



**YNVISIBLE INTERACTIVE INC.
(formerly Network Exploration Ltd.)**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Six Months Ended June 30, 2019 and 2018

(UNAUDITED)

(Expressed in Canadian Dollars)

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 for the three and six months ended June 30, 2019 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.
(formerly Network Exploration Ltd.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	As at	
	June 30, 2019	December 31, 2018
ASSETS		
Current assets		
Cash	\$ 4,777,821	\$ 957,078
Amounts receivable	298,633	637,128
Prepaid expenses	53,464	10,699
Total current assets	5,129,918	1,604,905
Non-current assets		
Deposits	15,400	15,106
Right-of-use assets (Note 6)	272,924	-
Fixed assets (Note 7)	491,664	487,831
Intangible assets (Note 8)	90,360	84,472
Total non-current assets	870,348	587,409
Total assets	\$ 6,000,226	\$ 2,192,314
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 571,338	\$ 637,047
Current portion of lease liabilities (Note 6)	78,690	-
Deferred project grants	630,220	1,028,534
Total current liabilities	1,280,248	1,665,581
Lease liabilities (Note 6)	188,515	-
Long-term liabilities	161,470	211,533
Total liabilities	1,630,233	1,877,114
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	13,883,342	8,905,438
Reserve (Note 10)	1,335,398	1,088,000
Deficit	(11,037,881)	(9,836,801)
Accumulated other comprehensive income	189,174	158,563
Total shareholders' equity	4,370,033	315,200
Total liabilities and shareholders' equity	\$ 6,000,266	\$ 2,192,314

Note 1 – Corporate Information and Going Concern

Note 14 – Subsequent Events

Approved and authorized for issue on behalf of the Board of Directors on August 29, 2019:

“Jani-Mikael Kuusisto”

Director

“Alexander Helmel”

Director

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



YNVISIBLE INTERACTIVE INC.
(formerly Network Exploration Ltd.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Expenses				
Depreciation	\$ 43,478	\$ 12,730	\$ 84,933	\$ 14,409
Compensation and consulting (Note 9)	317,630	308,356	671,453	939,674
Interest and bank charges	8,211	65	8,348	17,258
Marketing and promotion	10,387	61,279	14,184	61,279
Office facilities and services	4,067	12,070	11,265	16,101
Professional fees	73,909	34,038	137,565	313,024
Share-based compensation	187,010	-	256,010	793,600
Supplies and external services	302,051	192,353	520,409	428,764
Transfer and listing fees (recovery)	(181)	7,917	20,387	79,560
Travel and project investigation	2,345	32,211	21,308	45,390
Total operating expenses	(948,907)	(661,019)	(1,745,862)	(2,709,059)
Other items				
Income and gains	5,232	917	3,232	17,250
Expenses and losses	(39,665)	(43,004)	(46,863)	(87,300)
EU co-funded projects grants	106,621	85,586	244,278	163,623
RTO transaction costs	-	-	-	(1,199,141)
Gain on forgiveness of debt	7,954	-	7,954	-
Prototyping projects revenue	26,744	-	50,710	8,425
Total other items	106,886	43,499	259,311	(1,097,143)
Loss before income taxes	(842,021)	(617,520)	(1,486,551)	(3,806,202)
Income tax expense	-	(2,294)	-	(2,294)
Net loss	(842,021)	(619,814)	(1,486,551)	(3,808,496)
Other comprehensive gain (loss)				
Foreign currency translation adjustment	11,643	49,170	30,611	(57,463)
Total comprehensive loss	\$ (830,378)	\$ (570,644)	\$ (1,455,940)	\$ (3,865,959)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.08)
Weighted average number of common shares outstanding	60,385,835	52,216,200	58,372,010	47,869,452

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



YNVISIBLE INTERACTIVE INC.
(formerly Network Exploration Ltd.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Unaudited - Expressed in Canadian Dollars)

	Common Shares		Reserve	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficiency)
	Class A Number	Class A Amount				
	#	\$				
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 (Note 5)	24,650,950	2,254,063	-	-	-	2,254,063
Shares issued by prospectus (Note 10)	15,333,332	4,600,000	-	-	-	4,600,000
Shares issued for finder's fees for RTO (Note 5)	1,340,881	402,264	-	-	-	402,264
Shares issued for finder's fees for private placement (Note 10)	83,333	25,000	-	-	-	25,000
Share issue costs	-	(530,067)	-	-	-	(530,067)
Share-based compensation	-	-	793,600	-	-	793,600
Loss for the period	-	-	-	(3,808,496)	-	(3,808,496)
Other comprehensive loss	-	-	-	-	(57,463)	(57,463)
Balance, June 30, 2018	52,216,200	8,905,438	793,600	(8,226,783)	164,148	1,636,403
Shares issued in exchange for YD Ynvisible shares (Note 10)	925,479	-	-	-	-	-
Share-based compensation	-	-	294,400	-	-	294,400
Loss for the period	-	-	-	(1,610,018)	-	(1,610,018)
Other comprehensive income	-	-	-	-	(5,585)	(5,585)
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 (Note 10)	15,910,629	5,268,192	133,568	-	-	5,401,760
Finder's units issued for private placement (Note 10)	587,226	190,540	6,662	-	-	197,202
Warrants issued for finder's fees for private placement (Note 10)	-	(157,629)	157,629	-	-	-
Share issue costs	-	(366,699)	-	-	-	(366,699)
Stock options exercised	75,000	43,500	(21,000)	-	-	22,500
Stock options expired	-	-	(221,000)	221,000	-	-
Stock options cancelled	-	-	(64,471)	64,471	-	-
Share-based compensation	-	-	256,010	-	-	256,010
Loss for the period	-	-	-	(1,486,551)	-	(1,486,551)
Other comprehensive loss	-	-	-	-	30,611	30,611
Balance, June 30, 2019	69,714,534	13,883,342	1,335,398	(11,037,881)	189,174	4,370,033

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



YNVISIBLE INTERACTIVE INC.
(formerly Network Exploration Ltd.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Six Months Ended	
	June 30, 2019	June 30, 2018
Operating activities		
Net loss for the period	\$ (1,486,551)	\$ (3,808,496)
<i>Items not involving the use of cash:</i>		
Depreciation	84,933	14,409
Gain on forgiveness of debt	(7,954)	-
Share-based compensation	256,010	793,600
Unrealized foreign exchange	(9,357)	-
RTO transaction fees	-	717,074
Income tax expense	-	2,294
<i>Changes in working capital items:</i>		
Amounts receivable	338,495	(129,091)
Prepaid expenses	(42,765)	(140,937)
Deposits	(294)	(128)
Accounts payable and accrued liabilities	(65,709)	(763,431)
Deferred project grants	(398,314)	929,243
Cash used in operating activities	(1,331,506)	(2,385,463)
Investing activities		
Purchase of fixed assets	(43,471)	(141,911)
Investments in intangible assets	(9,921)	-
Cash used in investing activities	(53,392)	(141,911)
Financing activities		
Proceeds on issuance of shares	5,401,760	4,600,000
Share issue costs	(169,497)	(102,803)
Cash acquired in RTO	-	1,691,978
Stock options exercised	22,500	-
Loans repaid	-	(949,251)
Long term debt repaid	(42,109)	(75,936)
Repayment of lease liabilities	(37,624)	-
Cash provided by financing activities	5,175,030	5,163,988
Effect of foreign exchange	30,611	(57,463)
Net change in cash	3,820,743	2,579,151
Cash, beginning of period	957,078	3,453
Cash, end of period	\$ 4,777,821	\$ 2,582,604
Non-cash transactions		
Capitalization of right-of-use assets and lease liabilities	\$ 314,186	\$ -
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
Reclassification of stock options exercised	\$ 21,000	\$ -
Reclassification of stock options expired	\$ 221,000	\$ -
Reclassification of stock options cancelled	\$ 64,471	\$ -
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 condensed interim consolidated financial statements.

YNVISIBLE INTERACTIVE INC.
(formerly Network Exploration Ltd.)
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2019
(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)

1. CORPORATE INFORMATION AND GOING CONCERN

Ynvisible Interactive Inc. (formerly Network Exploration Ltd.) (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. (the “Subsidiary”), whereby the Company acquired 94.19% of the issued and outstanding Class A common shares of the Subsidiary, which constituted a reverse takeover (see Note 5).

The Company changed its name to Ynvisible Interactive Inc. on January 11, 2018, and its principle 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 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, 2019, the Company incurred a net loss of \$1,486,551 (June 30, 2018 - \$3,808,496) and as at June 30, 2019, has an accumulated deficit of \$11,037,881 (December 31, 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. While the Company is expanding its best efforts in this regard, the outcome of these matters cannot be predicted at this time. These condensed interim 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.

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 Standard (“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, 2018 and 2017.

YNVISIBLE INTERACTIVE INC.
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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2019
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2. BASIS OF PRESENTATION (continued)

Statement of compliance (continued)

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2018, except for the following:

IFRS 16 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.

As at January 1, 2019, the Company recognized \$314,186 in right-of-use assets and \$314,186 in lease liabilities as summarized below.

	\$
Minimum lease payments under operating leases as of December 31, 2018	337,431
Effect from discounting at the incremental borrowing rate as of January 1, 2019	<u>(23,245)</u>
Right-of-use assets and lease liabilities recognized as of January 1, 2019	<u>314,186</u>

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.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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2. BASIS OF PRESENTATION (continued)

Statement of compliance (continued)

IFRS 16 Leases (continued)

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.

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.

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. Certain comparative figures 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.

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(Unaudited - Expressed in Canadian Dollars Unless Otherwise Noted)

2. BASIS OF PRESENTATION (continued)

Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company, its 98% owned subsidiary YD Ynvisible, S.A. (the “Subsidiary”), incorporated in Portugal, and Ynvisible GmbH, incorporated in Germany, which is 100% owned by the Subsidiary. All intercompany transactions and balances have been eliminated on consolidation.

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 Subsidiary’s functional currency is the European Euro.

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.

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 options and warrants are transferred to deficit.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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5. REVERSE TAKEOVER TRANSACTION

On January 19, 2018, the Company completed a transaction with its Subsidiary (See Note 1) whereby the Company acquired 94.19% of the issued and outstanding common shares of the Subsidiary through the issuance of a total of 25,991,831 Class A common shares, which acquisition constitutes 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, the Subsidiary and certain shareholders of the Subsidiary. In consideration of the acquisition of 94.19% of the Subsidiary’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 is the acquiree (the “Target”) and the Subsidiary is the acquirer in the RTO. The acquisition of the Subsidiary by the Company constitutes a reverse asset acquisition as the Company does 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 \$1,199,141 in the consolidated statement of comprehensive loss.

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6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

	Office Leases
Cost:	
At December 31, 2017 and 2018	\$ -
Additions	314,186
At June 30, 2019	\$ 314,186
Depreciation:	
At December 31, 2017 and 2018	\$ -
Charge for the period	(41,262)
At June 30, 2019	\$ (41,262)
Net book value:	
At December 31, 2018	\$ -
At June 30, 2019	\$ 272,924

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	\$ 314,186
Lease payments made	(44,625)
Interest expense on lease liabilities	7,001
Foreign exchange adjustment	(9,357)
	267,205
Less: current portion	(78,690)
At June 30, 2019	\$ 188,515

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

July 1, 2019 to December 31, 2019	\$ 44,395
Fiscal 2020	\$ 88,789
Fiscal 2021	\$ 63,599
Fiscal 2022	\$ 38,408
Fiscal 2023	\$ 38,408
Fiscal 2024	\$ 9,602

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7. FIXED ASSETS

	Equipment	Leasehold Building Improvements	Office	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	34,811	-	6,601	2,059	43,471
Balance, June 30, 2019	\$ 501,708	\$ 33,949	\$ 35,333	\$ 57,673	\$ 628,663
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 period	25,652	2,782	4,044	7,160	39,638
Balance, June 30, 2019	\$ 99,752	\$ 4,196	\$ 8,364	\$ 24,687	\$ 136,999
Carrying Value					
Balance, December 31, 2018	\$ 392,797	\$ 32,535	\$ 24,412	\$ 38,087	\$ 487,831
Balance, June 30, 2019	\$ 401,956	\$ 29,753	\$ 26,969	\$ 32,986	\$ 491,664

During the year ended December 31, 2018, the Company began purchasing and assembling equipment for a new sheet-to-sheet production line that will be used for EC display production in Portugal.

8. INTANGIBLE ASSETS

	Patents and Software
Costs	
Balance, December 31, 2017	\$ 37,112
Additions	62,071
Balance, December 31, 2018	\$ 99,183
Additions	9,921
Balance, June 30, 2019	\$ 109,104
Accumulated Depreciation	
Balance, December 31, 2017	\$ 4,231
Adjustments	5,375
Charge for the year	5,105
Balance, December 31, 2018	\$ 14,711
Charge for the period	4,033
Balance, June 30, 2019	\$ 18,744
Carrying Value:	
Balance, December 31, 2018	\$ 84,472
Balance, June 30, 2019	\$ 90,360

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9. 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, 2019	June 30, 2018
Consulting and management fees	\$ 222,008	\$ 217,139
Share-based compensation	89,011	387,890
	\$ 311,019	\$ 605,029

As at June 30, 2019, accounts payable and accrued liabilities include \$135,077 (December 31, 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.

10. 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, 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 has 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.

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10. SHARE CAPITAL AND RESERVE (continued)

Issued (continued)

For the six months ended June 30, 2019 (continued)

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.

For the year ended December 31, 2018

On January 19, 2018, the Company completed a transaction with its Subsidiary (See Notes 1 and 5) whereby the Company acquired 94.19% of the issued and outstanding Class A common shares of the Subsidiary through the issuance of a total of 24,650,950 Class A common shares, which acquisition constitutes 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 the Subsidiary were held by shareholders from when the Subsidiary 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 the Subsidiary. The Company now owns approximately 98% of the Subsidiary. The remaining Minority Shareholders, who have not signed a voluntary share exchange agreement with the Company, are subject to a compulsory share exchange or "squeeze-out" of their shares in the Subsidiary on a one-for-one basis for the Class A common shares of the Company.

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10. SHARE CAPITAL AND RESERVE (continued)

Escrow Shares

As at June 30, 2019, there are 8,955,199 Class A common shares held in escrow (December 31, 2018 - 11,194,000).

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 a period of 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, vested as follows: 1/3 on four months after the date of grant, 1/3 on eight months after the date of grant and 1/3 on twelve months after 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, vested as follows: 1/3 on four months after the date of grant, 1/3 on eight months after the date of grant and 1/3 on twelve months after 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, vested as follows: 1/2 on four months after the date of grant and 1/2 on eight months after the date of grant. The options were valued at \$41,000, of which \$36,444 was recognized during the six months ended June 30, 2019, using the Black-Scholes pricing model.

In April 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, vested as follows: 1/3 on four months after the date of grant, 1/3 on eight months after the date of grant and 1/3 on twelve months after the date of grant. The options were valued at \$526,673, of which \$163,566 was recognized during the six months ended June 30, 2019, using the Black-Scholes pricing model.

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10. SHARE CAPITAL AND RESERVE (continued)

Stock Options (continued)

Share-based compensation recognized during the six months ended June 30, 2019 was \$256,010 (June 30, 2018 - \$793,600) from vesting of options from prior periods. 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,	
	2019	2018
Risk-free interest rate	1.49%	2.04% - 2.20%
Expected dividend yield and forfeiture	0%	0%
Expected stock price volatility	119%	162% - 173%
Expected option life in years	5	1 – 5

During the six months ended June 30, 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 200,000 stock options were cancelled, and the fair value of \$285,471 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:

	Six Months Ended		Year Ended	
	June 30, 2019		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	1,675,000	0.37	4,250,000	0.34
Exercised	(75,000)	0.30	-	-
Cancelled	(200,000)	0.30	-	-
Expired	(1,250,000)	0.40	-	-
Outstanding, end	4,400,000	0.33	4,250,000	0.34

As at June 30, 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	3.56 years
February 21, 2023	\$0.40	350,000	350,000	3.65 years
May 25, 2023	\$0.30	300,000	300,000	3.90 years
September 25, 2023	\$0.31	150,000	116,667	4.24 years
April 29, 2024	\$0.37	1,675,000	-	4.84 years
	\$0.33	4,400,000	2,691,667	4.10 years

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10. SHARE CAPITAL AND RESERVE (continued)

Warrants

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

	Six Months Ended		Year Ended	
	June 30, 2019		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 June 30, 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	2.53 years
June 5, 2022	\$0.60	7,225,602	2.93 years
	\$0.60	8,978,478	2.86 years

11. FAIR VALUES AND RISK MANAGEMENT

The Company's financial instruments consist of cash, amounts receivable, deposits, accounts payable and accrued 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, 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.

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11. FAIR VALUES AND RISK MANAGEMENT (continued)

Liquidity Risk

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

Foreign Currency Risk

The Company's functional currency is the Canadian dollar. The Company funds the operations of its Subsidiary in Portugal by using Euros converted from its Canadian dollar bank accounts. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. Based on the Company's Euro denominated financial instruments at June 30, 2019, a 10% change in exchange rates between the Canadian dollar and the Euro would result in an approximately \$69,000 change in foreign exchange gain or loss.

12. 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, 2019. The Company is not subject to externally imposed capital requirements.

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13. SEGMENTED DISCLOSURE

The Company has one operating segment, being the development and sale of EC displays. At June 30, 2019, the Company's assets, liabilities and comprehensive loss are geographically located as follows:

	Portugal and Germany	Canada	Total
ASSETS			
Current assets			
Cash	\$ 425,150	\$ 4,352,671	\$ 4,777,821
Amounts receivable	288,239	10,394	298,633
Prepaid expenses	-	50,414	50,414
Total current assets	713,389	4,413,479	5,126,868
Non-current assets			
Deposits	1,305	14,095	15,400
Right-of-use assets	186,326	86,598	272,924
Fixed assets	491,664	-	491,664
Intangible assets	90,360	-	90,360
Total non-current assets	769,655	100,693	870,348
Total assets	\$ 1,483,044	\$ 4,514,172	\$ 5,997,216
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 438,643	\$ 132,695	\$ 571,338
Current portion of lease liabilities	36,795	41,895	78,690
Deferred project grants	630,220	-	630,220
Total current liabilities	1,105,658	174,590	1,280,248
Lease liabilities	141,307	47,208	188,515
Long-term liabilities	161,470	-	161,470
Total liabilities	\$ 1,408,435	\$ 221,798	\$ 1,630,233
Comprehensive loss for the six months ended June 30, 2019	\$ 858,625	\$ 627,926	\$ 1,486,551

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13. SEGMENTED DISCLOSURE (continued)

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

	Portugal and Germany	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

14. SUBSEQUENT EVENTS

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

According to the terms of the transaction, the Company issued an aggregate of 3,564,474 common shares of the Company (the "Payment Shares") at a deemed price of \$0.474 per Payment Share. The Payment Shares will be subject 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 on an additional 25% of the Payment Shares.