



**YNVISIBLE INTERACTIVE INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**Years Ended December 31, 2020 and 2019**

**(Expressed in Canadian Dollars)**

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# Ynvisible Interactive Inc.

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(Expressed in Canadian Dollars)

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## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF YNVISIBLE INTERACTIVE INC.

#### *Opinion*

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

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

#### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our 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 in our audits 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 \$3,794,721 during the year ended December 31, 2020 and, as of that date, had an accumulated deficit of \$16,614,794. 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 of Management's Discussion and Analysis.

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

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

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

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

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

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

## *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

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

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

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

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
April 30, 2020

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

	As at	
	December 31, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,809,637	\$ 2,126,725
Amounts receivable	466,292	601,172
Prepaid expenses	159,799	174,304
<b>Total current assets</b>	<b>2,435,728</b>	<b>2,902,201</b>
<b>Non-current assets</b>		
Deposits	17,593	24,791
Right-of-use assets (Note 6)	753,989	1,044,866
Fixed assets (Note 7)	2,331,249	2,308,251
Intangible assets (Note 8)	495,625	269,483
<b>Total non-current assets</b>	<b>3,598,456</b>	<b>3,647,391</b>
<b>Total assets</b>	<b>\$ 6,034,184</b>	<b>\$ 6,549,592</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 1,285,465	\$ 621,949
Current portion of lease liabilities (Note 6)	351,906	337,407
Deferred project grants	426,456	864,860
<b>Total current liabilities</b>	<b>2,063,827</b>	<b>1,824,216</b>
<b>Non-current liabilities</b>		
Lease liabilities (Note 6)	399,898	705,484
Long-term liabilities	-	5,694
<b>Total non-current liabilities</b>	<b>399,898</b>	<b>711,178</b>
<b>Total liabilities</b>	<b>2,463,725</b>	<b>2,535,394</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 10)	17,565,296	14,993,969
Reserve (Note 10)	1,597,619	1,668,405
Share subscriptions received (Note 10)	459,130	-
Obligation to issue shares (Note 10)	114,409	160,072
Deficit	(16,614,794)	(12,982,391)
Accumulated other comprehensive income	448,799	174,143
<b>Total shareholders' equity</b>	<b>3,570,459</b>	<b>4,014,198</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 6,034,184</b>	<b>\$ 6,549,592</b>

Note 1 – Corporate Information and Going Concern

Note 15 – Subsequent events

Approved and authorized for issue on behalf of the Board of Directors on April 30, 2021:

“Alexander Helmel”

Director

“Duarte Mineiro”

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,	
	2020	2019
<b>Revenue</b>		
Sales	\$ 387,912	\$ 205,859
Cost of sales	(272,534)	(89,123)
<b>Gross profit</b>	<b>115,378</b>	<b>116,736</b>
<b>Expenses</b>		
Compensation and consulting (Note 9)	2,535,203	1,732,494
Depreciation (Notes 6, 7, and 8)	684,777	333,719
Development and production	115,441	331,288
Interest and bank charges	27,034	19,660
Marketing and promotion	305,678	152,782
Office facilities and services	391,567	279,582
Professional fees	415,638	410,805
Share-based compensation (Notes 9 and 10)	333,946	625,044
Transfer and listing fees	67,780	49,361
Travel and project investigation	63,257	221,060
<b>Total operating expenses</b>	<b>4,940,321</b>	<b>4,155,795</b>
<b>Loss from operations</b>	<b>(4,824,943)</b>	<b>(4,039,059)</b>
<b>Other items</b>		
Income and gains	359,241	167,599
Expenses and losses	(122,898)	(24,538)
EU co-funded projects grants	578,760	492,909
RTO transaction costs	-	(178,862)
Gain on forgiveness of debt	-	7,954
Prototype project revenue	218,939	106,909
<b>Total other items</b>	<b>1,034,042</b>	<b>571,971</b>
<b>Loss before income taxes</b>	<b>(3,790,901)</b>	<b>(3,467,088)</b>
<b>Income tax expense</b>	<b>(3,820)</b>	<b>-</b>
<b>Net loss for the year</b>	<b>(3,794,721)</b>	<b>(3,467,088)</b>
<b>Other comprehensive income</b>		
Foreign currency translation adjustment	274,656	15,580
<b>Comprehensive loss for the year</b>	<b>\$ (3,520,065)</b>	<b>\$ (3,451,508)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.05)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of common shares outstanding</b>	<b>76,359,985</b>	<b>65,408,221</b>

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



**YNVISIBLE INTERACTIVE INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian Dollars)

	Common Shares		Reserve	Share subscriptions received	Obligation to issue shares	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Class A	Class A						
	Number	Amount						
	#	\$	\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2018</b>	<b>53,141,679</b>	<b>8,905,438</b>	<b>1,088,000</b>	-	-	<b>(9,836,801)</b>	<b>158,563</b>	<b>315,200</b>
Shares issued by private placement	15,910,629	5,268,192	133,568	-	-	-	-	5,401,760
Shares issued in exchange for Ynvisible SA shares	49,392	18,790	-	-	(12,210)	-	-	6,580
Shares issued in exchange for Ynvisible Production AB shares	3,564,474	1,119,193	-	-	-	-	-	1,119,193
Obligation to issue shares	-	-	-	-	172,282	-	-	172,282
Finders' 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
<b>Balance, December 31, 2019</b>	<b>73,328,400</b>	<b>14,993,969</b>	<b>1,668,405</b>	-	<b>160,072</b>	<b>(12,982,391)</b>	<b>174,143</b>	<b>4,014,198</b>
Shares issued by private placement	7,500,000	1,500,000	-	-	-	-	-	1,500,000
Finders' shares issued for private placement	252,875	50,575	-	-	-	-	-	50,575
Shares issued in exchange for Ynvisible SA shares	325,400	112,263	-	-	(112,263)	-	-	-
Share issue costs	-	(31,603)	-	-	-	-	-	(31,603)
Share issue costs by shares issuance	-	(50,575)	-	-	-	-	-	(50,575)
Share subscriptions received	-	-	-	459,130	-	-	-	459,130
Stock options exercised	487,500	303,491	(153,741)	-	-	-	-	149,750
Stock options cancelled	-	-	(162,318)	-	-	162,318	-	-
Share-based compensation	-	-	333,946	-	-	-	-	333,946
Warrants exercised	997,505	687,176	(88,673)	-	-	-	-	598,503
Shares to be issued for warrants exercised	-	-	-	-	66,600	-	-	66,600
Net loss for the year	-	-	-	-	-	(3,794,721)	-	(3,794,721)
Other comprehensive income	-	-	-	-	-	-	274,656	274,656
<b>Balance, December 31, 2020</b>	<b>82,891,680</b>	<b>17,565,296</b>	<b>1,597,619</b>	<b>459,130</b>	<b>114,409</b>	<b>(16,614,794)</b>	<b>448,799</b>	<b>3,570,459</b>

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



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

	Years Ended December 31,	
	2020	2019
<b>Operating activities</b>		
Net loss for the year	\$ (3,794,721)	\$ (3,467,088)
<i>Items not involving the use of cash:</i>		
Depreciation	684,777	333,719
Gain on forgiveness of debt	-	(7,954)
Share-based compensation	333,946	625,044
Unrealized foreign exchange gain	-	(2,477)
RTO transaction fees	-	178,862
Income tax expense	3,820	(1,312)
<i>Changes in working capital items:</i>		
Amounts receivable	134,880	72,980
Prepaid expenses	14,505	(160,516)
Accounts payable and accrued liabilities	566,796	(445,071)
Deferred project grants	(438,404)	(163,674)
<b>Cash used in operating activities</b>	<b>(2,494,401)</b>	<b>(3,037,487)</b>
<b>Investing activities</b>		
Purchase of fixed assets	(54,911)	(642,778)
Cash indebtedness assumed from Ynvisible Production	-	(15,374)
Purchase of intangible assets	(151,914)	(9,921)
Deposits	7,198	(199)
<b>Cash used in investing activities</b>	<b>(199,627)</b>	<b>(668,272)</b>
<b>Financing activities</b>		
Proceeds on issuance of shares	1,500,000	5,401,760
Share issue costs	(31,603)	(196,853)
Share subscriptions received	459,130	-
Stock options exercised	149,750	22,500
Warrants exercised	665,103	-
Long term debt repaid	(5,694)	(197,885)
Repayment of lease liabilities	(337,111)	(169,696)
<b>Cash provided by financing activities</b>	<b>2,399,575</b>	<b>4,859,826</b>
<b>Effect of foreign exchange</b>	<b>(22,635)</b>	<b>15,580</b>
<b>Net change in cash</b>	<b>(317,088)</b>	<b>1,169,647</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,126,725</b>	<b>957,078</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,809,637</b>	<b>\$ 2,126,725</b>
<b>Non-cash transactions</b>		
Capitalization of right-of-use assets and lease liabilities	\$ -	\$ 1,221,435
Shares issued for the acquisition of Ynvisible Production	\$ -	\$ 1,119,193
Reclassification of stock options exercised	\$ 153,741	\$ 21,000
Reclassification of stock options expired	\$ -	\$ 221,000
Reclassification of stock options cancelled	\$ 162,318	\$ 100,498
Reclassification of warrants exercised	\$ 88,673	\$ -
Value of warrants issued in private placement	\$ -	\$ 133,568
Finders' shares issued for private placement	\$ 50,575	\$ -
Finders' unit issued for private placement	\$ -	\$ 197,202
Intangible assets in accounts payable and accrued liabilities	\$ 92,900	\$ -
Value of finders' warrants issued in private placement	\$ -	\$ 157,629

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

**YNVISIBLE INTERACTIVE INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended December 31, 2020 and 2019  
(Expressed in Canadian Dollars Unless Otherwise Noted)

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**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.

The Company’s principal business activity is the development and sale of electrochromic (“EC”) displays. The Company’s shares trade on the TSX Venture Exchange (“TSXV”) under the symbol “YNV”.

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, 2020, the Company incurred a net loss of \$3,794,721 (2019 - \$3,467,088) and as at December 31, 2020, had an accumulated deficit of \$16,614,794 (2019 - \$12,982,391).

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 the Company’s. This outbreak could decrease spending, adversely affect demand for the Company’s product and harm business and results of operations. It is not possible to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

**2. BASIS OF PRESENTATION**

***Statement of Compliance***

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

***Basis of Consolidation***

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

**YNVISIBLE INTERACTIVE INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended December 31, 2020 and 2019  
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**2. BASIS OF PRESENTATION (continued)**

***Basis of Measurement and Presentation***

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

***Foreign Currency Translation***

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

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

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

***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.

**YNVISIBLE INTERACTIVE INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended December 31, 2020 and 2019  
(Expressed in Canadian Dollars Unless Otherwise Noted)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Fixed Assets (continued)***

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.

**Cash and Cash Equivalents**

Cash and cash equivalents includes 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.

**Leases**

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

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

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

**YNVISIBLE INTERACTIVE INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the years ended December 31, 2020 and 2019  
(Expressed in Canadian Dollars Unless Otherwise Noted)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leases (continued)**

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

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

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

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 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. Intangible assets are comprised of Patents and Software, Customer List, IP Rights and License. The assets are amortized on a straight-line basis over its estimated useful life of five to ten years.

***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.

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

***Goodwill***

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

***Business Combinations***

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

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

***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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Income Tax***

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

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

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

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

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

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

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

***Loss per Share***

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

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Government Assistance***

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

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

***Financial Instruments***

Classification

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

The following table shows the classification under IFRS 9:

<b>Financial assets/liabilities</b>	<b>IFRS 9 classification</b>
Cash and cash equivalents	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

Measurement

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

Impairment of financial assets at amortized cost

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

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Impairment of non-financial assets***

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

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

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

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

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**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 judgments and 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. Depreciation of tangible and intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.
- e. At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets consisting of Fixed Assets, Intangible Assets, and Goodwill to determine whether there is any indication that the carrying amount is not recoverable. The determination of whether any such indication exist requires significant management judgment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When an individual asset does not generate independent cash flows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.
- f. The amounts receivable balance is recorded at the estimated recoverable amount, which involves the estimate of uncollectible accounts.

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**4. CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES (continued)**

- g. Judgement is required to determine if the Company's acquisitions represent a business combination or an asset purchase. The assessment requires management to determine if the acquisitions acquired represented an integrated set of activities with inputs, processes and outputs. The acquisition of rdot AB was considered to be an asset acquisition.

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

**5. ACQUISITION OF YNVISIBLE 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 Class A common shares of the Company (the "Payment Shares") with a fair value of \$1,119,193.

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.

	<b>Total</b>
<b>Consideration:</b>	
Class A Common shares	\$ 1,119,193
<b>Total consideration</b>	<b>\$ 1,119,193</b>
<b>Allocated as follows:</b>	
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
	<b>\$ 1,119,193</b>

\*Subsequent to the acquisition, the Company exercised the option agreement and the value of the manufacturing equipment was transferred to fixed assets (Note 7).

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**6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

Right-of-Use Assets

	<b>Leases</b>
<b>Cost:</b>	
At December 31, 2018	\$ -
Adjustment on initial adoption	368,734
Additions	852,701
At December 31, 2019	1,221,435
Lease termination	(54,530)
Foreign exchange adjustment	112,948
At December 31, 2020	<b>\$ 1,279,853</b>
<b>Depreciation:</b>	
At December 31, 2018	\$ -
Charge for the year	176,569
At December 31, 2019	176,569
Charge for the year	349,367
Adjustment from lease termination	(12,576)
Foreign exchange adjustment	12,504
At December 31, 2020	<b>\$ 525,864</b>
<b>Net book value:</b>	
At December 31, 2019	\$ 1,044,866
<b>At December 31, 2020</b>	<b>\$ 753,989</b>

The lease liabilities were measured by discounting the lease payments using an incremental borrowing rate of 12%. Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease term. Interest expense of \$16,056 (2019: 15,956) is included in interest and bank charges.

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)
At December 31, 2019	1,042,891
Lease terminated as of December 31, 2020	(41,954)
Lease payments made	(353,167)
Interest expense on lease liabilities	16,056
Foreign exchange adjustment	87,978
At December 31, 2020	751,804
Less: current portion	(351,906)
<b>Non-Current Portion</b>	<b>\$ 399,898</b>

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

Fiscal 2021	\$ 346,102
Fiscal 2022	320,911
Fiscal 2023	87,042
Fiscal 2024	10,067
<b>Total</b>	<b>\$ 764,122</b>

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**7. FIXED ASSETS**

	Equipment	Manufacturing Equipment*	Leasehold Building Improvements	Office	Other	Total
<b>Costs</b>						
Balance, December 31, 2018	\$ 466,897	\$ -	\$ 33,949	\$ 28,732	\$ 55,614	\$ 585,192
Additions	47,870	1,834,126	7,964	62,800	16,018	1,968,778
Balance, December 31, 2019	514,767	1,834,126	41,913	91,532	71,632	2,553,970
Additions	20,086	20,394	-	11,083	3,348	54,911
Disposal	(4,222)	-	-	-	-	(4,222)
Transfer	-	-	-	2,319	(2,319)	-
Foreign exchange adjustment	9,565	265,870	755	1,891	1,310	279,391
<b>Balance, December 31, 2020</b>	<b>\$ 540,196</b>	<b>\$ 2,120,390</b>	<b>\$ 42,668</b>	<b>\$ 106,825</b>	<b>\$ 73,971</b>	<b>\$ 2,884,050</b>
<b>Accumulated Depreciation</b>						
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
Charge for the year	58,050	201,681	6,372	17,157	8,721	291,981
Foreign exchange adjustment	1,235	13,271	90	219	286	15,101
<b>Balance, December 31, 2020</b>	<b>\$ 185,981</b>	<b>\$ 277,262</b>	<b>\$ 13,531</b>	<b>\$ 33,004</b>	<b>\$ 43,023</b>	<b>\$ 552,801</b>
<b>Carrying Value</b>						
Balance, December 31, 2019	\$ 388,071	\$ 1,771,816	\$ 34,844	\$ 75,904	\$ 37,616	\$ 2,308,251
<b>Balance, December 31, 2020</b>	<b>\$ 354,215</b>	<b>\$ 1,843,128</b>	<b>\$ 29,137</b>	<b>\$ 73,821</b>	<b>\$ 30,948</b>	<b>\$ 2,331,249</b>

\* The manufacturing equipment included the option agreement value of \$1,326,000 upon acquisition of Ynvisible Production (Note 5).

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**8. INTANGIBLE ASSETS**

Costs	Patents and Software	Customer List*	IP Rights*	License	Goodwill**	Total
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
Additions	-	183,610	61,203	-	-	224,813
Foreign exchange adjustment	2,135	11,612	3,871	9,495	-	27,113
<b>Balance, December 31, 2020</b>	<b>\$ 111,239</b>	<b>\$ 195,222</b>	<b>\$ 65,074</b>	<b>\$ 128,971</b>	<b>\$ 71,253</b>	<b>\$ 571,759</b>

**Accumulated Depreciation**

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
Charge for the year	11,001	13,378	4,459	14,590	-	43,428
Foreign exchange adjustment	223	736	245	1,152	-	2,356
<b>Balance, December 31, 2020</b>	<b>\$ 35,233</b>	<b>\$ 14,114</b>	<b>\$ 4,704</b>	<b>\$ 22,083</b>	<b>\$ -</b>	<b>\$ 76,134</b>

**Carrying Value**

Balance, December 31, 2019	\$ 85,095	\$ -	\$ -	\$ 113,135	\$ 71,253	\$ 269,483
<b>Balance, December 31, 2020</b>	<b>\$ 76,006</b>	<b>\$ 181,108</b>	<b>\$ 60,370</b>	<b>\$ 106,888</b>	<b>\$ 71,253</b>	<b>\$ 495,625</b>

\* In May 2020, the Company entered into a business transfer agreement with rdot AB ("rdot") to acquire customer lists and IP rights in the amount of \$175,080 (Swedish krona 1,200,000) ("Fixed Purchase Price") to be paid in 4 equal instalments on May 18, 2020 ("Closing Date") (paid), August 1, 2020 (paid), November 1, 2020 (paid) and February 1, 2021 (paid subsequent to year end). In addition, rdot is entitled to a contingent consideration ("Success Fees") based on the Company's revenue generated from rdot customers during the period May 18, 2020 – May 17, 2023, in the following:

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

If sales related to rdot/Shared customer were ordered or booked in one of the time periods, but invoiced at a later time period, the Success Fees percentage is calculated using the formula: (year booked percentage + year invoiced percentage)/2. Each instalment of the Success Fees shall be paid within 30 days after the closing of each fiscal quarter.

During the year ended December 31, 2020, \$69,734 of contingent consideration was capitalized to Customer List and IP rights.

\*\*The goodwill is related to the acquisition of Ynvisible Production (Note 5).

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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

	Years Ended December 31,	
	2020	2019
Compensation and consulting	\$ 687,823	\$ 438,523
Share-based compensation	99,246	241,659
	<b>\$ 787,069</b>	<b>\$ 680,182</b>

As at December 31, 2020, accounts payable and accrued liabilities include \$131,579 (2019 - \$43,453) due to officers and directors. Accounts payable and accrued liabilities due to related parties are unsecured, and have no specified terms of repayment. During the year ended December 31, 2020, the Company received \$79,428 (2019 - \$79,428) in rent payments from a company controlled by a director of the Company.

**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 year ended December 31, 2020:*

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

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

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

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

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**10. SHARE CAPITAL AND RESERVE (continued)**

*Issued (continued)*

*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 Class A 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 Class A 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 Class A 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 Class A 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 Class A 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 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 Class A 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 Class A common shares with a value of \$6,580 to the SEA Minority Shareholders (defined below) in exchange for 14,000 common shares of Ynvisible SA.

On August 20, 2019, the Company issued an aggregate of 3,564,474 Class A common shares with a fair value of \$1,119,193 for the acquisition of Ynvisible Production (Note 5).

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

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**10. SHARE CAPITAL AND RESERVE (continued)**

***Escrow Shares***

As at December 31, 2020, there are 2,238,850 (2019 - 6,716,452) Class A common shares held in escrow as a result of the Company's reverse takeover transaction in 2018. The escrowed shares vest in accordance with a Tier 2 Value Security Escrow Agreement and in accordance with certain performance conditions.

***Share subscriptions received***

As at December 31, 2020, the Company received proceeds of \$459,130 in connection with the private placement that closed subsequent to the year end (Note 15).

***Obligation to Issue Shares***

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

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

During the year ended December 31, 2019, the Company issued 49,392 Class A common shares with a value of \$18,790 related to the Post-RTO Share Exchange Agreements. During the year ended December 31, 2020, the Company issued 318,400 Class A common shares with a value of \$109,848 related to the squeeze-out transaction and 7,000 Class A common shares with a value of \$2,415 related to the Post-RTO Share Exchange Agreements. In addition, the Company received proceeds of \$66,600 in connection with the exercise of 111,000 warrants but shares were issued subsequent to year end, and as at December 31, 2020, the Company recorded a balance of \$114,409 (2019 – \$160,072) for obligation to issue shares.

***Stock Options***

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

In May 2019, the Company granted 1,675,000 stock options to various directors, officers, employees 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 and \$54,983 was recognized during the year ended December 31, 2020, using the Black-Scholes pricing model.

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**10. SHARE CAPITAL AND RESERVE (continued)**

***Stock Options (continued)***

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 and \$71,430 was recognized during the year ended December 31, 2020, 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 and \$43,680 was recognized during the year ended December 31, 2020, using the Black-Scholes pricing model.

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

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

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

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

In November 2020, the Company granted 75,000 stock options to an employee of the Company at an exercise price of \$0.30 per share for a period of five years, vesting as follows: 1/3rd on four months from the date of grant, 1/3rd on eight months from the date of grant and 1/3rd on twelve months from the date of grant. The options were valued at \$17,663, of which \$3,849 was recognized during the year ended December 31, 2020, 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 year ended December 31, 2020 was \$333,946 (2019 - \$625,044) 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,	
	2020	2019
Risk-free interest rate	0.36% - 1.64%	1.49% - 1.64%
Expected dividend yield and forfeiture	0%	0%
Expected stock price volatility	107% - 119%	107% - 119%
Expected option life in years	5	5

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

During the year ended December 31, 2019, the Company issued 75,000 Class A 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. The average share price on the date of options exercised was \$0.50 per share. 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, 2020		Year Ended December 31, 2019	
	Number of Options #	Weighted Average Exercise Price \$	Number of Options #	Weighted Average Exercise Price \$
Outstanding, beginning	5,125,000	0.33	4,250,000	0.34
Granted	1,540,000	0.28	2,510,000	0.33
Exercised	(487,500)	0.31	(75,000)	0.30
Cancelled	(515,000)	0.35	(310,000)	0.33
Expired	-	-	(1,250,000)	0.40
<b>Outstanding, end</b>	<b>5,662,500</b>	<b>0.31</b>	<b>5,125,000</b>	<b>0.33</b>

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**10. SHARE CAPITAL AND RESERVE (continued)**

***Stock Options (continued)***

As at December 31, 2020, the following options were granted and vested:

<b>Expiry Date</b>	<b>Weighted Exercise Price (\$)</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Vested and Exercisable</b>	<b>Weighted Remaining Contractual Life (years)</b>
January 19, 2023	0.30	1,425,000	1,425,000	2.05
February 21, 2023	0.40	200,000	200,000	2.14
May 25, 2023	0.30	300,000	300,000	2.40
September 25, 2023	0.31	50,000	50,000	2.73
May 1, 2024	0.37	1,350,000	1,350,000	3.33
October 2, 2024	0.30	497,500	497,500	3.76
December 18, 2024	0.20	300,000	300,000	3.97
May 20, 2025	0.33	325,000	108,333	4.39
September 9, 2025	0.24	300,000	-	4.69
September 16, 2025	0.25	215,000	-	4.71
November 11, 2025	0.29	625,000	-	4.87
November 18, 2025	0.30	75,000	-	4.88
	<b>0.31</b>	<b>5,662,500</b>	<b>4,230,833</b>	<b>3.36</b>

***Warrants***

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

	<b>Year Ended December 31, 2020</b>		<b>Year Ended December 31, 2019</b>	
	<b>Number of Warrants #</b>	<b>Weighted Average Exercise Price \$</b>	<b>Number of Warrants #</b>	<b>Weighted Average Exercise Price \$</b>
Outstanding, beginning	8,978,478	0.60	-	-
Issued	-	-	8,978,478	0.60
Exercised	*(997,505)	0.60	-	-
<b>Outstanding, end</b>	<b>7,980,973</b>	<b>0.60</b>	<b>8,978,478</b>	<b>0.60</b>

\*The weighted average share price on the date of warrants exercised was \$0.79 per share.

As at December 31, 2020, the following warrants were outstanding:

<b>Expiry Date</b>	<b>Weighted Exercise Price (\$)</b>	<b>Number of Warrants Outstanding</b>	<b>Weighted Remaining Contractual Life (years)</b>
April 17, 2021*	0.60	1,627,150	0.29
April 17, 2021*	0.60	6,353,823	0.29
	<b>0.60</b>	<b>7,980,973</b>	<b>0.29</b>

\*These warrants were subject to an acceleration provision that the Company elected to exercise subsequent to the year end. (Note 15)

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## 11. FAIR VALUES AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, deposits, accounts payable and accrued liabilities, lease liabilities, and long-term liabilities. Cash and cash equivalents are measured at fair value based on Level 1 input of the fair value hierarchy. The fair value of amounts receivable, deposits, accounts payable and accrued liabilities, 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 and cash equivalents are exposed to minimal credit risk. The credit risk on cash and cash equivalents are low because the counterparties are highly rated banks.

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

### ***Interest Rate Risk***

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

### ***Liquidity Risk***

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

### ***Foreign Currency Risk***

The Company's functional currency is the Canadian dollar. The Company funds the operations of Ynvisible SA in Portugal, Ynvisible GmbH in Germany, and Ynvisible Production in Sweden by using Euros and Swedish krona, respectively, converted from its Canadian dollar bank accounts. Based on the Company's Euro and Swedish krona denominated financial instruments at December 31, 2020, a 10% change in exchange rates between the Canadian dollar and the Euro and Swedish krona, respectively, would result in an approximately \$49,200 and \$15,700, respectively, 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.

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**12. CAPITAL MANAGEMENT (continued)**

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 years ended December 31, 2020 and 2019. The Company is not subject to externally imposed capital requirements.

**13. SEGMENTED DISCLOSURE**

The Company has one operating segment, being the development and sale of EC displays in Europe. At December 31, 2020, the Company's assets, liabilities and comprehensive loss are geographically located as follows:

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

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**13. SEGMENTED DISCLOSURE (continued)**

At December 31, 2019, the Company's assets, liabilities and comprehensive loss were geographically located as follows:

	Europe		Canada		Total
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 481,939	\$	1,644,786	\$	2,126,725
Amounts receivable	572,843		28,329		601,172
Prepaid expenses	122,915		51,389		174,304
<b>Total current assets</b>	<b>1,177,697</b>		<b>1,724,504</b>		<b>2,902,201</b>
<b>Non-current assets</b>					
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
<b>Total non-current assets</b>	<b>3,497,095</b>		<b>150,296</b>		<b>3,647,391</b>
<b>Total assets</b>	<b>\$ 4,674,792</b>	\$	<b>1,874,800</b>	\$	<b>6,549,592</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
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
<b>Total current liabilities</b>	<b>1,638,113</b>		<b>186,103</b>		<b>1,824,216</b>
<b>Non-current liabilities</b>					
Lease liabilities	681,176		24,308		705,484
Long-term liabilities	5,694		-		5,694
<b>Total non-current liabilities</b>	<b>686,870</b>		<b>24,308</b>		<b>711,178</b>
<b>Total liabilities</b>	<b>\$ 2,324,983</b>	\$	<b>210,411</b>	\$	<b>2,535,394</b>
<b>Comprehensive loss for the year ended December 31, 2019</b>	<b>\$ 1,908,029</b>	\$	<b>1,543,479</b>	\$	<b>3,451,508</b>

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**14. 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% (2019 – 27%) in Canada and 21% (2019 – 21%) in Europe.

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

	2020	2019
Recovery at statutory rate	\$ (1,025,000)	\$ (932,000)
Non-deductible items	72,000	118,000
Change in estimate and other	(1,060,000)	210,000
Change in tax benefits not recognized	2,013,000	604,000
Income taxes expense (recovery)	\$ -	\$ -

The components of deferred income taxes are:

	2020	2019
Share issue costs	\$ 107,000	\$ 128,000
Fixed assets	36,000	176,000
Non-capital losses	3,927,000	1,609,000
Tax benefits not recognized	(4,070,000)	(1,913,000)
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 \$16,420,000 (2019 - \$12,579,000) that may be available for tax purposes. The losses expire as follows:

Expiry date	Amount
2026	\$ 247,000
2027	420,000
2028	694,000
2029	682,000
2030	759,000
2031	522,000
2032	477,000
2033	1,638,000
2034	752,000
2035	403,000
2036	497,000
2037	642,000
2038	2,822,000
2039	2,024,000
2040	3,841,000
Total	\$ 16,420,000

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**15. SUBSEQUENT EVENTS**

In January 2021, the Company closed a private placement and issued 12,857,142 units of the Company at \$0.35 per unit for gross proceeds of \$4,500,000, whereby each unit consists of one Class A common share and one-third of a share purchase warrant of the Company. Each whole warrant, subject to acceleration provision, will be exercisable into an additional share at an exercise price of \$0.50 for a period of 18 months from the date of issuance. In connection with the offering, the Company paid cash commissions in the aggregate amount of \$62,580 and issued 452,280 finders' units to eligible finders. The finders' units will bear the same terms and conditions of the units issued with the offering. All securities issued as part of this offering are subject to a statutory hold period of four months from the date of closing.

In March 2021, the Company elected to exercise its right to accelerate the expiry date of its warrants issued on January 9, 2019 and June 5, 2019. These warrants expired on April 17, 2021.

Subsequent to December 31, 2020, the Company issued 7,543,813 Class A common shares in connection with the exercise of 7,543,813 warrants with an exercise price of \$0.60 for total proceeds of \$4,509,288. In addition, the Company also issued 450,000 Class A common shares in connection with the exercise of 450,000 stock options with a weighted average exercise price of \$0.32 for total proceeds of \$145,600.

Subsequent to December 31, 2020, the Company granted 265,000 stock options to various employees and consultants of the Company at an exercise price of \$1.29 per share for a period of five years. Furthermore, 95,000 stock options expired.