YNVISIBLE INTERACTIVE INC.

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S 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, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's 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 audit 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $3,467,088 during the year ended December 31, 2019 and, as of that date, the Company had an accumulated deficit of $12,982,391. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the 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 audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 IFRSs, 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 auditor's report is Kevin Kwan.

Vancouver, Canada — *"Morgan & Company LLP"*

June 1, 2020 — Chartered Professional Accountants

MORGAN & COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

YNVISIBLE INTERACTIVE INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

		As at		
		December 31, 2019		December 31, 2018
ASSETS				
Current assets				
Cash	**$**	**2,126,725**	$	957,078
Amounts receivable		**601,172**		637,128
Prepaid expenses		**174,304**		10,699
Total current assets		**2,902,201**		1,604,905
Non-current assets				
Deposits		**24,791**		15,106
Right-of-use assets (Note 7)		**1,044,866**		-
Fixed assets (Note 8)		**2,308,251**		487,831
Intangible assets (Note 9)		**269,483**		84,472
Total non-current assets		**3,647,391**		587,409
Total assets	**$**	**6,549,592**	$	2,192,314
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Note 10)	**$**	**621,949**	$	637,047
Current portion of lease liabilities (Note 7)		**337,407**		-
Deferred project grants		**864,860**		1,028,534
Total current liabilities		**1,824,216**		1,665,581
Lease liabilities (Note 7)		**705,484**		-
Long-term liabilities		**5,694**		211,533
Total liabilities		**2,535,394**		1,877,114
SHAREHOLDERS' EQUITY				
Share capital (Note 11)		**14,993,969**		8,905,438
Reserve (Note 11)		**1,668,405**		1,088,000
Obligation to issue shares (Note 11)		**160,072**		-
Deficit		**(12,982,391)**		(9,836,801)
Accumulated other comprehensive income		**174,143**		158,563
Total shareholders' equity		**4,014,198**		315,200
Total liabilities and shareholders' equity	**$**	**6,549,592**	$	2,192,314

Note 1 – Corporate Information and Going Concern

Approved and authorized for issue on behalf of the Board of Directors on June 1, 2020:

"Alexander Helmel"	"Duarte Mineiro"
Director	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,	
	2019	2018
Revenue		
Sales	**$ 312,768**	$ -
Cost of sales	**(89,123)**	-
Gross profit	**223,645**	-
Expenses		
Compensation and consulting (Note 10)	**1,732,494**	2,005,132
Depreciation (Notes 7 and 8)	**333,719**	33,534
Development and production	**331,288**	244,468
Interest and bank charges	**19,660**	17,376
Marketing and promotion	**152,782**	96,067
Office facilities and services	**279,582**	171,541
Professional fees	**410,805**	527,206
Share-based compensation (Notes 10 and 11)	**625,044**	1,088,000
Transfer and listing fees	**49,361**	97,479
Travel and project investigation	**221,060**	229,271
Total operating expenses	**4,155,795**	4,510,074
Loss from operations	**(3,932,150)**	(4,510,074)
Other items		
Income and gains	**167,599**	22,511
Expenses and losses	**(24,538)**	(115,014)
EU co-funded projects grants	**492,909**	375,269
RTO transaction costs (Note 11)	**(178,862)**	(1,201,399)
Gain on forgiveness of debt	**7,954**	-
Prototyping projects revenue	**-**	16,949
Total other items	**465,062**	(901,684)
Loss before income taxes	**(3,467,088)**	(5,411,758)
Income tax expense	**-**	(6,756)
Net loss for the year	**(3,467,088)**	(5,418,514)
Other comprehensive gain (loss)		
Foreign currency translation adjustment	**15,580**	(63,048)
Comprehensive loss for the year	**$ (3,451,508)**	$ (5,481,562)
Basic and diluted loss per common share	**$ (0.05)**	$ (0.11)
Weighted average number of common shares outstanding	**65,408,221**	50,228,036

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

YNVISIBLE INTERACTIVE INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(Expressed in Canadian Dollars)

	Common Shares						
	Class A Number	Class A Amount	Reserve	Obligation to issue shares	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficiency)
	#	$	$	$	$	$	$
Balance, December 31, 2017	26,172,815	2,154,178	-	-	(4,418,287)	221,611	(2,042,498)
Shares of Network Exploration Ltd. on RTO	10,807,704	-	-	-	-	-	-
Elimination of shares of YD Ynvisible, S.A.	(26,172,815)	-	-	-	-	-	-
Shares issued for RTO	24,650,950	2,254,063	-	-	-	-	2,254,063
Shares issued by prospectus	15,333,332	4,600,000	-	-	-	-	4,600,000
Shares issued for finder's fees for RTO	1,340,881	402,264	-	-	-	-	402,264
Shares issued for finder's fees for private placement	83,333	25,000	-	-	-	-	25,000
Shares issued in exchange for YD Ynvisible shares	925,479	-	-	-	-	-	-
Share issue costs	-	(530,067)	-	-	-	-	(530,067)
Share-based compensation	-	-	1,088,000	-	-	-	1,088,000
Net loss for the year	-	-	-	-	(5,418,514)	-	(5,418,514)
Other comprehensive loss	-	-	-	-	-	(63,048)	(63,048)
Balance, December 31, 2018	**53,141,679**	**8,905,438**	**1,088,000**	**-**	**(9,836,801)**	**158,563**	**315,200**
Shares issued by private placement	15,910,629	5,268,192	133,568	-	-	-	5,401,760
Shares issued in exchange for Ynvisible, S.A. shares	49,392	18,790	-	(12,210)	-	-	6,580
Shares issued in exchange for Ynvisible Production shares	3,564,474	1,119,193	-	-	-	-	1,119,193
Obligation to issue shares	-	-	-	172,282	-	-	172,282
Finder's units issued for private placement	587,226	190,540	6,662	-	-	-	197,202
Warrants issued for finder's fees for private placement	-	(157,629)	157,629	-	-	-	-
Share issue costs	-	(196,853)	-	-	-	-	(196,853)
Share issue costs by shares issuance	-	(197,202)	-	-	-	-	(197,202)
Stock options exercised	75,000	43,500	(21,000)	-	-	-	22,500
Stock options expired	-	-	(221,000)	-	221,000	-	-
Stock options cancelled	-	-	(100,498)	-	100,498	-	-
Share-based compensation	-	-	625,044	-	-	-	625,044
Net loss for the year	-	-	-	-	(3,467,088)	-	(3,467,088)
Other comprehensive income	-	-	-	-	-	15,580	15,580
Balance, December 31, 2019	**73,328,400**	**14,993,969**	**1,668,405**	**160,072**	**(12,982,391)**	**174,143**	**4,014,198**

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

YNVISIBLE INTERACTIVE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended December 31,	
	2019	2018
Operating activities		
Net loss for the year	$ **(3,467,088)**	$ (5,418,514)
Items not involving the use of cash:		
Depreciation	**333,719**	33,534
Gain on forgiveness of debt	**(7,954)**	-
Share-based compensation	**625,044**	1,088,000
Unrealized foreign exchange	**(2,477)**	(244,313)
RTO transaction fees	**178,862**	1,191,596
Income tax expense	**(1,312)**	-
Changes in working capital items:		
Amounts receivable	**72,980**	(446,458)
Prepaid expenses	**(160,516)**	(10,699)
Deposits	**(199)**	(374)
Accounts payable and accrued liabilities	**(445,071)**	(769,996)
Deferred project grants	**(163,674)**	932,653
Cash used in operating activities	**(3,037,686)**	(3,644,571)
Investing activities		
Cash acquired in RTO	**-**	1,689,720
Purchase of fixed assets	**(642,778)**	(511,567)
Cash indebtedness acquired from Ynvisible Production	**(15,374)**	-
Investments in intangible assets	**(9,921)**	(62,071)
Cash (used in) provided by investing activities	**(668,073)**	1,116,082
Financing activities		
Proceeds on issuance of shares	**5,401,760**	4,600,000
Share issue costs	**(196,853)**	(505,067)
Loan proceeds received	**-**	149,790
Stock options exercised	**22,500**	-
Long term debt repaid	**(197,885)**	(949,251)
Repayment of lease liabilities	**(169,696)**	-
Cash provided by financing activities	**4,859,826**	3,295,472
Effect of foreign exchange	**15,580**	186,642
Net change in cash	**1,169,647**	953,625
Cash, beginning of year	**957,078**	3,453
Cash, end of year	$ **2,126,725**	$ 957,078
Non-cash transactions		
Capitalization of right-of-use assets and lease liabilities	$ **1,221,435**	$ -
Shares issued for RTO	$ **-**	$ 2,254,063
Shares issued for finder's fees for RTO	$ **-**	$ 402,264
Shares issued for finder's fees for private placement	$ **-**	$ 25,000
Shares issued for the acquisition of Ynvisible Production	$ **1,119,193**	$ -
Reclassification of stock options exercised	$ **21,000**	$ -
Reclassification of stock options expired	$ **221,000**	$ -
Reclassification of stock options cancelled	$ **100,498**	$ -
Value of warrants issued in private placement	$ **133,568**	$ -
Value of finder’s units issued for private placement	$ **197,202**	$
Value of finder’s warrants issued in private placement	$ **157,629**	$ -

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

1. CORPORATE INFORMATION AND GOING CONCERN

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.

On January 19, 2018, the Company completed a transaction with YD Ynvisible, S.A. ("Ynvisible, S.A."), whereby the Company acquired 94.19% of the issued and outstanding Class A common shares of Ynvisible, S.A., which constituted a reverse takeover (Note 5).

The Company changed its name to Ynvisible Interactive Inc. on January 11, 2018, and its principal business activity is the development and sale of electrochromic ("EC") displays. The Company's shares, which were halted from trading since announcing the reverse takeover on May 2, 2016, resumed trading on the TSX Venture Exchange ("TSXV") on January 23, 2018 under the symbol "YNV".

On February 15, 2018, the Company elected to change its fiscal year-end to December 31 to align its reporting periods with the industry standard calendar year-end.

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, 2019, the Company incurred a net loss of $3,467,088 (2018 - $5,418,514) and as at December 31, 2019, had an accumulated deficit of $12,982,391 (2018 - $9,836,801).

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. These factors may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business. 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, has 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 ours. This outbreak could decrease spending, adversely affect demand for our product and harm our business and results of operations. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our 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") applicable to the preparation of financial statements, including International Accounting Standards ("IAS").

2. BASIS OF PRESENTATION (continued)

Basis of Consolidation

These consolidated financial statements include the accounts of the Company, its 100% owned subsidiary Ynvisible, S.A., Portugal, Ynvisible GmbH, Germany, which is 100% owned by Ynvisible, S.A., and Ynvisible Production AB ("Ynvisible Production" and formerly Consensum Production AB), Sweden, which is 100 % owned by the Company. All intercompany transactions and balances have been eliminated on consolidation.

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, S.A. 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. Revenues and expenses are translated at average rates in effect during the period except for depreciation which is translated at historical rates. The resulting gains or losses are reflected in profit or loss in the period of translation.

At the entity level, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate in effect at the financial position date and non-monetary assets and liabilities are translated at the exchange rates in effect at the date of the transaction. Income and expenses are translated at rates approximating the exchange rates in effect at the time of the transactions. All exchange gains and losses are credited or charged to profit or loss in the period in which they arise.

Cash

Cash include cash on hand, demand deposits, 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. As at December 31, 2019 and 2018, the Company had no cash equivalents.

(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, deducted from accumulated depreciation and any accumulated impairment losses. 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 life for each group of assets.

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

Equipment	5 – 7 years
Manufacturing equipment	10 years
Leasehold building improvements	Term of the lease
Office	3 – 5 years
Laboratory	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 the period in which the disposal or alienation occurs.

Leases

On January 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease liabilities related to its lease commitments for its office leases. The lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate as at January 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount, plus prepaid lease payments made by the Company. The Company has implemented the following accounting policies permitted under the new standard:

- leases of low dollar value will continue to be expensed as incurred; and
- the Company will not apply any grandfathering practical expedients.

(Expressed in Canadian Dollars Unless Otherwise Noted)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases *(continued)*

As at January 1, 2019, the Company recognized $368,734 in right-of-use assets and $368,734 in lease liabilities as summarized below.

	$
Minimum lease payments under operating leases as of December 31, 2018	393,169
Effect from discounting at the incremental borrowing rate as of January 1, 2019	(24,435)
Right-of-use assets and lease liabilities recognized as of January 1, 2019	**368,734**

The lease liabilities were discounted at a discount rate of 1% per annum for the European lease and 12% per annum for the Canadian lease as at January 1, 2019.

The following is the accounting policy for leases as of January 1, 2019 upon adoption of IFRS 16:

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases *(continued)*

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 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.

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 are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill is deemed to have indefinite life and is not amortized but is subject to, at a minimum, annual impairment tests. The Company assesses the impairment of goodwill on an annual basis or whenever events or changes in circumstances indicate that the fair value is less than its carrying value. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

***Income Tax* (continued)**

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.

Government Assistance

The Company is eligible for various 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.

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	Amortized cost
Amounts receivable	Amortized cost
Deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liabilities	Amortized cost
Long-term liabilities	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments **(continued)**

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.

4. CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

When preparing the 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 estimation uncertainty considered by management in preparing the financial statements are as follows:

a. The amounts disclosed related to fair values of stock options and warrants issued and the resulting effects on profit or loss are based on estimates of future volatility of the Company’s share price, expected lives of the options and expected dividends.
b. The valuation of deferred income tax assets is based on estimates of the probability of the Company utilizing certain tax pools and assets and on the impact of future changes in legislation, tax rates and interpretations by taxation authorities.
c. 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.
d. For the year ended December 31, 2019, the Company determined to begin presenting revenue from its operations as sales in its Consolidated Statements of Comprehensive Loss. For the year ended December 31, 2018, the Company presented revenue as prototyping project revenue in Other Items in the Consolidated Statements of Comprehensive Loss. The Company considered the acquisition of Ynvisible Production AB (see Note 6), with the corresponding increase in revenue and costs of goods sold, to be the determining factor in making this change in presentation.

(Expressed in Canadian Dollars Unless Otherwise Noted)

5. REVERSE TAKEOVER TRANSACTION

On January 19, 2018, the Company completed a transaction with Ynvisible, S.A. (Note 1) whereby the Company acquired 94.19% of the issued and outstanding common shares of Ynvisible, S.A. through the issuance of a total of 25,991,831 Class A common shares, which acquisition constituted a reverse takeover ("RTO") pursuant to the policies of the TSXV. The RTO was completed pursuant to the terms of a share exchange agreement dated effective July 19, 2016, as amended (the "Share Exchange Agreement"), among the Company, Ynvisible, S.A. and certain shareholders of the Ynvisible, S.A. In consideration of the acquisition of 94.19% of the Ynvisible, S.A.'s shares, and pursuant to the terms of the Share Exchange Agreement, the Company issued 24,650,950 Class A common shares of the Company and 1,340,881 Class A common shares were issued as a finder's fee in connection with the RTO.

The Company was the acquiree (the "Target") and Ynvisible, S.A. was the acquirer in the RTO. The acquisition of Ynvisible, S.A. by the Company constitutes a reverse asset acquisition as the Company did not meet the definition of a business, as defined in IFRS 3, Business Combinations. Accordingly, as a result of the RTO, the consolidated statements of financial position have been adjusted for the elimination of the Company's share capital of $18,813,444, reserve of $762,213 and accumulated deficit of $17,939,668, all within shareholders' equity as of the date of acquisition.

The Company accounted for the assets and liabilities acquired in the RTO as follows:

Total Purchase Price:	
24,650,950 Class A common shares of the Company	$ 2,254,063

Allocation of purchase price	**January 19, 2018**
Cash	$ 1,689,720
Accounts receivable	6,136
Prepaid expenses	70,000
Deposits	14,095
Loans receivable	149,790
Accounts payable and accrued liabilities	(217,693)
Loans payable	(177,317)
Net Assets of the Target	1,534,731
RTO transaction costs	719,332
	$ 2,254,063

The Company also issued 1,340,881 Class A common shares at a deemed price of $0.30 per Class A common share to an arm's length finder as payment of a finder's fee in connection with the RTO. The finder's fees Class A common shares' value of $402,264 is included in the RTO transaction costs of $1,201,399 in the consolidated statement of comprehensive loss.

(Expressed in Canadian Dollars Unless Otherwise Noted)

6. ACQUISITION OF YNVISIBLE PRODUCTION AB (FORMERLY CONSENSUM PRODUCTION AB)

On August 21, 2019, the Company completed the acquisition of Ynvisible Production pursuant to which the Company acquired 100% of the issued and outstanding shares of Ynvisible Production. Ynvisible Production is a printed electronics contract manufacturing company based in Linköping, Sweden.

Pursuant to the terms of the transaction, the Company issued an aggregate of 3,564,474 common shares of the Company (the "Payment Shares") with a fair value of $1,119,193. The Payment Shares are subjected to a statutory hold period expiring December 21, 2019 as well as a voluntary hold period until February 20, 2020 for 25% of the Payment Shares and August 20, 2020 for an additional 25% of the Payment Shares.

The acquisition has been accounted for using the acquisition method pursuant to IFRS 3, *Business Combinations*. Under the acquisition method, assets and liabilities are recorded at their fair values on the date of acquisition. The excess consideration given over the fair value of the net assets acquired is recorded as goodwill.

	Total
	$
Consideration:	
Common shares	1,119,193
Total consideration provided	**1,119,193**
Allocated as follows:	
Bank indebtedness	(15,374)
Amounts receivable	37,024
Prepaid expenses	3,089
Deposits	9,486
Right-of-use assets	852,701
Option agreement value for manufacturing equipment*	1,326,000
Intangible assets	119,000
Accounts payable and accrued liabilities	(136,565)
Current portion of lease liabilities	(241,110)
Loans payable	(294,720)
Lease liabilities	(611,591)
Goodwill	71,253
	1,119,193

*Subsequent to the acquisition, the Company exercised the option agreement and the value of the manufacturing equipment was transferred to fixed assets (Note 8).

(Expressed in Canadian Dollars Unless Otherwise Noted)

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

		Leases
Cost:		
At December 31, 2017 and 2018	$	-
Adjustment on initial adoption of IFRS 16 (Note 3)		368,734
Additions		852,701
At December 31, 2019	**$**	**1,221,435**
Depreciation:		
At December 31, 2017 and 2018	$	-
Charge for the year		176,569
At December 31, 2019	**$**	**176,569**
Net book value:		
At December 31, 2018	$	-
At December 31, 2019	**$**	**1,044,866**

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

Lease Liabilities

Lease liabilities recognized as of January 1, 2019	$	368,734
Additions		852,701
Lease payments made		(185,652)
Interest expense on lease liabilities		15,956
Foreign exchange adjustment		(8,848)
		1,042,891
Less: current portion		(337,407)
At December 31, 2019	**$**	**705,484**

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

Fiscal 2020	$	351,841
Fiscal 2021	$	326,651
Fiscal 2022	$	301,460
Fiscal 2023	$	91,805
Fiscal 2024	$	12,468

(Expressed in Canadian Dollars Unless Otherwise Noted)

8. FIXED ASSETS

	Equipment	Manufacturing Equipment*	Leasehold Building Improvements	Office	Laboratory**	Other	Total
Costs							
Balance, December 31, 2017	$ 60,944	$ -	$ -	$ -	$ -	$ 12,681	$ 73,625
Additions	405,953	-	33,949	28,732	-	42,933	511,567
Balance, December 31, 2018	466,897	-	33,949	28,732	-	55,614	585,192
Additions	34,721	1,834,126	7,964	62,800	13,149	16,018	1,968,778
Balance, December 31, 2019	**$ 501,618**	**$ 1,834,126**	**$ 41,913**	**$ 91,532**	**$ 13,149**	**$ 71,632**	**$ 2,553,970**
Accumulated Depreciation							
Balance, December 31, 2017	$ 56,249	$ -	$ -	$ -	$ -	$ 12,681	$ 68,930
Charge for the year	17,851	-	1,414	4,320	-	4,846	28,431
Balance, December 31, 2018	74,100	-	1,414	4,320	-	17,527	97,361
Charge for the year	52,596	62,310	5,655	11,308	-	16,489	148,358
Balance, December 31, 2019	**$ 126,696**	**$ 62,310**	**$ 7,069**	**$ 15,628**	**$ -**	**$ 34,016**	**$ 245,719**
Carrying Value							
Balance, December 31, 2018	$ 392,797	$ -	$ 32,535	$ 24,412	$ -	$ 38,087	$ 487,831
Balance, December 31, 2019	**$ 374,922**	**$ 1,771,816**	**$ 34,844**	**$ 75,904**	**$ 13,149**	**$ 37,616**	**$ 2,308,251**

* The manufacturing equipment included the option agreement value of $1,326,000 upon acquisition of Ynvisible Production (Note 6).
**The laboratory is currently under construction and are therefore not being depreciated.

(Expressed in Canadian Dollars Unless Otherwise Noted)

9. INTANGIBLE ASSETS

Costs		Patents and Software		License		Goodwill*		Total
Balance, December 31, 2017	$	37,112	$	-	$	-	$	37,112
Additions		62,071		-		-		62,071
Balance, December 31, 2018		99,183		-		-		99,183
Additions		9,921		119,476		71,253		200,650
Balance, December 31, 2019	**$**	**109,104**	**$**	**119,476**	**$**	**71,253**	**$**	**299,833**
Accumulated Depreciation								
Balance, December 31, 2017	$	4,231	$	-	$	-	$	4,231
Adjustments		5,375		-		-		5,375
Charge for the year		5,105		-		-		5,105
Balance, December 31, 2018		14,711		-		-		14,711
Charge for the year		9,298		6,341		-		15,639
Balance, December 31, 2019	**$**	**24,009**	**$**	**6,341**	**$**	**-**	**$**	**30,350**
Carrying Value:								
Balance, December 31, 2018	$	84,472	$	-	$	-	$	84,472
Balance, December 31, 2019	**$**	**85,095**	**$**	**113,135**	**$**	**71,253**	**$**	**269,483**

*The goodwill is related to the acquisition of Ynvisible Production (Note 6).

10. 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,			
		2019		2018
Compensation and consulting	**$**	**438,523**	$	490,665
Share-based compensation		**241,659**		565,623
	$	**680,182**	$	1,056,288

As at December 31, 2019, accounts payable and accrued liabilities include $43,453 (2018 - $122,252) due to officers and directors. Accounts payable and accrued liabilities due to related parties are unsecured, and have no specified terms of repayment. During 2019, the Company received $79,425 (2018 - $Nil) in rent payments from a company controlled by a director of the Company.

11. 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.

11. SHARE CAPITAL AND RESERVE (continued)

Issued

For the year ended December 31, 2019

On January 10, 2019, the Company closed a non-brokered private placement of 3,339,200 units of the Company at $0.30 per unit for gross proceeds of $1,001,760 (the "January 2019 Offering"). Each unit consists of one common share in the capital of the Company and one-half of a share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share in the capital of the Company at a price of $0.60 per warrant for a period of three years from the closing of the January 2019 Offering. A value of $133,568 was allocated to the warrants.

If at any time commencing 4 months from the date the warrants are issued, if for the preceding 7 consecutive trading days, the daily volume weighted average trading price of the Company's shares is greater than $0.75, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire on the 30th calendar day after the date of such notice ("Accelerated Expiry").

The Company paid finders a cash commission in the aggregate amount of $12,444 and incurred other expenses of $8,133 on the January 2019 Offering. In addition, 166,553 units valued at $49,966 were issued to finders. Each finder's unit consists of one share and one-half of a warrant. Each warrant will entitle the holder to purchase one additional common share at a price of $0.60 per warrant for a period of three years from the closing of the January 2019 Offering, subject to the Accelerated Expiry. A value of $6,662 was allocated to the warrants, using the residual value pricing model.

On June 5, 2019, the Company closed a non-brokered private placement of 12,571,429 units of the Company at $0.35 per unit for gross proceeds of $4,400,000 (the "June 2019 Offering"). Each unit consists of one common share in the capital of the Company and one-half of a share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share in the capital of the Company at a price of $0.60 per warrant for a period of three years from the closing of the June 2019 Offering. The warrants are subject to the Accelerated Expiry.

The Company has paid finders a cash commission in the aggregate amount of $126,133 and incurred other expenses of $22,736 on the June 2019 Offering. In addition, 420,673 units valued at $147,236 were issued to finders and 729,553 non-transferable finder's warrants were issued to finders to purchase an aggregate of 729,553 shares of the Company. Each finder's unit consists of one share and one-half of a warrant. Each warrant will entitle the holder to purchase one additional common share at a price of $0.60 per warrant for a period of three years from the closing of the June 2019 Offering, subject to the Accelerated Expiry. The finder’s warrants were valued at $157,629 using the Black-Scholes pricing model with the following assumptions: estimated life of three years, risk-free rate of 1.42%, volatility of 90%, and nil forecasted dividend yield.

On July 2, 2019, the Company issued 14,000 common shares with a value of $6,580 to the Minority Shareholders (defined below) in exchange for 14,000 common shares of Ynvisible, S.A.

On August 20, 2019, the Company issued an aggregate of 3,564,474 common shares with a fair value of $1,119,193 for the acquisition of Ynvisible Production (Note 6).

On December 4, 2019, the Company issued 35,392 common shares with a value of $12,210 to the Minority Shareholders (defined below) in exchange for 35,392 common shares of Ynvisible, S.A.

11. SHARE CAPITAL AND RESERVE (continued)

Issued (continued)

For the year ended December 31, 2018

On January 19, 2018, the Company completed a transaction with Ynvisible, S.A. (Notes 1 and 5) whereby the Company acquired 94.19% of the issued and outstanding Class A common shares of Ynvisible, S.A. through the issuance of a total of 24,650,950 Class A common shares, which acquisition constituted a reverse takeover transaction ("RTO") pursuant to the policies of the TSXV. The other 5.81% ownership stake consisting of 1,521,865 shares of Ynvisible, S.A. were held by shareholders from when Ynvisible, S.A. was previously publicly traded on the Frankfurt Stock Exchange in Germany (the "Minority Shareholders"). Following the closing of the RTO transaction, the Company has signed additional voluntary share exchange agreements with part of these Minority Shareholders. In connection with the RTO, the Company issued 1,340,881 common shares of the Company for finder's fees that were valued at $0.30 per share.

On January 19, 2018, the Company closed a prospectus offering, including the full exercise of the over-allotment option, raising gross proceeds of $4,600,000 for the Company. Haywood Securities Inc. (the "Agent") acted as agent with respect to the sale of 15,333,332 Class A common shares at a price of $0.30 per share. The Company paid the Agent a cash commission equal to 7.5% of gross proceeds raised from purchasers not on the president's list, comprised of investors introduced by the Company to the Agent (the "President's List"), and 2.5% of gross proceeds raised from purchasers on the President's List. In addition, the Company paid the Agent a corporate finance fee payable partially in cash and partially by way of issuing 83,333 Class A common shares, issued at a deemed price equal to $0.30 per Share.

On October 26, 2018, the Company issued 925,479 common shares to the Minority Shareholders in exchange for 925,479 common shares of Ynvisible, S.A.

Escrow Shares

As at December 31, 2019, there are 6,716,452 Class A common shares held in escrow (2018 - 11,194,000).

Obligation to Issue Shares

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, S.A., on a one-for-one basis for the Class A common shares of the Company, held by certain Minority Shareholders of Ynvisible, S.A. Accordingly, the Company recorded an obligation to issue 499,639 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, S.A.

During the year ended December 31, 2019, the Company issued 35,392 common shares with a value of $12,210 related to squeeze-out transaction, and as at December 31, 2019, the Company recorded a balance of $160,072 for obligation to issue shares.

11. 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 January 2018, the Company granted 2,200,000 stock options to various directors, officers, and consultants of the Company at an exercise price of $0.30 per share for a period of five years, vested immediately. The options were valued at $685,000 using the Black-Scholes pricing model.

In February 2018, the Company granted 350,000 stock options to various consultants of the Company at an exercise price of $0.40 per share for a period of five years, vested immediately. The options were valued at $133,000 using the Black-Scholes pricing model. In addition, the Company granted 1,250,000 stock options to various consultants of the Company at an exercise price of $0.40 per share for one year, vested immediately. The options were valued at $221,000 using the Black-Scholes pricing model.

In May 2018, the Company granted 375,000 stock options to a director and various consultants 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 $105,000 using the Black-Scholes pricing model.

In September 2018, the Company granted 100,000 stock options to a consultant 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. In addition, the Company granted 50,000 stock options to a consultant of the Company at an exercise price of $0.30 per share for a period of five years, vesting as follows: 1/2 on four months from the date of grant and 1/2 on eight months from the date of grant. The options were valued at $41,000 and were recognized during the year ended December 31, 2019, using the Black-Scholes pricing model.

In May 2019, the Company granted 1,675,000 stock options to various directors, officers, and consultants of the Company at an exercise price of $0.37 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 $526,673, of which $466,838 was recognized during the year ended December 31, 2019, using the Black-Scholes pricing model.

In October 2019, the Company granted 535,000 stock options to various employees and consultants 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 $129,594, of which $58,164 was recognized during the year ended December 31, 2019, using the Black-Scholes pricing model.

In December 2019, the Company granted 300,000 stock options to a director and an officer of the Company at an exercise price of $0.20 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 $46,723, of which $3,043 was recognized during the year ended December 31, 2019, using the Black-Scholes pricing model.

(Expressed in Canadian Dollars Unless Otherwise Noted)

11. SHARE CAPITAL AND RESERVE (continued)

Stock Options (continued)

Share-based compensation recognized during the year ended December 31, 2019 was $625,044 (2018 - $1,088,000) from vesting of options. The Company's valuation of share purchase options granted during the year was estimated using the Black-Scholes option pricing model with the following assumptions:

	For the years ended December 31,	
	2019	2018
Risk-free interest rate	**1.49% - 1.64%**	1.60% - 2.35%
Expected dividend yield and forfeiture	**0%**	0%
Expected stock price volatility	**107% - 119%**	116% - 173%
Expected option life in years	**5**	1 – 5

During the year ended December 31, 2019, the Company issued 75,000 common shares in relation to the exercise of 75,000 stock options for total proceeds of $22,500 and the fair value of $21,000 attributable to these stock options was transferred from reserves to share capital. Additionally, 1,250,000 stock options expired unexercised and 310,000 stock options were cancelled, and the fair value of $321,498 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, 2019		**Year Ended December 31, 2018**	
	Number of Options #	Weighted Average Exercise Price $	Number of Options #	Weighted Average Exercise Price $
Outstanding, beginning	4,250,000	0.34	-	-
Granted	2,510,000	0.33	4,325,000	0.34
Exercised	(75,000)	0.30	-	-
Cancelled	(310,000)	0.33	(75,000)	0.30
Expired	(1,250,000)	0.40	-	-
Outstanding, end	**5,125,000**	**0.33**	**4,250,000**	**0.34**

As at December 31, 2019, 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**
January 19, 2023	$0.30	1,925,000	1,925,000	3.05 years
February 21, 2023	$0.40	275,000	275,000	3.15 years
May 25, 2023	$0.30	300,000	300,000	3.40 years
September 25, 2023	$0.31	150,000	150,000	3.74 years
May 1, 2024	$0.37	1,640,000	546,667	4.34 years
October 2, 2024	$0.30	535,000	-	4.76 years
December 18, 2024	$0.20	300,000	-	4.97 years
	$0.32	**5,125,000**	**3,196,667**	**3.80 years**

(Expressed in Canadian Dollars Unless Otherwise Noted)

11. SHARE CAPITAL AND RESERVE (continued)

Warrants

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

	Year Ended December 31, 2019		Year Ended December 31, 2018	
	Number of Warrants #	Weighted Average Exercise Price $	Number of Warrants #	Weighted Average Exercise Price $
Outstanding, beginning	-	-	-	-
Issued	8,978,478	0.60	-	-
Outstanding, end	**8,978,478**	**0.60**	**-**	**-**

As at December 31, 2019, the following warrants were outstanding:

Expiry Date	Weighted Exercise Price	Number of Warrants Outstanding	Weighted Remaining Contractual Life
January 9, 2022	$0.60	1,752,876	2.03 years
June 5, 2022	$0.60	7,225,602	2.43 years
	$0.60	**8,978,478**	**2.35 years**

12. FAIR VALUES AND RISK MANAGEMENT

The Company's financial instruments consist of cash, amounts receivable, deposits, accounts payable and accrued liabilities, lease liabilities, and long-term liabilities. Cash is 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, lease liabilities, and long-term 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.

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.

12. FAIR VALUES AND RISK MANAGEMENT (continued)

Foreign Currency Risk

The Company's functional currency is the Canadian dollar. The Company funds the operations of Ynvisible, S.A. 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, 2019, a 10% change in exchange rates between the Canadian dollar and the Euro and Swedish krona, respectively, would result in an approximately $73,600 and $52,000, respectively, change in foreign exchange gain or loss.

13. 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, 2019. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian Dollars Unless Otherwise Noted)

14. SEGMENTED DISCLOSURE

The Company has one operating segment, being the development and sale of EC displays in Europe. At December 31, 2019, the Company's assets, liabilities and comprehensive loss are geographically located as follows:

	Europe	Canada	Total
ASSETS			
Current assets			
Cash	$ 481,939	$ 1,644,786	$ 2,126,725
Amounts receivable	572,843	28,329	601,172
Prepaid expenses	122,915	51,389	174,304
Total current assets	**1,177,697**	**1,724,504**	**2,902,201**
Non-current assets			
Deposits	10,696	14,095	24,791
Right-of-use assets	979,918	64,948	1,044,866
Fixed assets	2,308,251	-	2,308,251
Intangible assets	198,230	71,253	269,483
Total non-current assets	**3,497,095**	**150,296**	**3,647,391**
Total assets	**$ 4,674,792**	**$ 1,874,800**	**$ 6,549,592**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 480,318	$ 141,631	$ 621,949
Current portion of lease liabilities	292,935	44,472	337,407
Deferred project grants	864,860	-	864,860
Total current liabilities	**1,638,113**	**186,103**	**1,824,216**
Lease liabilities	681,176	24,308	705,484
Long-term liabilities	5,694	-	5,694
Total liabilities	**$ 2,324,983**	**$ 210,411**	**$ 2,535,394**
Comprehensive loss for the year ended December 31, 2019	**$ 1,908,029**	**$ 1,543,479**	**$ 3,451,508**

(Expressed in Canadian Dollars Unless Otherwise Noted)

14. SEGMENTED DISCLOSURE (continued)

At December 31, 2018, the Company's assets, liabilities and comprehensive loss were geographically located as follows:

	Europe	Canada	Total
ASSETS			
Current assets			
Cash	$ 523,543	$ 433,535	$ 957,078
Amounts receivable	592,320	44,808	637,128
Prepaid expenses	-	10,699	10,699
Total current assets	**1,115,863**	**489,042**	**1,604,905**
Non-current assets			
Deposits	1,011	14,095	15,106
Fixed assets	487,831	-	487,831
Intangible assets	84,472	-	84,472
Total non-current assets	**573,314**	**14,095**	**587,409**
Total assets	**$ 1,689,177**	**$ 503,137**	**$ 2,192,314**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 569,740	$ 67,307	$ 637,047
Deferred project grants	1,028,534	-	1,028,534
Total current liabilities	**1,598,274**	**67,307**	**1,665,581**
Long-term liabilities	211,533	-	211,533
Total liabilities	**$ 1,809,807**	**$ 67,307**	**$ 1,877,114**
Comprehensive loss for the year ended December 31, 2018	**$ 1,734,296**	**$ 3,747,266**	**$ 5,481,562**

15. 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% (2018 – 27%) in Canada and 21% (2018 – 21%) in Europe.

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

	2019	2018
Recovery at statutory rate	**$ (932,000)**	$ (1,463,000)
Non-deductible items	**118,000**	378,000
Change in estimate and other	**210,000**	2,068,000
Change in tax benefits not recognized	**604,000**	(983,000)
Income taxes expense (recovery)	**$ -**	$ -

(Expressed in Canadian Dollars Unless Otherwise Noted)

15. INCOME TAXES (continued)

The components of deferred income taxes are:

		2019		2018
Share issue costs	**$**	**128,000**	$	114,000
Fixed assets		**176,000**		130,000
Non-capital losses		**1,609,000**		1,064,000
Tax benefits not recognized		**(1,913,000)**		(1,308,000)
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 $6,997,000 (2018 - $4,621,000) that may be available for tax purposes. The losses expire as follows:

Expiry date	**Amount**
2034	$ 571,000
2035	204,000
2036	280,000
2037	490,000
2038	3,076,000
2039	2,376,000
Total	$ 6,997,000

16. SUBSEQUENT EVENTS

On May 14, 2020, the Company closed a private placement and issued 7,500,000 common shares of the Company for gross proceeds of $1,500,000. In connection with the offering, the Company paid cash commission in the aggregate amount of $23,100 and issued 252,875 common shares to eligible finders. All securities issued as part of this offering are subject to a statutory hold period of four months from the date of closing.

On May 20, 2020, the Company granted 325,000 stock options to various employees and consultants 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.