expenses and losses	(59,612)	(122,898)
EU co-funded projects grants	681,192	578,760
Prototype project revenue	-	218,939
Total other items	1,087,154	1,034,042
Loss before income taxes	(5,884,687)	(3,790,901)
Income tax expense	(1,424)	(3,820)
Net loss for the year	(5,886,111)	(3,794,721)
Other comprehensive income (loss)		
Foreign currency translation adjustment	(420,528)	274,656
Comprehensive loss for the year	\$ (6,306,639)	\$ (3,520,065)
Basic and diluted loss per common share	\$ (0.05)	\$ (0.05)
Weighted average number of common shares outstanding	116,087,901	76,359,985

The accompanying notes are an integral part of these consolidated financial statements.



YNVISIBLE INTERACTIVE INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Expressed in Canadian Dollars)

	Class A Common Shares				Share subscriptions received	Obligation to issue shares	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Number	Amount	Reserve						
	#	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2019	73,328,400	14,993,969	1,668,405	-	160,072	(12,982,391)	174,143	4,014,198	
Shares issued by private placement	7,500,000	1,500,000	-	-	-	-	-	1,500,000	
Finders' shares issued for private placement	252,875	50,575	-	-	-	-	-	50,575	
Shares issued in exchange for Ynvisible SA shares	325,400	112,263	-	-	(112,263)	-	-	-	
Share issue costs	-	(31,603)	-	-	-	-	-	(31,603)	
Share issue costs by shares issuance	-	(50,575)	-	-	-	-	-	(50,575)	
Share subscriptions received	-	-	-	459,130	-	-	-	459,130	
Stock options exercised	487,500	303,491	(153,741)	-	-	-	-	149,750	
Stock options cancelled	-	-	(162,318)	-	-	162,318	-	-	
Share-based compensation	-	-	333,946	-	-	-	-	333,946	
Warrants exercised	997,505	687,176	(88,673)	-	-	-	-	598,503	
Shares to be issued for warrants exercised	-	-	-	-	66,600	-	-	66,600	
Net loss for the year	-	-	-	-	-	(3,794,721)	-	(3,794,721)	
Other comprehensive income	-	-	-	-	-	-	274,656	274,656	
Balance, December 31, 2020	82,891,680	17,565,296	1,597,619	459,130	114,409	(16,614,794)	448,799	3,570,459	
Shares issued by private placement	32,849,145	16,695,122	-	(459,130)	-	-	-	16,235,992	
Finders' shares issued for private placement	452,280	158,298	-	-	-	-	-	158,298	
Finders' warrants issued for private placement	-	(571,092)	571,092	-	-	-	-	-	
Share issue costs	-	(1,424,261)	-	-	-	-	-	(1,424,261)	
Share issue costs by shares issuance	-	(158,298)	-	-	-	-	-	(158,298)	
Stock options exercised	470,000	280,917	(127,917)	-	-	-	-	153,000	
Stock options cancelled	-	-	(112,040)	-	-	112,040	-	-	
Share-based compensation	-	-	1,166,814	-	-	-	-	1,166,814	
Warrants exercised	8,003,810	4,964,913	(189,626)	-	(66,600)	-	-	4,708,687	
Warrants expired	-	19,560	(19,560)	-	-	-	-	-	
Net loss for the year	-	-	-	-	-	(5,886,111)	-	(5,886,111)	
Other comprehensive loss	-	-	-	-	-	-	(420,528)	(420,528)	
Balance, December 31, 2021	124,666,915	37,530,455	2,886,382	-	47,809	(22,388,865)	28,271	18,104,052	

The accompanying notes are an integral part of these consolidated financial statements.



YNVISIBLE INTERACTIVE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Years Ended December 31,	
	2021	2020
Operating activities		
Net loss for the year	\$ (5,886,111)	\$ (3,794,721)
<i>Items not involving the use of cash and cash equivalents:</i>		
Depreciation	570,162	684,777
Depreciation included in Cost of Sales	132,466	
Share-based compensation	1,166,814	333,946
Write off of intangible assets	30,537	-
Income tax expense	1,424	3,820
<i>Changes in working capital items:</i>		
Amounts receivable	(601,676)	134,880
Inventories	(73,522)	-
Prepaid expenses	(30,061)	14,505
Accounts payable and accrued liabilities	(93,721)	566,796
Deferred project grants	177,183	(438,404)
Cash used in operating activities	(4,606,505)	(2,494,401)
Investing activities		
Purchase of fixed assets	(171,165)	(54,911)
Purchase of intangible assets	(115,902)	(151,914)
Deposits	12,027	7,198
Cash used in investing activities	(275,040)	(199,627)
Financing activities		
Proceeds on issuance of shares	16,235,992	1,500,000
Share issue costs	(1,424,261)	(31,603)
Share subscriptions received	-	459,130
Stock options exercised	153,000	149,750
Warrants exercised	4,708,687	665,103
Long term debt repaid	-	(5,694)
Repayment of lease liabilities	(329,674)	(337,111)
Cash provided by financing activities	19,343,744	2,399,575
Effect of foreign exchange	(164,433)	(22,635)
Net change in cash	14,297,766	(317,088)
Cash and cash equivalents, beginning of year	1,809,637	2,126,725
Cash and cash equivalents, end of year	\$ 16,107,403	\$ 1,809,637
Non-cash transactions		
Reclassification of stock options exercised	\$ 127,917	\$ 153,741
Reclassification of stock options cancelled	\$ 112,040	\$ 162,318
Reclassification of warrants exercised	\$ 189,626	\$ 88,673
Reclassification of warrants expired	\$ 19,560	\$ -
Finders' shares issued for private placement	\$ 158,298	\$ 50,575
Intangible assets in accounts payable and accrued liabilities	\$ -	\$ 92,900
Value of finders' warrants issued in private placement	\$ 571,092	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

YNVISIBLE INTERACTIVE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years ended December 31, 2021 and 2020
(Expressed in Canadian Dollars Unless Otherwise Noted)

1. CORPORATE INFORMATION

Ynvisible Interactive Inc. (the “Company”) was incorporated on September 2, 1983, under the laws of British Columbia, Canada. The address of the Company’s head office and principal place of business is 830 – 1100 Melville Street, Vancouver, British Columbia, Canada, V6E 4A6, and the registered and records office is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

The Company’s principal business activity is the development and sale of electrochromic displays (“ECDs”). The Company’s shares trade on the TSX Venture Exchange (“TSXV”) under the symbol “YNV”, on the OTCQB under the symbol “YNVYF”, and on the FSE under the symbol “1XNA”.

These consolidated financial statements have been prepared by management on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. During the year ended December 31, 2021, the Company incurred a net loss of \$5,886,111 (2020 - \$3,794,721) and as at December 31, 2021, had an accumulated deficit of \$22,388,865 (2020 - \$16,614,794).

The Company’s ability to continue as a going concern, to fund work commitments and to ensure adequate working capital is dependent upon achieving profitable operations or upon obtaining sufficient additional financing. Management believes that the Company has sufficient working capital to meet the Company’s obligations over the next twelve months.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company’s. This outbreak could decrease spending, adversely affect demand for the Company’s product and harm business and results of operations. It is not possible to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

2. BASIS OF PRESENTATION

Statement of Compliance

These audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Basis of Consolidation

These consolidated financial statements include the accounts of the Company, its 100% owned subsidiary YD Ynvisible, S.A., Portugal (“Ynvisible SA”), Ynvisible GmbH, Germany, which is 100% owned by Ynvisible SA, and Ynvisible Production AB (“Ynvisible Production”), Sweden, which is 100% owned by the Company. All intercompany transactions and balances were eliminated on consolidation.

YNVISIBLE INTERACTIVE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years ended December 31, 2021 and 2020
(Expressed in Canadian Dollars Unless Otherwise Noted)

2. BASIS OF PRESENTATION (continued)

Basis of Measurement and Presentation

The Company's consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The comparative figures presented in these consolidated financial statements are in accordance with IFRS and may have been reclassified to conform to the current period's presentation.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates and the exercise of management's judgment in applying the Company's accounting policies. Areas involving a high degree of judgment or complexity and areas where assumptions and estimates are significant to the Company's consolidated financial statements are discussed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information and as otherwise specified, as set out in the accounting policies below.

Foreign Currency Translation

The functional currency of the Company is the Canadian dollar. The Company's functional currency is also the presentation currency. The functional currency of Ynvisible SA and Ynvisible GmbH is the European Euro. The functional currency of Ynvisible Production is the Swedish krona.

Transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. The Company translates monetary assets and liabilities denominated in foreign currencies at period-end rates. Non-monetary assets and liabilities are translated at historical rates. The resulting gains or losses are reflected in profit or loss in the period of translation.

Where applicable, the functional currency is translated into the presentation currency using the period end rates for assets and liabilities while the operations and cash flows are translated using average rates of exchange. Exchange adjustments arising when net assets and profit or loss are translated into the presentation currency are taken into a separate component of equity and reported in other comprehensive income or loss.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventory includes cost of purchase (purchase price, import duties, transport, handling, and other costs directly attributable to the acquisition of inventories), and other costs incurred in bringing the inventories to their present location and condition. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in profit or loss in the period for any difference between book value and net realizable value.

YNVISIBLE INTERACTIVE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years ended December 31, 2021 and 2020
(Expressed in Canadian Dollars Unless Otherwise Noted)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets

Fixed assets are initially recorded at the cost of acquisition or production, which includes the purchase cost, any costs directly attributable to the activities required to put the assets in the necessary location and condition to operate in the manner intended and, when applicable, the initial estimated decommissioning costs and assets removal and the restoring of the respective location of installation/operation in which the Company expects to incur.

The tangible fixed assets are recorded at the cost of acquisition or production. Depreciation is calculated after the asset is available for use, according to the straight-line method, except for some basic equipment assets for which the declining balance method is used, in accordance with the estimated useful lives for each group of assets.

The straight-line depreciation rates used correspond to the following estimated useful lives:

Equipment	3 – 8 years
Manufacturing equipment	10 years
Leasehold building improvements	Term of the lease
Office	3 – 8 years
Laboratory	8 - 10 years

The useful lives and depreciation methods for the various assets are reviewed annually. The effect of any changes to these estimates is recognized prospectively in profit or loss. Maintenance and repair expenses (subsequent expenditure) that are unlikely to generate additional economic benefits in the future are recorded as expenses in the period they are incurred. The gain (or loss) resulting from the alienation or disposal of tangible fixed assets is determined as the difference between the fair value of the amount received or receivable in the transaction, and the carrying amounts of the asset, and is recognized in profit or loss in the period in which the disposal or alienation occurs.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term, highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

YNVISIBLE INTERACTIVE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years ended December 31, 2021 and 2020
(Expressed in Canadian Dollars Unless Otherwise Noted)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- Exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension, or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

Intangible Assets

Intangible assets are comprised of patents and software, production development, and license with finite use lives and are depreciated over the life of the asset. Intangible assets are recorded at the cost of acquisition less any accumulated impairment losses. Intangible assets are only recognized if it is probable that attributable future economic benefits to the asset flow to the Company, and that they are controllable, and their cost can be valued with reliability. Intangible assets are comprised of Patents and Software, Customer List, IP Rights and License. The assets are amortized on a straight-line basis over their estimated useful lives of five to fifteen years.

The straight-line depreciation rates used correspond to the following estimated useful lives:

Patents and Software	3 – 10 years
Customer List	5 years
IP Rights	5 - 15 years
License	10 years

YNVISIBLE INTERACTIVE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years ended December 31, 2021 and 2020
(Expressed in Canadian Dollars Unless Otherwise Noted)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to warrants reserve. Consideration received for the exercise of warrants is recorded in share capital and the related residual value is transferred to share capital. The residual values of expired and cancelled options and warrants are transferred to deficit.

Share-Based Compensation

The Company has a stock option plan under which it grants stock options to officers, directors, employees and consultants.

Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and is recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black-Scholes pricing model which incorporates all market vesting conditions and the fair value of restricted share units is determined using the fair value on grant date. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized in share-based compensation is transferred to deficit. As the options are exercised, the consideration paid, together with the amount previously recognized in share-based compensation, is recorded as an increase in share capital.

Goodwill

Goodwill is deemed to have an indefinite life and is not amortized but is subject to an impairment assessment whenever events or changes in circumstances indicate that the fair value is less than its carrying value, but not less than annually. Impairment is tested at the cost center level by comparing the fair value of a cost center with its carrying amount including goodwill. If the carrying amount of the cost center exceeds its fair value, goodwill of the cost center is considered impaired and the second step of the test is performed to determine the amount of impairment loss, if any.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value. Acquisition costs incurred are expensed.

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Revenue is recognized when the earnings process is complete, as evidenced by an agreement between the customer and the Company, when delivery has occurred, when the fee is fixed or determinable and when collection is reasonably assured. Amounts received from customers in advance of revenue recognition are deferred as deferred revenue liabilities. The Company presents revenues net of taxes collected from customers at the time of sale to be remitted to governmental authorities, including sales taxes. No element of financing is deemed present as the sales are made with credit terms standard for the market.

Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss).

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences, and the carry forward of non-capital losses, can be utilized.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered and/or the carrying value of temporary differences exceed their tax basis.

Loss per Share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings/loss per share reflect the potential dilution of outstanding stock options and warrants that could share in the earnings of the Company. In a loss period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Assistance

The Company is eligible for various European Union (EU) co-funded grants. The grants are recorded as other income when there is reasonable assurance that the amounts claimed qualify and will be received.

A government grant is not recognized until there is reasonable assurance that the Company will comply with the conditions attached to the grant and the grant is received. Government grants are recognized in net loss on a systematic basis over the periods in which the Company recognizes expenses for which the grants are intended to compensate.

Financial Instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

Financial assets/liabilities	IFRS 9 classification
Cash and cash equivalents	Amortized cost
Amounts receivable	Amortized cost
Deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liabilities	Amortized cost

Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company recognizes in the consolidated statement of comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At each reporting date, the Company assesses its non-financial assets to determine whether an indication of impairment exists. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and risks specific to the asset.

Intangible assets with an indefinite useful life are not amortized but are tested annually and whenever there is an indication that the intangible asset may be impaired. The useful life of an indefinite life intangible asset is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment.

When there is an indication that an impairment loss previously recognized may no longer exist or may have decreased, the recoverable amount is estimated, and the impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. When an impairment loss is subsequently reversed the carrying amount of the asset is increased to the revised estimate of its recoverable amount such that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment losses been recognized for the asset in prior years. The reversal of an impairment loss is recognized in profit or loss.

4. CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

When preparing the consolidated financial statements in conformity with IFRS, management undertakes a number of judgments, estimates and assumptions about the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management.

Significant areas of judgments and estimation uncertainty considered by management in preparing the consolidated financial statements are as follows:

- a. The amounts disclosed related to fair values of stock options and warrants issued are based on estimates of future volatility of the Company's share price, expected lives of the options and expected dividends.
- b. The application of IFRS 16 requires the Company to make judgments that affect the valuation of the right-of-use assets and the valuation of lease liabilities. These include determining agreements in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows. The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. The present value of the lease payment is determined using a discount rate representing the rate of a commercial mortgage rate, observed in the period when the lease agreement commences or is modified.

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4. CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES (continued)

- c. Depreciation of tangible and intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.
- d. At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets consisting of Fixed Assets, Intangible Assets, and Goodwill to determine whether there is any indication that the carrying amount is not recoverable. The determination of whether any such indication exists requires significant management judgment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When an individual asset does not generate independent cash flows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.
- e. The amounts receivable balance is recorded at the estimated recoverable amount, which involves the estimate of uncollectible accounts.
- f. Inventories are carried at the lower of cost and net realizable value which requires the Company to utilize estimates related to selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to sell the inventory.
- g. Judgment is required to determine if the Company's acquisitions represent a business combination or an asset purchase. The assessment requires management to determine if the acquisitions acquired represented an integrated set of activities with inputs, processes and outputs. The acquisition of rdot AB was considered to be an asset acquisition.

Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Management exercises judgment in estimating the probability and timing of when cash flows are expected to be achieved, which is used as the basis for estimating fair value. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss. The fair value of identified intangible assets is determined using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied. Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

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5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

		Leases
Cost:		
At December 31, 2019	\$	1,221,435
Lease termination		(54,530)
Foreign exchange adjustment		112,948
At December 31, 2020		1,279,853
Foreign exchange adjustment		(96,537)
At December 31, 2021	\$	1,183,316
Depreciation:		
At December 31, 2019	\$	176,569
Charge for the year		349,367
Adjustment from lease termination		12,576
Foreign exchange adjustment		(12,648)
At December 31, 2020		525,864
Charge for the year		331,327
Foreign exchange adjustment		(45,856)
At December 31, 2021	\$	811,335
Net book value:		
At December 31, 2020	\$	753,989
At December 31, 2021	\$	371,981

Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease term.

Lease Liabilities

At December 31, 2019	\$	1,042,891
Lease terminated as of December 31, 2020		(41,954)
Lease payments made		(353,167)
Interest expense on lease liabilities		16,056
Foreign exchange adjustment		87,976
At December 31, 2020		751,802
Lease payments made		(337,237)
Interest expense on lease liabilities		7,563
Foreign exchange adjustment		(50,763)
At December 31, 2021		371,365
Less: current portion		(298,757)
Non-Current Portion	\$	72,608

The lease liabilities were measured by discounting the lease payments using an incremental borrowing rate of 12%. Interest expense of \$7,563 (2020 - \$16,056) is included in interest and bank charges.

The remaining minimum future lease payments, excluding estimated operating costs, for the term of the lease including assumed renewal periods are as follows:

Fiscal 2022	\$	294,110
Fiscal 2023		56,882
Fiscal 2024		9,282
Total	\$	360,274

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6. FIXED ASSETS

	Equipment	Manufacturing Equipment	Leasehold Building Improvements	Office	Other	Total
Costs						
Balance, December 31, 2019	\$ 514,767	\$ 1,834,126	\$ 41,913	\$ 91,532	\$ 71,632	\$ 2,553,970
Additions	20,086	20,394	-	11,083	3,348	54,911
Disposal	(4,222)	-	-	-	-	(4,222)
Transfer	-	-	-	2,319	(2,319)	-
Foreign exchange adjustment	9,565	265,870	755	1,891	1,310	279,391
Balance, December 31, 2020	540,196	2,120,390	42,668	106,825	73,971	2,884,050
Additions	106,923	-	-	54,509	9,733	171,165
Disposal	(22,749)	-	-	(9,692)	-	(32,441)
Transfer	(30,845)	-	-	27,540	3,305	-
Foreign exchange adjustment	(6,686)	(201,611)	(2,983)	(26,197)	(21,078)	(258,555)
Balance, December 31, 2021	\$ 586,839	\$ 1,918,779	\$ 39,685	\$ 152,985	\$ 65,931	\$ 2,764,219
Accumulated Depreciation						
Balance, December 31, 2019	\$ 126,696	\$ 62,310	\$ 7,069	\$ 15,628	\$ 34,016	\$ 245,719
Charge for the year	58,050	201,681	6,372	17,157	8,721	291,981
Foreign exchange adjustment	1,235	13,271	90	219	286	15,101
Balance, December 31, 2020	185,981	277,262	13,531	33,004	43,023	552,801
Charge for the year	61,378	212,944	6,377	20,339	11,761	312,799
Disposal	(22,749)	-	-	(9,692)	-	(32,441)
Foreign exchange adjustment	(10,957)	(27,962)	(1,101)	10,381	(14,870)	(44,509)
Balance, December 31, 2021	\$ 213,653	\$ 462,244	\$ 18,807	\$ 54,032	\$ 39,914	\$ 788,650
Carrying Value						
Balance, December 31, 2020	\$ 354,215	\$ 1,843,128	\$ 29,137	\$ 73,821	\$ 30,948	\$ 2,331,249
Balance, December 31, 2021	\$ 373,186	\$ 1,456,535	\$ 20,878	\$ 98,953	\$ 26,017	\$ 1,975,569

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7. INTANGIBLE ASSETS

Costs	Patents and Software	Customer List*	IP Rights*	License	Goodwill	Total
Balance, December 31, 2019	\$ 109,104	\$ -	\$ -	\$ 119,476	\$ 71,253	\$ 299,833
Additions	-	183,610	61,203	-	-	244,813
Foreign exchange adjustment	2,135	11,612	3,871	9,495	-	27,113
Balance, December 31, 2020	111,239	195,222	65,074	128,971	71,253	571,759
Additions	11,585	11,417	-	-	-	23,002
Write off	-	(22,903)	(7,634)	-	-	(30,537)
Foreign exchange adjustment	(8,225)	(19,387)	(6,304)	11,129	-	(22,787)
Balance, December 31, 2021	\$ 114,599	\$ 164,349	\$ 51,136	\$ 140,100	\$ 71,253	\$ 541,437

Accumulated Depreciation

Balance, December 31, 2019	\$ 24,009	\$ -	\$ -	\$ 6,341	\$ -	\$ 30,350
Charge for the year	11,001	13,378	4,459	14,590	-	43,428
Foreign exchange adjustment	223	736	245	1,152	-	2,356
Balance, December 31, 2020	35,233	14,114	4,704	22,083	-	76,134
Charge for the year	11,108	29,441	9,758	14,620	-	64,927
Foreign exchange adjustment	(2,284)	(2,497)	(829)	18,531	-	12,921
Balance, December 31, 2021	\$ 44,057	\$ 41,058	\$ 13,633	\$ 55,234	\$ -	\$ 153,982

Carrying Value

Balance, December 31, 2020	\$ 76,006	\$ 181,108	\$ 60,370	\$ 106,888	\$ 71,253	\$ 495,625
Balance, December 31, 2021	\$ 70,542	\$ 123,291	\$ 37,503	\$ 84,866	\$ 71,253	\$ 387,455

* In May 2020, the Company entered into a business transfer agreement with rdot AB ("rdot") to acquire customer lists and IP rights in the amount of \$175,080 (Swedish krona 1,200,000) ("Fixed Purchase Price") to be paid in four equal instalments on May 18, 2020 ("Closing Date") (paid), August 1, 2020 (paid), November 1, 2020 (paid) and February 1, 2021 (paid). In addition, rdot is entitled to a contingent consideration ("Success Fees") based on the Company's revenue generated from rdot customers during the period May 18, 2020 – May 17, 2023, as follows:

Time period from closing date	Percentage on invoiced sales for rdot customer	Percentage on invoiced sales for Shared customer
Month 1-12	15%	7.5%
Month 13-24	12%	6%
Month 25-36	5%	2.5%

If sales related to rdot/Shared customer were ordered or booked in one of the time periods, but invoiced at a later time period, the Success Fees percentage is calculated using the formula: (year booked percentage + year invoiced percentage)/2. Each instalment of the Success Fees shall be paid within 30 days after the closing of each fiscal quarter. During the year ended December 31, 2021, \$11,417 of contingent consideration was capitalized to Customer List.

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8. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Key Management Compensation

		Years Ended December 31,	
		2021	2020
Compensation and consulting	\$	818,067	\$ 687,823
Share-based compensation		248,086	99,246
	\$	1,066,153	\$ 787,069

As at December 31, 2021, accounts payable and accrued liabilities include \$37,225 (2020 - \$131,579) due to officers and directors. Accounts payable and accrued liabilities due to related parties are unsecured and have no specified terms of repayment. During the year ended December 31, 2021, the Company received \$39,714 (2020 - \$79,428) in rent payments from a company controlled by a director of the Company.

9. SHARE CAPITAL AND RESERVE

Authorized

Unlimited number of Class A common shares without par value.

Unlimited number of Class B non-voting convertible common shares without par value, convertible to Class A common shares on a one-for-one basis.

Issued

For the year ended December 31, 2021:

In January 2021, the Company closed a private placement and issued 12,857,142 units of the Company at \$0.35 per unit for gross proceeds of \$4,500,000 (the "January 2021 Offering"), whereby each unit consists of one Class A common share and one-third of a share purchase warrant of the Company. Each whole warrant, subject to acceleration provision, will be exercisable into an additional Class A common share at an exercise price of \$0.50 for a period of 18 months from the date of issuance. In connection with the offering, the Company paid share issuance costs totaling \$196,622 in cash and issued 452,280 finders' units, of which 452,280 finders' Class A common shares were valued at \$158,298 and 150,760 finders' warrants were valued at \$69,779, to eligible finders. The fair value of the finder warrants was calculated using the Black-Scholes pricing model with the following assumptions: expected life of warrants – 18 months, expected volatility – 122.24%, expected dividend yield – 0%, and risk-free rate – 0.16%. The finders' units will bear the same terms and conditions of the units issued with the offering.

In May 2021, the Company closed a private placement and issued 19,992,003 units of the Company at \$0.61 per unit for gross proceeds of \$12,195,122 (the "May 2021 Offering"), whereby each unit consists of one Class A common share and one share purchase warrant of the Company. Each warrant will be exercisable into an additional Class A common share at an exercise price of \$0.76 for a period of three years from the date of issuance. In connection with the offering, the Company paid share issuance costs totaling \$1,151,040 in cash and issued 999,600 finders' warrants valued at \$501,313 using the Black-Scholes pricing model to the finder agents with the following assumptions: expected life of warrants – 3 years, expected volatility – 117.72%, expected dividend yield – 0%, and risk-free rate – 0.49%. The finders' warrants will be exercisable into a Class A common share at an exercise price of \$0.61 for a period of three years from the date of issuance.

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9. SHARE CAPITAL AND RESERVE (continued)

Issued (continued)

During the year ended December 31, 2021, the Company issued 470,000 Class A common shares in connection with the exercise of 470,000 stock options with a weighted average exercise price of \$0.33 for total proceeds of \$153,000. In addition, the Company issued 8,003,810 Class A common shares in connection with the exercise of 8,003,810 warrants with a weighted average exercise price of \$0.60 for total proceeds of \$4,775,286. The Company incurred additional general share issuance costs totaling \$76,599 in cash.

For the year ended December 31, 2020:

On February 6, 2020, the Company issued 318,400 Class A common shares with a value of \$109,848 to the Squeeze-Out Minority Shareholders (defined below) in exchange for 318,400 common shares of Ynvisible SA.

On May 14, 2020, the Company closed a non-brokered private placement of 7,500,000 Class A common shares of the Company at \$0.20 per common share for gross proceeds of \$1,500,000 (the "May 2020 Offering"). The Company paid finders cash commissions in the aggregate amount of \$23,100 and incurred other expenses of \$8,503 related to the May 2020 Offering. In addition, 252,875 Class A common shares valued at \$50,575 were issued to finders.

On November 11, 2020, the Company issued 7,000 Class A common shares with a value of \$2,415 to the SEA Minority Shareholders (defined below) in exchange for 7,000 common shares of Ynvisible SA.

During the year ended December 31, 2020, the Company issued 487,500 Class A common shares in connection with the exercise of 487,500 stock options with a weighted average exercise price of \$0.31 for total proceeds of \$149,750. In addition, the Company issued 997,505 Class A common shares in connection with the exercise of 997,505 warrants with an exercise price of \$0.60 for total proceeds of \$598,503.

Escrow Shares

As at December 31, 2021, there were nil (2020 - 2,238,850) Class A common shares held in escrow as a result of the Company's reverse takeover transaction in 2018. The escrowed shares vested in accordance with a Tier 2 Value Security Escrow Agreement and in accordance with certain performance conditions.

Obligation to Issue Shares

On November 9, 2018, the Board of Directors of the Company approved the issuance of up to 1,032,496 Class A common shares of the Company (the "SEA Shares") to certain Ynvisible SA minority shareholders (the "SEA Minority Shareholders") pursuant to the terms of share exchange agreements (the "Post-RTO Share Exchange Agreements") between the Company and the SEA Minority Shareholders. The Board of Directors corrected the number of SEA Shares being issued to the SEA Minority Shareholders to 1,022,496 on September 4, 2019.

On September 4, 2019, the Company implemented a squeeze-out transaction, as per the applicable Portuguese law, pursuant to the RTO transaction, whereby the Company acquired the remaining 499,369 shares of Ynvisible SA, on a one-for-one basis for the Class A common shares of the Company, held by certain minority shareholders of Ynvisible SA (the "Squeeze-Out Minority Shareholders"). Accordingly, the Company recorded an obligation to issue 499,369 Class A common shares with a fair value of \$172,282, which has been reported as RTO transaction costs. As a result of the squeeze-out transaction, the Company now owns 100% of Ynvisible SA.

During the year ended December 31, 2019, the Company issued 49,392 Class A common shares with a value of \$18,790 related to the Post-RTO Share Exchange Agreements. During the year ended December 31, 2020, the Company issued 318,400 Class A common shares with a value of \$109,848 related to the squeeze-out transaction and 7,000 Class A common shares with a value of \$2,415 related to the Post-RTO Share Exchange Agreements. As at December 31, 2021, the Company recorded \$47,809 (2020 - \$114,409) for obligation to issue shares.

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9. SHARE CAPITAL AND RESERVE (continued)

Stock Options

The Company has a fixed stock option plan, which follows the policies of the TSXV regarding stock option awards granted to employees, directors and consultants. According to the plan, the Company may grant incentive stock options up to a total of 10% of the Company's issued and outstanding common shares issued.

In May 2020, the Company granted 325,000 stock options to various employees and a consultant of the Company at an exercise price of \$0.33 per share for a period of five years, vesting as follows: 1/3rd on four months from the date of grant, 1/3rd on eight months from the date of grant and 1/3rd on twelve months from the date of grant. The options were valued at \$83,133, of which \$70,242 was recognized during the year ended December 31, 2020 and \$12,494 was recognized during the year ended December 31, 2021 using the Black-Scholes pricing model.

In September 2020, the Company granted 300,000 stock options to two officers of the Company at an exercise price of \$0.24 per share for a period of five years, vesting as follows: 1/3rd on four months from the date of grant, 1/3rd on eight months from the date of grant and 1/3rd on twelve months from the date of grant. The options were valued at \$57,038 using the Black-Scholes pricing model. The options were valued at \$57,038, of which \$32,374 was recognized during the year ended December 31, 2020 and \$24,664 was recognized during the year ended December 31, 2021 using the Black-Scholes pricing model.

In September 2020, the Company also granted 215,000 stock options to a consultant of the Company at an exercise price of \$0.25 per share for a period of five years, vesting as follows: 1/3rd on four months from the date of grant, 1/3rd on eight months from the date of grant and 1/3rd on twelve months from the date of grant. The options were valued at \$42,599 using the Black-Scholes pricing model. The options were valued at \$42,599, of which \$22,681 was recognized during the year ended December 31, 2020 and \$19,918 was recognized during the year ended December 31, 2021, using the Black-Scholes pricing model.

In November 2020, the Company granted 625,000 stock options to various consultants of the Company at an exercise price of \$0.285 per share for a period of five years, vesting as follows: 1/3rd on four months from the date of grant, 1/3rd on eight months from the date of grant and 1/3rd on twelve months from the date of grant. The options were valued at \$136,952, of which \$34,707 was recognized during the year ended December 31, 2020 and \$102,245 was recognized during the year ended December 31, 2021 using the Black-Scholes pricing model.

In November 2020, the Company granted 75,000 stock options to an employee of the Company at an exercise price of \$0.30 per share for a period of five years, vesting as follows: 1/3rd on four months from the date of grant, 1/3rd on eight months from the date of grant and 1/3rd on twelve months from the date of grant. The options were valued at \$17,663, of which \$3,849 was recognized during the year ended December 31, 2020 and \$13,813 was recognized during the year ended December 31, 2021, using the Black-Scholes pricing model.

In March 2021, the Company granted 265,000 stock options to various employees and consultants of the Company at an exercise price of \$1.29 per share for a period of five years, vesting as follows: 1/3rd on four months from the date of grant, 1/3rd on eight months from the date of grant and 1/3rd on twelve months from the date of grant. The options were valued at \$278,814, of which \$259,463 was recognized during the year ended December 31, 2021 using the Black-Scholes pricing model.

In June 2021, the Company granted 100,000 stock options to a director of the Company at an exercise price of \$0.63 per share for a period of five years, vesting as follows: 1/3rd on four months from the date of grant, 1/3rd on eight months from the date of grant and 1/3rd on twelve months from the date of grant. The options were valued at \$48,929, of which \$39,784 was recognized during the year ended December 31, 2021, using the Black-Scholes pricing model. In addition, the Company granted 250,000 stock options to a consultant of the Company at an exercise price of \$0.63 per share for a period of five years, vesting as follows: 1/3rd on nine months from the date of grant, 1/3rd on twenty-one months from the date of grant and 1/3rd on thirty-three months from the date of grant. The options were valued at \$122,323, of which \$53,568 was recognized during the year ended December 31, 2021, using the Black-Scholes pricing model.

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9. SHARE CAPITAL AND RESERVE (continued)

Stock Options (continued)

In July 2021, the Company granted 2,465,000 stock options to an officer, a director, various consultants and employees of the Company at an exercise price of \$0.75 per share for a period of five years, vesting as follows: 1/3rd at nine months from the date of grant, 1/3rd at twenty-one months from the date of grant and 1/3 at thirty-three months from the date of grant. The options were valued at \$1,441,052, of which \$524,814 was recognized during the year ended December 31, 2021 using the Black-Scholes pricing model. In addition, the Company granted 80,000 stock options to a consultant of the Company at an exercise price of \$0.62 per share for a period of five years, vesting as follows: 1/3rd at nine months from the date of grant, 1/3rd at twenty-one months from the date of grant, and 1/3 at thirty-three months from the date of grant. The options were valued at \$36,587, of which \$12,268 was recognized during the year ended December 31, 2021 using the Black-Scholes pricing model.

In August 2021, the Company granted 250,000 stock options to a director of the Company at an exercise price of \$0.55 per share for a period of five years, vesting as follows: 1/3rd at four months from the date of grant, 1/3rd at eight months from the date of grant, and 1/3rd at twelve months from the date of grant. The options were valued at \$107,829, of which \$67,234 was recognized during the year ended December 31, 2021 using the Black-Scholes pricing model.

In October 2021, the Company granted 640,000 stock options to an officer and director, a director, a consultant and various employees of the Company at an exercise price of \$0.44 per share for a period of five years, vesting as follows: 1/3rd at nine months from the date of grant, 1/3rd at twenty-one months from the date of grant, and 1/3 at thirty-three months from the date of grant. The options were valued at \$222,650, of which \$33,272 was recognized during the year ended December 31, 2021 using the Black-Scholes pricing model.

In December 2021, the Company granted 500,000 stock options to various consultants of the Company at an exercise price of \$0.32 per share for a period of five years, vesting as follows: 1/3rd at nine months from the date of grant, 1/3rd at twenty-one months from the date of grant, and 1/3 at thirty-three months from the date of grant. The options were valued at \$131,909, of which \$3,277 was recognized during the year ended December 31, 2021 using the Black-Scholes pricing model.

Share-based compensation recognized during the year ended December 31, 2021 was \$1,166,814 (2020 - \$333,946) from vesting of options.

The Company's valuation of share purchase options granted during the period was estimated using the Black-Scholes option pricing model with the following assumptions:

	For the years ended December 31,	
	2021	2020
Risk-free interest rate	0.78% - 1.42%	0.36% - 1.64%
Expected dividend yield and forfeiture	0%	0%
Expected stock price volatility	108% - 112%	107% - 119%
Expected option life in years	5	5

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9. SHARE CAPITAL AND RESERVE (continued)

Stock Options (continued)

During the year ended December 31, 2021, the Company issued 470,000 Class A common shares in relation to the exercise of 470,000 stock options for total proceeds of \$153,000 and the fair value of \$127,917 attributable to these stock options was transferred from reserves to share capital. The average share price on the date of options exercised was \$1.48 per share. Additionally, 790,000 stock options were cancelled, and the fair value of \$112,040 attributable to these stock options was transferred from reserves to deficit.

During the year ended December 31, 2020, the Company issued 487,500 Class A common shares in relation to the exercise of 487,500 stock options for total proceeds of \$149,750 and the fair value of \$153,741 attributable to these stock options was transferred from reserves to share capital. The weighted average share price on the date of options exercised was \$0.73 per share. Additionally, 515,000 stock options were cancelled, and the fair value of \$162,318 attributable to these stock options was transferred from reserves to deficit.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	#	\$	#	\$
Outstanding, beginning	5,662,500	0.33	5,125,000	0.33
Granted	4,550,000	0.67	1,540,000	0.28
Exercised	(470,000)	0.33	(487,500)	0.31
Modified/Forfeited	(790,000)	0.58	(515,000)	0.35
Outstanding, ending	8,952,500	0.47	5,662,500	0.31

As at December 31, 2021, the following options were granted and vested:

Expiry Date	Weighted Exercise Price (\$)	Number of Options Outstanding	Number of Options Vested and Exercisable	Weighted Remaining Contractual Life (years)
January 19, 2023	0.30	1,425,000	1,425,000	1.05
February 21, 2023	0.40	175,000	175,000	1.14
May 25, 2023	0.30	200,000	200,000	1.40
May 1, 2024	0.37	1,140,000	1,140,000	2.33
October 2, 2024	0.30	347,500	347,500	2.76
December 18, 2024	0.20	300,000	300,000	2.97
May 20, 2025	0.33	195,000	195,000	3.39
September 9, 2025	0.24	300,000	300,000	3.69
September 16, 2025	0.25	215,000	215,000	3.71
November 11, 2025	0.29	625,000	625,000	3.87
November 18, 2025	0.30	75,000	75,000	3.88
March 17, 2026	1.29	170,000	113,334	4.21
June 3, 2026	0.63	100,000	33,333	4.42
July 1, 2026	0.75	2,465,000	-	4.50
July 22, 2026	0.62	80,000	-	4.56
August 26, 2026	0.55	250,000	83,333	4.65
October 20, 2026	0.44	390,000	-	4.81
December 7, 2026	0.32	500,000	-	4.94
	0.47	8,952,500	5,227,500	3.34

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9. SHARE CAPITAL AND RESERVE (continued)

Warrants

During the year ended December 31, 2021, the Company issued the following warrants:

- In connection with the January 2021 Offering, 4,436,451 warrants with an exercise price of \$0.50 per warrant.
- In connection with the May 2021 Offering, 19,992,003 warrants with an exercise price of \$0.76 per warrant and 999,600 warrants with an exercise price of \$0.61 per warrant.

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	#	\$	#	\$
Outstanding, beginning	7,980,973	0.60	8,978,478	0.60
Issued	25,428,054	0.71	-	-
Exercised	*(8,003,810)	0.60	*(997,505)	0.60
Expired	(507,160)	0.60	-	-
Outstanding, end	24,898,057	0.71	7,980,973	0.60

*For the year ended December 31, 2021, the weighted average market share price on the date of warrants exercised was \$1.55 (2020 - \$0.79) per share.

As at December 31, 2021, the following warrants were outstanding:

Expiry Date	Weighted Exercise Price (\$)	Number of Warrants Outstanding	Weighted Remaining Contractual Life (years)
July 8, 2022	0.50	4,006,454	0.52
May 18, 2024	0.76	19,892,003	2.38
May 18, 2024	0.61	999,600	2.38
	0.71	24,898,057	2.08

10. FAIR VALUES AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, deposits, accounts payable and accrued liabilities, and lease liabilities. Cash and cash equivalents are measured at fair value based on Level 1 input of the fair value hierarchy. The fair value of amounts receivable, deposits, accounts payable and accrued liabilities, and lease liabilities approximate their carrying values.

The Company is exposed to financial risks arising from its financial assets and liabilities. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents are exposed to minimal credit risk. The credit risk on cash and cash equivalents is low because the counterparties are highly rated banks.

Cash and cash equivalents and amounts receivable are subject to the impairment requirements of IFRS 9; however, impairment was not identified. The carrying amount of cash and cash equivalents, amounts receivable and deposits represents the maximum credit exposure.

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10. FAIR VALUES AND RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is exposed to minimal interest rate risk as the Company invests cash at floating rates of interest in highly liquid instruments, when applicable.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company ensures that it has sufficient capital to meet short term financial obligations after taking into account its cash on hand.

Foreign Currency Risk

The Company's functional currency is the Canadian dollar. The Company funds the operations of Ynvisible SA in Portugal, Ynvisible GmbH in Germany, and Ynvisible Production in Sweden by using Euros and Swedish krona, respectively, converted from its Canadian dollar bank accounts. Based on the Company's Euro and Swedish krona denominated financial instruments at December 31, 2021, a 10% change in exchange rates between the Canadian dollar and the Euro and Swedish krona, respectively, would result in an approximately \$48,460 and \$16,514, respectively, change in foreign exchange gain or loss.

11. CAPITAL MANAGEMENT

Management determines the Company's capital structure and makes adjustments to it based on funds available to the Company, in order to support its business operations. The Board of Directors has not established quantitative return on capital criteria for capital management but rather relies upon the expertise of the management team to sustain the future development of the business. As the Company does not generate significant revenue, the Company is dependent upon external financing to fund technology and business development as well as its administrative costs. The Company will spend existing working capital and raise additional amounts as needed. The Company will continue to assess new business verticals for its technology and know-how and may seek to acquire an interest in supporting business opportunities, if management feels there is sufficient economic potential, provided it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that its approach, given the relative size of the Company, is reasonable. There have been no changes in the Company's approach to capital management during the year ended December 31, 2021. The Company is not subject to externally imposed capital requirements.

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12. SEGMENTED DISCLOSURE

The Company has one operating segment, being the development and sale of ECDs in Europe. At December 31, 2021, the Company's assets, liabilities and comprehensive loss are geographically located as follows:

	Europe	Canada	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,323,175	\$ 14,784,228	\$ 16,107,403
Amounts receivable	856,497	19,998	1,067,968
Inventories	73,522	-	73,522
Prepaid expenses	330,092	51,240	189,860
Total current assets	2,583,286	14,855,466	17,438,752
Non-current assets			
Deposits	5,566	-	5,566
Right-of-use assets	371,981	-	371,981
Fixed assets	1,975,569	-	1,975,569
Intangible assets	316,202	71,253	387,455
Total non-current assets	2,669,318	71,253	2,740,571
Total assets	\$ 5,252,604	\$ 14,926,719	\$ 20,179,323
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 746,408	\$ 353,861	\$ 1,100,268
Current portion of lease liabilities	298,757	-	298,757
Deferred project grants	603,639	-	603,639
Total current liabilities	1,648,804	353,861	2,002,664
Non-current liabilities			
Lease liabilities	72,608	-	72,608
Total non-current liabilities	72,608	-	72,608
Total liabilities	\$ 1,721,412	\$ 353,861	\$ 2,075,272
Comprehensive loss for the year ended December 31, 2021	\$ 3,743,277	\$ 2,563,362	\$ 6,306,639

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12. SEGMENTED DISCLOSURE (continued)

At December 31, 2020, the Company's assets, liabilities and comprehensive loss were geographically located as follows:

	Europe	Canada	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 328,754	\$ 1,480,883	\$ 1,809,637
Amounts receivable	448,453	17,839	466,292
Prepaid expenses	85,733	74,066	159,799
Total current assets	862,940	1,572,788	2,435,728
Non-current assets			
Deposits	3,498	14,095	17,593
Right-of-use assets	732,340	21,649	753,989
Fixed assets	2,331,249	-	2,331,249
Intangible assets	424,372	71,253	495,625
Total non-current assets	3,491,459	106,997	3,598,456
Total assets	\$ 4,354,399	\$ 1,679,785	\$ 6,034,184
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 843,174	\$ 442,291	\$ 1,285,465
Current portion of lease liabilities	327,598	24,308	351,906
Deferred project grants	426,456	-	426,456
Total current liabilities	1,597,228	466,599	2,063,827
Non-current liabilities			
Lease liabilities	399,898	-	399,898
Total non-current liabilities	399,898	-	399,898
Total liabilities	\$ 1,997,126	\$ 466,599	\$ 2,463,725
Comprehensive loss for the year ended December 31, 2020	\$ 2,188,570	\$ 1,331,495	\$ 3,520,065

13. INCOME TAXES

The Company is subject to income taxes on its statements of comprehensive loss in Canada and Europe. The statutory income tax rates were approximately 27% (2020 - 27%) in Canada and 21% (2020 - 21%) in Europe.

A reconciliation of the expected income tax expense (benefit) to the actual income tax expense (benefit) is as follows:

	2021	2020
Recovery at statutory rate	\$ (684,000)	\$ (1,025,000)
Non-deductible items	307,000	72,000
Change in estimate and other	(847,000)	(1,060,000)
Change in tax benefits not recognized	1,224,000	2,013,000
Income taxes expense (recovery)	\$ -	\$ -

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13. INCOME TAXES (continued)

The components of deferred income taxes are:

	2021		2020
Share issue costs	\$ 371,000	\$	107,000
Fixed assets	316,000		36,000
Non-capital losses	4,607,000		3,927,000
Tax benefits not recognized	(5,294,000)		(4,070,000)
Net deferred income tax assets (liabilities)	\$ -	\$	-

The realization of income tax benefits related to these deferred potential tax deductions is not probable. Accordingly, no deferred income tax assets have been recognized for accounting purposes. The Company has non-capital losses carried forward of approximately \$19,143,000 (2020 - \$16,420,000) that may be available for tax purposes. The losses expire as follows:

Expiry date	Amount
2026	\$ 247,000
2027	420,000
2028	694,000
2029	682,000
2030	759,000
2031	522,000
2032	477,000
2033	1,638,000
2034	707,000
2035	387,000
2036	475,000
2037	604,000
2038	1,678,000
2039	1,917,000
2040	3,593,000
2041	3,950,000
Total	\$ 18,750,000

14. SUBSEQUENT EVENTS

In April 2022, the Company granted 20,000 stock options to an employee of the Company at an exercise price of \$0.225 per share for a period of five years, vesting as follows: 1/3rd at twelve months from the date of grant, 1/3rd at twenty-four months from the date of grant, and 1/3 at thirty-six months from the date of grant.

Subsequent to the year ended December 31, 2021, 440,000 stock options were cancelled.

In April 2022, the Company issued 5,000 Class A common shares to the SEA Minority Shareholders in exchange for 5,000 common shares of Ynvisible SA.