



YNVISIBLE INTERACTIVE INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Six Months Ended June 30, 2023 and 2022

(Expressed in Canadian Dollars – unaudited)

Ynvisible Interactive Inc.

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(Expressed in Canadian Dollars – unaudited)

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Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim consolidated financial statements they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's external auditors have not performed a review of these condensed interim consolidated financial statements.



YNVISIBLE INTERACTIVE INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars – unaudited)

	As at	
	June 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash	\$ 9,726,703	\$ 11,844,266
Amounts receivable	492,707	769,184
Inventories	230,671	61,271
Prepaid expenses	127,637	117,418
Total current assets	10,577,718	12,792,139
Non-current assets		
Deposits	6,904	5,830
Right-of-use assets (Note 5)	158,287	307,429
Fixed assets (Note 6)	1,478,508	1,659,428
Intangible assets (Note 7)	281,115	315,512
Total non-current assets	1,924,814	2,288,199
Total assets	\$ 12,502,532	\$ 15,080,338
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 849,760	\$ 946,067
Current portion of lease liabilities (Note 5)	169,358	308,271
Deferred revenue	127,694	115,768
Deferred project grants	42,179	93,948
Total current liabilities	1,188,991	1,464,054
Non-current liabilities		
Lease liabilities (Note 5)	-	9,310
Total liabilities	1,188,991	1,473,364
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	37,532,180	37,532,180
Reserve (Note 9)	2,717,449	3,084,335
Obligation to issue shares (Note 9)	46,084	46,084
Deficit	(28,640,679)	(26,979,750)
Accumulated other comprehensive loss	(341,493)	(75,875)
Total shareholders' equity	11,313,541	13,606,974
Total liabilities and shareholders' equity	\$ 12,502,532	\$ 15,080,338

Note 1 – Corporate Information and Going Concern

Approved and authorized for issue on behalf of the Board of Directors on August 29, 2023:

"Alexander Helmel"

Director

"Jani-Mikael Kuusisto"

Director

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



YNVISIBLE INTERACTIVE INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars – unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue				
Sales	\$ 158,017	\$ 71,289	\$ 422,912	\$ 256,535
Cost of sales	(140,190)	(50,532)	(234,235)	(113,546)
Gross profit	17,827	20,757	188,677	142,989
Expenses				
Compensation and consulting (Note 8)	796,581	693,617	1,609,079	1,420,653
Depreciation (Notes 5, 6, and 7)	146,897	149,833	302,047	309,152
Development and production	237,811	248,152	440,754	353,625
Interest and bank charges	2,793	3,019	5,778	6,431
Marketing and promotion	28,003	68,347	90,112	120,286
Office facilities and services	95,082	126,317	200,171	251,166
Professional fees	112,824	63,265	196,362	151,271
Share-based compensation (Notes 8 and 9)	253,534	183,731	395,371	550,339
Transfer and listing fees	16,340	28,625	31,796	35,298
Travel and project investigation	31,918	57,655	72,727	88,450
Total operating expenses	1,721,783	1,622,561	3,344,197	3,286,671
Loss from operations	(1,703,956)	(1,601,804)	(3,155,520)	(3,143,682)
Other items				
Rental income	66,766	66,033	135,528	129,563
Income and gains	177,367	47,828	337,751	84,370
Other expenses and losses	(58,330)	(34,180)	(99,294)	(37,010)
EU co-funded projects grants	48,670	119,673	125,145	278,594
Gain on forgiveness of debt	-	-	-	9,222
Write-off tangible assets	47	-	(6,103)	-
Total other items	234,520	199,354	493,027	464,739
Net loss for the period	(1,469,436)	(1,402,450)	(2,662,493)	(2,678,943)
Other comprehensive (loss) income				
Foreign currency translation adjustment	(59,587)	163,535	(265,618)	(92,441)
Comprehensive loss for the period	\$ (1,529,023)	\$ (1,238,915)	\$ (2,928,111)	\$ (2,771,384)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	124,671,915	124,670,431	124,671,915	124,668,683

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



YNVISIBLE INTERACTIVE INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars – unaudited)

	Class A Common Shares		Reserve	Obligation to issue shares	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Number	Amount					
	#	\$					
Balance, December 31, 2021	124,666,915	37,530,455	2,886,382	47,809	(22,388,865)	28,271	18,104,052
Shares issued in exchange for Ynvisible, S.A. shares	5,000	1,725	-	(1,725)	-	-	-
Stock options cancelled	-	-	(457,237)	-	457,237	-	-
Share-based compensation	-	-	550,339	-	-	-	550,339
Net loss for the period	-	-	-	-	(2,678,943)	-	(2,678,943)
Other comprehensive loss	-	-	-	-	-	(92,441)	(92,441)
Balance, June 30, 2022	124,671,915	37,532,180	2,979,484	46,084	(24,610,571)	(64,170)	15,883,007
Stock options cancelled	-	-	8,778	-	61,002	-	69,780
Share-based compensation	-	-	165,852	-	-	-	165,852
Warrants expired	-	-	(69,779)	-	-	-	(69,779)
Net loss for the period	-	-	-	-	(2,430,181)	-	(2,430,181)
Other comprehensive loss	-	-	-	-	-	(11,705)	(11,705)
Balance, December 31, 2022	124,671,915	37,532,180	3,084,335	46,084	(26,979,750)	(75,875)	13,606,974
Share-based compensation	-	-	395,371	-	-	-	395,371
Stock options cancelled	-	-	(762,257)	-	1,001,564	-	239,307
Net loss for the period	-	-	-	-	(2,662,493)	-	(2,662,493)
Other comprehensive loss	-	-	-	-	-	(265,618)	(265,618)
Balance, June 30, 2023	124,671,915	37,532,180	2,717,449	46,084	(28,640,679)	(341,493)	11,313,541

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



YNVISIBLE INTERACTIVE INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars – unaudited)

	Six Months Ended June 30,	
	2023	2022
Operating activities		
Net loss for the period	\$ (2,662,493)	\$ (2,678,943)
<i>Items not involving the use of cash:</i>		
Depreciation	302,047	309,152
Depreciation included in Cost of Sales	11,293	11,653
Share-based compensation	395,371	550,339
<i>Changes in working capital items:</i>		
Amounts receivable	276,477	(121,012)
Inventories	(169,400)	22,953
Prepaid expenses	(10,219)	68,967
Accounts payable and accrued liabilities	(96,307)	(147,656)
Deferred income	11,926	-
Deferred project grants	(51,769)	(130,214)
Cash used in operating activities	(1,993,074)	(2,114,761)
Investing activities		
Purchase of fixed assets	(18,951)	(46,532)
Purchase of intangible assets	(4,319)	(1,812)
Deposits	(1,074)	(974)
Cash used in investing activities	(24,344)	(49,318)
Financing activities		
Repayment of lease liabilities	(138,712)	(139,135)
Cash used in financing activities	(138,712)	(139,135)
Effect of foreign exchange	38,567	106,865
Net change in cash	(2,117,563)	(2,196,349)
Cash, beginning of period	11,844,266	16,107,403
Cash, end of period	\$ 9,726,703	\$ 13,911,054
Non-cash transactions		
Reclassification of stock options cancelled	\$ 762,257	\$ 457,237

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

YNVISIBLE INTERACTIVE INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months ended June 30, 2023 and 2022
(Expressed in Canadian Dollars Unless Otherwise Noted – unaudited)

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 “YINV”, on the OTCQB under the symbol “YNVYF”, and on the FSE under the symbol “1XNA”.

These condensed interim 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 six months ended June 30, 2023, the Company incurred a net loss of \$2,662,493 (June 30, 2022 - \$2,678,943) and as at June 30, 2023, had an accumulated deficit of \$28,640,679 (June 30, 2022 - \$24,610,571).

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.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standards (“IAS”), Interim Financial Reporting (“IAS 34”).

This financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the years ended December 31, 2022 and 2021.

Basis of Consolidation

These condensed interim 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months ended June 30, 2023 and 2022
(Expressed in Canadian Dollars Unless Otherwise Noted – unaudited)

2. BASIS OF PRESENTATION (continued)

Basis of Measurement and Presentation

The Company's condensed interim 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 condensed interim consolidated financial statements are in accordance with IFRS and may have been reclassified to conform to the current period's presentation.

The preparation of condensed interim 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 condensed interim consolidated financial statements are discussed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim 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.

4. CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

When preparing the condensed interim 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 condensed interim consolidated financial statements are as follows:

YNVISIBLE INTERACTIVE INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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4. CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES (continued)

ACCOUNTING ESTIMATES

- 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 measurement of the right-of-use assets and 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 incremental borrowing rate, observed in the period when the lease agreement commences or is modified.
- 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. The amounts receivable balance is recorded at the estimated recoverable amount, which involves the estimate of uncollectible accounts.

CRITICAL JUDGMENTS

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.

YNVISIBLE INTERACTIVE INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

	Leases
Cost:	
At December 31, 2021	\$ 1,183,316
Lease modification	234,595
Foreign exchange adjustment	(171,181)
At December 31, 2022	1,246,730
Foreign exchange adjustment	(59,471)
At June 30, 2023	\$ 1,187,259
Depreciation:	
At December 31, 2021	\$ 811,335
Charge for the year	276,636
Foreign exchange adjustment	(148,670)
At December 31, 2022	939,301
Charge for the period	140,037
Foreign exchange adjustment	(50,366)
At June 30, 2023	\$ 1,028,972
Net book value:	
At December 31, 2022	\$ 307,429
At June 30, 2023	\$ 158,287

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

Lease Liabilities

At December 31, 2021	\$ 371,365
Lease payments made	(276,850)
Interest expense on lease liabilities	5,614
Foreign exchange adjustment	217,452
At December 31, 2022	317,581
Lease payments made	(141,185)
Interest expense on lease liabilities	2,473
Foreign exchange adjustment	(9,511)
At June 30, 2023	169,358
Less: current portion	(169,358)
Non-Current Portion	\$ -

The lease liabilities were measured by discounting the lease payments using an incremental borrowing rate of 12%. Interest expense of \$2,473 (June 30, 2022 - \$2,914) 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 2023	\$ 160,041
Fiscal 2024	9,317
Total	\$ 169,358

YNVISIBLE INTERACTIVE INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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6. FIXED ASSETS

	Equipment	Manufacturing Equipment	Leasehold Building Improvements	Office	Other	Total
Costs						
Balance, December 31, 2021	\$ 586,839	\$ 1,918,779	\$ 39,685	\$ 152,985	\$ 65,931	\$ 2,764,219
Additions	31,576	-	-	27,315	2,835	61,726
Disposal	-	-	-	(1,321)	(2,359)	(3,680)
Foreign exchange adjustment	(27,700)	(79,670)	31,694	(8,438)	14,684	(69,430)
Balance, December 31, 2022	590,715	1,839,109	71,379	170,541	81,091	2,752,835
Additions	8,777	-	-	9,898	276	18,951
Foreign exchange adjustment	(7,336)	(85,708)	(576)	10,794	(14,597)	(97,423)
Balance, June 30, 2023	\$ 592,156	\$ 1,753,401	\$ 70,803	\$ 191,233	\$ 66,770	\$ 2,674,363
Accumulated Depreciation						
Balance, December 31, 2021	\$ 213,653	\$ 462,244	\$ 18,807	\$ 54,032	\$ 39,914	\$ 788,650
Charge for the year	62,715	167,061	8,389	23,603	4,971	266,739
Foreign exchange adjustment	7,545	26,629	617	(11,403)	14,630	38,018
Balance, December 31, 2022	283,913	655,934	27,813	66,232	59,515	1,093,407
Charge for the period	34,686	80,310	4,726	14,005	2,525	136,252
Foreign exchange adjustment	(7,256)	(22,894)	(577)	11,533	(14,610)	(33,804)
Balance, June 30, 2023	\$ 311,343	\$ 713,350	\$ 31,962	\$ 91,770	\$ 47,430	\$ 1,195,855
Carrying Value						
Balance, December 31, 2022	\$ 306,802	\$ 1,183,175	\$ 43,566	\$ 104,309	\$ 21,576	\$ 1,659,428
Balance, June 30, 2023	\$ 280,813	\$ 1,040,051	\$ 38,841	\$ 99,463	\$ 19,340	\$ 1,478,508

YNVISIBLE INTERACTIVE INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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7. INTANGIBLE ASSETS

Costs	Patents and Software	Customer List	IP Rights	License	Goodwill	Total
Balance, December 31, 2021	\$ 114,599	\$ 164,349	\$ 51,136	\$ 140,100	\$ 71,253	\$ 541,437
Additions	-	5,049	-	-	-	5,049
Foreign exchange adjustment	2,613	(7,096)	(1,779)	(24,001)	-	(30,263)
Balance, December 31, 2022	117,212	162,302	49,357	116,099	71,253	516,223
Additions	-	4,319	-	-	-	4,319
Foreign exchange adjustment	(2,840)	(7,204)	(2,467)	14,005	-	1,494
Balance, June 30, 2023	\$ 114,372	\$ 159,417	\$ 46,890	\$ 130,104	\$ 71,253	\$ 522,036
Accumulated Depreciation						
Balance, December 31, 2021	\$ 44,057	\$ 41,058	\$ 13,633	\$ 55,234	\$ -	\$ 153,982
Charge for the year	9,025	28,228	8,612	12,900	-	58,765
Foreign exchange adjustment	2,784	2,663	883	(18,366)	-	(12,036)
Balance, December 31, 2022	55,866	71,949	23,128	49,768	-	200,711
Charge for the period	4,130	14,503	4,290	6,425	-	29,348
Foreign exchange adjustment	(2,819)	(3,242)	(1,067)	17,990	-	10,862
Balance, June 30, 2023	\$ 57,177	\$ 83,210	\$ 26,351	\$ 74,183	\$ -	\$ 240,921
Carrying Value						
Balance, December 31, 2022	\$ 61,346	\$ 90,353	\$ 26,229	\$ 66,331	\$ 71,253	\$ 315,512
Balance, June 30, 2023	\$ 57,195	\$ 76,207	\$ 20,539	\$ 55,921	\$ 71,253	\$ 281,115

YNVISIBLE INTERACTIVE INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars Unless Otherwise Noted – unaudited)

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

	Six Months Ended June 30,	
	2023	2022
Compensation and consulting	\$ 290,965	\$ 361,517
Share-based compensation	84,366	89,868
	\$ 375,331	\$ 451,385

As at June 30, 2023, accounts payable and accrued liabilities include \$33,515 (December 31, 2022 - \$11,611) due to officers and directors. Accounts payable and accrued liabilities due to related parties are unsecured and have no specified terms of repayment.

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 six months ended June 30, 2023: The Company had no share capital activity.

For the year ended December 31, 2022:

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

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.

As at June 30, 2023, the Company recorded \$46,084 (December 31, 2022 - \$46,084) for obligation to issue shares.

YNVISIBLE INTERACTIVE INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months ended June 30, 2023 and 2022
(Expressed in Canadian Dollars Unless Otherwise Noted – unaudited)

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 April 2022, the Company granted 20,000 stock options to an employee 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. The options were valued at \$3,797 using the Black-Scholes option pricing model.

In July 2022, the Company granted 2,680,000 stock options to various directors, officers, consultants, and employees at an exercise price of \$0.20 per share for a period of five years, vesting as follows: 1/4th at the date of grant, 1/4th at four months from the date of grant, 1/4th at eight months from the date of grant, and 1/4th at twelve months from the date of grant. The options were valued at \$254,910 using the Black-Scholes option pricing model. In addition, the Company granted 25,000 stock options to a provider of investor relations services at an exercise price of \$0.20 per share for a period of five years, vesting as follows: 1/4th at three months from the date of grant, 1/4th at six months from the date of grant, 1/4th at nine months from the date of grant, and 1/4th at twelve months from the date of grant. The options were valued at \$2,378 using the Black-Scholes option pricing model.

In September 2022, the Company granted 55,000 stock options to various consultants at an exercise price of \$0.20 per share for a period of five years, vesting as follows: 1/4th at the date of grant, 1/4th at four months from the date of grant, 1/4th at eight months from the date of grant, and 1/4th at twelve months from the date of grant. The options were valued at \$6,308 using the Black-Scholes option pricing model.

In February 2023, the Company granted 2,427,500 stock options to various directors, officers, consultants, and employees at an exercise price of \$0.20 per share for a period of five years, vesting as follows: 1/4th at the date of grant, 1/4th at four months from the date of grant, 1/4th at eight months from the date of grant, and 1/4th at twelve months from the date of grant. The options were valued at \$162,856 using the Black-Scholes option pricing model. In addition, the Company granted 25,000 stock options to a provider of investor relations services at an exercise price of \$0.20 per share for a period of five years, vesting as follows: 1/4th at three months from the date of grant, 1/4th at six months from the date of grant, 1/4th at nine months from the date of grant, and 1/4th at twelve months from the date of grant.

In March 2023, the Company granted 20,000 stock options to employees at an exercise price of \$0.20 per share for a period of five years, vesting as follows: 1/4th at the date of grant, 1/4th at four months from the date of grant, 1/4th at eight months from the date of grant, and 1/4th at twelve months from the date of grant. The options were valued at \$1,174 using the Black-Scholes option pricing model.

In June 2023, the Company granted 20,000 stock options to employees at an exercise price of \$0.20 per share for a period of five years, vesting as follows: 1/4th at the date of grant, 1/4th at four months from the date of grant, 1/4th at eight months from the date of grant, and 1/4th at twelve months from the date of grant. The options were valued at \$1,928 using the Black-Scholes option pricing model.

Share-based compensation recognized during the six months ended June 30, 2023 was \$395,371 (June 30, 2022 - \$550,339) from vesting of options.

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9. SHARE CAPITAL AND RESERVE (continued)

Stock Options (continued)

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 six months ended June 30,	
	2023	2022
Risk-free interest rate	3.61%	2.64%
Expected stock price volatility	123%	118%
Expected option life in years	5 Years	5 Years
Exercise price	0.20	0.225
Spot price	0.12	-

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

	Six Months Ended June 30, 2023		Year Ended December 31, 2022	
	Number of Options (#)	Weighted Average Exercise Price (\$)	Number of Options (#)	Weighted Average Exercise Price (\$)
Outstanding, beginning	9,472,500	0.39	8,952,500	0.47
Granted	2,492,500	0.20	2,780,000	0.20
Cancelled/Forfeited	(2,200,834)	0.36	(2,260,000)	0.47
Outstanding, ending	9,764,166	0.35	9,472,500	0.39

As at June 30, 2023, the following options were granted and vested:

Expiry Date	Weighted Average Exercise Price (\$)	Number of Options Outstanding	Number of Options Vested and Exercisable	Weighted Remaining Contractual Life (years)
May 1, 2024	0.37	1,010,000	1,010,000	0.84
October 2, 2024	0.30	177,500	177,500	1.26
May 20, 2025	0.33	195,000	195,000	1.89
September 16, 2025	0.25	215,000	215,000	2.22
November 11, 2025	0.29	125,000	125,000	2.37
March 17, 2026	1.29	40,000	40,000	2.72
June 3, 2026	0.63	100,000	100,000	2.93
July 1, 2026	0.75	1,515,000	1,009,991	3.01
July 22, 2026	0.62	80,000	53,333	3.06
August 26, 2026	0.55	250,000	250,000	3.16
October 20, 2026	0.44	370,000	123,333	3.31
December 7, 2026	0.32	500,000	166,666	3.44
April 13, 2027	0.23	6,666	6,666	3.79
July 20, 2027	0.20	2,693,750	2,028,750	4.06
September 22, 2027	0.20	25,000	18,750	4.23
February 24, 2028	0.20	2,421,250	1,213,750	4.66
March 28, 2028	0.20	20,000	5,000	4.75
June 26, 2028	0.20	20,000	5,000	4.99
	0.35	9,764,166	6,743,739	3.45

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9. SHARE CAPITAL AND RESERVE (continued)

Warrants

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

	Six Months Ended Six 30, 2023		Year Ended December 31, 2022	
	Number of Warrants	Weighted Average	Number of Warrants	Weighted Average
	(#)	Exercise Price	(#)	Exercise Price
		(\$)		(\$)
Outstanding, beginning	20,891,603	0.75	24,898,057	0.71
Expired	-	-	(4,006,454)	0.50
Outstanding, end	20,891,603	0.75	20,891,603	0.75

As at June 30, 2023, the following warrants were outstanding:

Expiry Date	Weighted Average	Number of	Weighted Remaining
	Exercise Price	Warrants	Contractual Life
	(\$)	Outstanding	(years)
May 18, 2024	0.76	19,892,003	0.88
May 18, 2024	0.61	999,600	0.88
	0.75	20,891,603	0.88

10. FAIR VALUES AND RISK MANAGEMENT

The Company's financial instruments consist of cash, amounts receivable, deposits, accounts payable and accrued liabilities, and lease liabilities. Cash 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 is exposed to minimal credit risk. The credit risk on cash is low because the counterparties are highly rated banks.

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

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.

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10. FAIR VALUES AND RISK MANAGEMENT (continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises: currency risk, interest rate risk and other price risk. The Company's management of market risk has not changed materially from that of the prior year and the Company's financial instruments aren't subject to other price risk.

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.

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 June 30, 2023, a 10% change in exchange rates between the Canadian dollar and the Euro and Swedish krona, respectively, would result in an approximately \$35,589 and \$29,985, 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 six months ended June 30, 2023. 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 June 30, 2023, the Company's assets, liabilities and comprehensive loss are geographically located as follows:

	Europe	Canada	Total
ASSETS			
Current assets			
Cash	\$ 858,574	\$ 8,868,129	\$ 9,726,703
Amounts receivable	389,849	102,858	492,707
Inventories	230,671	-	230,671
Prepaid expenses	95,141	32,496	127,637
Total current assets	1,574,235	9,003,483	10,577,718
Non-current assets			
Deposits	6,904	-	6,904
Right-of-use assets	158,287	-	158,287
Fixed assets	1,478,508	-	1,478,508
Intangible assets	209,862	71,253	281,115
Total non-current assets	1,853,561	71,253	1,924,814
Total assets	\$ 3,427,796	\$ 9,074,736	\$ 12,502,532
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 685,263	\$ 164,497	\$ 849,760
Current portion of lease liabilities	169,358	-	169,358
Deferred revenue	127,694	-	127,694
Deferred project grants	42,179	-	42,179
Total current liabilities	1,024,494	164,497	1,188,991
Non-current liabilities			
Lease liabilities	-	-	-
Total non-current liabilities	-	-	-
Total liabilities	\$ 1,024,494	\$ 164,497	\$ 1,188,991
Comprehensive loss for the six months ended June 30, 2023	\$ 2,713,459	\$ 214,652	\$ 2,928,111

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12. SEGMENTED DISCLOSURE (continued)

At December 31, 2022, the Company's assets, liabilities and comprehensive loss were geographically located as follows:

	Europe	Canada	Total
ASSETS			
Current assets			
Cash	\$ 917,957	\$ 10,926,309	\$ 11,844,266
Amounts receivable	732,019	37,165	769,184
Inventories	61,271	-	61,271
Prepaid expenses	73,622	43,796	117,418
Total current assets	1,784,869	11,007,270	12,792,139
Non-current assets			
Deposits	5,830	-	5,830
Right-of-use assets	307,429	-	307,429
Fixed assets	1,659,428	-	1,659,428
Intangible assets	244,259	71,253	315,512
Total non-current assets	2,216,946	71,253	2,288,199
Total assets	\$ 4,001,815	\$ 11,078,523	\$ 15,080,338
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 723,230	\$ 222,837	\$ 946,067
Current portion of lease liabilities	308,271	-	308,271
Deferred project grants	209,716	-	209,716
Total current liabilities	1,241,217	222,837	1,464,054
Non-current liabilities			
Lease liabilities	9,310	-	9,310
Total non-current liabilities	9,310	-	9,310
Total liabilities	\$ 1,250,527	\$ 222,837	\$ 1,473,364
Comprehensive loss for the year ended December 31, 2022	\$ 3,891,652	\$ 1,321,618	\$ 5,213,270