

YNVISIBLE INTERACTIVE INC.
(formerly Network Exploration Ltd.)

MANAGEMENT DISCUSSION AND ANALYSIS

THREE MONTHS ENDED MARCH 31, 2019

Date of Report: May 30, 2019

The following management discussion and analysis (“MD&A”) of the financial position and results of operations for Ynvisible Interactive Inc. (the “Company” or “Ynvisible”) (formerly Network Exploration Ltd.) should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto for the year ended December 31, 2018 and unaudited condensed consolidated interim financial statements for the three months ended March 31, 2019. Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com.

Overall Performance

Ynvisible Interactive Inc. is a public company listed on the TSX Venture Exchange under the trading symbol “YNV”. On January 11, 2018, the Company changed its name from Network Exploration Ltd. to Ynvisible Interactive Inc. and on January 19, 2018 (see news release dated January 19, 2018) the Company completed its reverse take-over transaction (“RTO”) with YD Ynvisible, S.A. (“YD Ynvisible”), whereby it acquired 94.19% of its issued and outstanding common shares. The Company’s unaudited condensed consolidated interim financial statements for the three months ended March 31, 2019 have been prepared on a continuity of interest basis that present the comparative results of YD Ynvisible prior to the RTO.

Ynvisible aims to be a leading company in the emerging printed electronics sector. Printed electronics use new materials with electronic properties that are processable into inks and can be printed into thin layers (using conventional print house equipment) onto flexible materials, such as plastic and paper.

Ynvisible’s proprietary electrochromic displays can be the face of smart labels and other smart printable surfaces. Ynvisible’s displays use almost no power. They are ultra-low weight, microscopically thin, flexible, yet robust. When combined with various sensors, they bring functionality and life to smart products. Given the cost and power consumption advantages over conventional electronics, printed electronics are a key enabler of mass adoption of the Internet of Things (IoT). Electrochromics-based smart labels offer simple, non-obtrusive human interfaces to smart IoT objects.

Ynvisible’s mix of services, materials, and technology is a unique combination, which is gaining traction among brand owners developing their IoT products for a huge market in its infancy. Since Ynvisible’s displays are printed, product designers can easily adapt electrochromics to the desired product design and required user experience.

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 – 1005 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7. The Company maintains a website at www.ynvisible.com.

The Company’s ability to continue as a going concern, to fund its technology and market development 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 expending its best efforts in this regard, the outcome of these matters cannot be predicted at this time.

Business Highlights and First Quarter 2019

Sales and marketing

The high number and diversity of client contacts received during 2018 showed that there is excitement for Ynvisible's technology. The ynvisible brand is well regarded. All major on-going client developments continue to be covered by confidentiality agreements and are focused on product initiatives driven by end clients.

After the recruitment of new sales, marketing and business development management in Q3 2018 the Company has continued to refine and build its sales, marketing, and customer support processes to more effectively handle the increasing number of client requests and accelerate time to market. In addition to systematically qualifying and processing in-bound client prospects, the Company aims to boost its outbound marketing and sales efforts in select lead market sectors. In Q1 2019 the Company identified three lead business arenas with strong interest and proven market pull for ynvisible interactive printed graphics:

- Premium consumer products
- Logistics & retail (smart labels)
- Health & wellness

Ynvisible targets its marketing and sales efforts to consumer brand owners in these sectors, but also builds partnerships with established and highly innovative design and production companies serving these value chains.

A central theme in Ynvisible's marketing in 2019 is to build visibility and awareness of its interactive printed graphics solutions beyond the printed and flexible electronics sector. Brand owner clients with smart product initiatives targeting product launches in 2019 and 2020 are a priority for Ynvisible's team. During the year the Company expects to sell a growing number of prototyping and production projects within the lead business arenas. As a next step to these projects, Ynvisible's further aim is to sell first volume production of electrochromic displays from its sheet-based production line in Charneca de Caparica, Portugal. In parallel to producing for customer orders, the facility will be used to train outside design and production houses to work with the Company's proprietary technologies, and the first technology transfer cases to outside production houses will be developed.

Premium consumer products

Premium consumer products is a key business arena for Ynvisible. The Company took part for the first time in Consumer Electronics Show (CES) in Las Vegas. The show, held this January 8-12, 2019, is the world's leading consumer electronics convention and showcase for next-generation innovations. Ynvisible received hundreds of visitors from around the globe at its booth in the Organic Electronics Association (OE-A) pavilion. Representatives from a range of different consumer products and electronics companies interacted with more than a dozen new technology and smart product application demonstrators utilizing printed electrochromics as the visual display. Demonstrators on display included electrochromic visual indicators on smart labels, smart consumer products, timer wristbands, premium packaging, and even interactive art work produced by partners in the DecoChrom project. Dr. Inês Henriques, COO, gave a speech at OE-A's printed electronics session. Her talk was titled "Using printed electronics interfaces to create smart product solutions and experiences". The show produced a record number of client leads for the Company.

Logistics and retail

On February 7, 2019, the Company announced that it has begun work with two smart label companies on commercial contracts that are expected to reach market in 2019. In both cases, Ynvisible provides visual indicators to the clients' smart label solutions, relating to labeling in the electronics sector in one case, and RFID sensor labels aimed at packaging applications for the delivery and handling of sensitive products in the other. These deliveries were the first orders produced in Ynvisible's new commercial production facilities in Charneca de Caparica, Portugal. Ynvisible and the clients are working together to begin the process of transferring production to the client's existing manufacturing or dedicated 3rd party infrastructure to achieve significant scalability advantage.

To promote uses for Ynvisible's electrochromic technology particularly in smart label applications, Samuli Strömberg, Head of Business Development, spoke at the first conference on organic and printed electronics in the Middle East, OPE-MENA, in Dubai January 29-30, 2019.

Health and wellness

At this year's LOPE-C (Large-area, Organic & Printed Electronics Convention) in Munich, Germany on March 19-21, the Institute of Microelectronics of Barcelona IMB-CNM, a part of The Spanish National Research Council (CSIC) won the best new product prototype award for its concept of a fully printable, single-use, self-powered glucometer using Ynvisible's displays as the visual indicator. In January the same research group's paper "Self-powered smart patch for sweat conductivity monitoring" was published by Nature Research, a globally renowned publisher of multidisciplinary scientific articles. The article showcases a use of Ynvisible's displays with a "body powered" sweat conductivity sensor, being developed to help screen for cystic fibrosis. The groundbreaking work by IMB-CNM (CSIC) showcases potential for Ynvisible's ultra-low power display technology in applications for healthcare and the rapidly growing field of point-of-care disposable diagnostics.

Technology

In addition to the production scale up and roll out of the current generation of Ynvisible's proprietary electrochromic solutions, the Company works actively to enhance the performance of its technologies and products to build market leadership. Ynvisible builds partnerships designed to accelerate the development and ultimate market introduction of next generation functionalities for electrochromics.

In the EU co-funded project DecoChrom (www.decochrom.eu), the aim is to elevate printed graphics products to the age of interactivity, and empower the creative industries with the tools and innovative advanced material sets to design and build aesthetically pleasing practical human interfaces to smart consumer goods and environments. In Q1 2019 DecoChrom partners Aalborg University and University of Lapland, with support from Ynvisible, began offering hands-on electrochromics workshops and courses.

Recent work from Ynvisible in project DecoChrom was also on display at Frame Lab 2019, February 19-20 in Amsterdam. The demonstrators were presented in Frame Lab's Intuitive Tech track by Hyløh a global collective who approach design, manufacturing and business from a materials perspective and consult, create and educate. Jarno Vehmas, Ynvisible's Head of Design, was on-site to support. At LOPE-C 2019, VTT Technical Research Centre of Finland presented results of joint DecoChrom results with Ynvisible, with a poster and paper on "Injection Over-Molding of Flexible Electrochromic Displays".

Co-Operation Agreement with Fraunhofer-Gesellschaft

On January 18, 2019, the Company announced a Memorandum of Understanding (MoU) with Fraunhofer-Gesellschaft - Europe's largest institution for applied research. The co-operation aims to accomplish several objectives related to the development and proliferation of electrochromic inks and devices. The agreement outlines that joint business explorations will be conducted, seeking to enhance commercial uses of Fraunhofer's technologies and skills in electrochromics by combining them with Ynvisible's technology and beyond. Developments will be jointly carried out by using a combination of each parties' proprietary technologies, skills and capabilities.

Results of Operations for the three months ended March 31, 2019

General and Administrative Expenses

During the three months ended March 31, 2018 (“Q1 2018”), the Company completed its RTO transaction with YD Ynvisible. As a result, the Company is now consolidating the results of YD Ynvisible from January 19, 2018 on a continuity of interest basis as if the Company had always been owned by the shareholders of YD Ynvisible. Net loss for the three month period ended March 31, 2019 decreased to \$644,530 compared to \$3,188,682 during the three months ended March 31, 2018. Key contributors to the decrease in operating costs are as follows:

- Compensation and Consulting decreased by \$277,495 to \$353,823 (Q1 2018 - \$631,318) due to the Company using additional consultants in connection with the RTO transaction in the prior period.
- Professional fees decreased by \$215,330 to \$63,656 (Q1 2018 - \$278,986) as the Company paid more legal costs associated with the RTO transaction in the prior period.
- Share-based compensation recognized in the current period was \$69,000 for vesting of options granted in prior periods, while 3,800,000 options with a value of \$793,600 were granted and partially vested in the prior period. The stock options were fair-valued using the Black-Scholes option pricing model.
- Transfer and listing fees decreased by \$51,075 to \$20,568 (Q1 2018 - \$71,643). The Company paid additional fees associated with the RTO transaction, the consolidation of the Company’s shares and financing activities in the prior period.
- The Company expensed \$1,199,141 in transaction costs relating to the RTO in the prior period, of which \$402,264 was the fair value assigned to 1,340,881 finder’s fees shares issued in connection with the transaction, \$719,332 was a non-cash purchase price allocation and \$77,545 was for related expenses.

Other than items disclosed within this MD&A, there are no trends, commitments, events or uncertainties presently known to management that are reasonably expected to have a material effect on the Company’s business, financial condition or results of operation, other than uncertainty as to the speculative nature of the business, and the uncertainty of fundraising activities.

Summary of Quarterly Results

Three months ended	Prototyping Project Revenues	EU Co-Funded Project Grants	Net Loss	Loss Per Share (Basic and Diluted)
March 31, 2019	\$ 23,966	\$ 137,657	\$ 644,530	\$0.01
December 31, 2018	\$ 8,524	\$ 160,243	\$ 941,514	\$0.02
September 30, 2018	\$ -	\$ 51,403	\$ 668,504	\$0.01
June 30, 2018	\$ -	\$ 85,586	\$ 619,814	\$0.01
March 31, 2018	\$ 8,425	\$ 78,037	\$ 3,188,682	\$0.07
December 31, 2017	\$ 27,697	\$ 12,143	\$ 511,874	\$0.10
September 30, 2017	\$ 12,576	\$ 16,626	\$ 169,516	\$0.03
June 30, 2017	\$ 34,577	\$ 89,534	\$ 72,220	\$0.01
March 31, 2017	\$ 28,792	\$ 22,150	\$ 152,048	\$0.03

The March 31, 2018 net loss includes \$1,199,141 in mostly non-cash RTO transaction fees and \$793,600 in non-cash share-based compensation.

The 2017 results are those of YD Ynvisible alone following the continuity of interest principle and were converted from European Euros to Canadian dollars.

Liquidity

In management's view, given the nature of the Company's operations, the Company does not expect to receive significant income from any of its projects in the near term.

The Company has financed its operations to date primarily through the issuance of common shares and the exercise of stock options or warrants. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. These factors may cast significant doubt on the Company's ability to continue as a going concern. While the Company is expending its best efforts in this regard, the outcome of these matters cannot be predicted at this time. These unaudited condensed consolidated interim 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.

Capital Resources

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

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 eligible finders a cash commission in the aggregate amount of \$12,444 on the Offering within the amount permitted by the policies of the TSX Venture Exchange (the "Exchange"). In addition, 166,553 Shares were issued to eligible finders and 83,276 non-transferable finder's warrants were issued to eligible finders to purchase an aggregate of 83,276 units of the Company (the "Finder's Units"). Each Finder's Unit consists of one Share and one-half of a Warrant. Each Warrant will entitle the holder to purchase a Warrant Share at a price of \$0.60 per Warrant Share for a period of three years from the closing of the Offering, subject to Accelerated Expiry.

All securities issued under the Offering are subject to a statutory hold period ending on May 10, 2019 in accordance with applicable Canadian securities laws. The proceeds of the Offering will be used for general working capital.

On January 19, 2018, Ynvisible Interactive Inc. completed its previously announced transaction with YD Ynvisible, S.A. whereby the Company acquired 94.19% of the issued and outstanding common shares of YD Ynvisible, through the issuance of 25,991,831 Class A common shares, which acquisition constituted a reverse takeover transaction pursuant to the policies of the TSX Venture Exchange. (see the Company's news release dated January 19, 2018).

Concurrent with the RTO, the Company closed a prospectus offering of 15,333,332 shares at a price of \$0.30 per share. The Company issued 83,333 Class A common shares and paid cash as finders' fees relating to this offering.

At March 31, 2019, the current assets of the Company consist of cash, amounts receivable and prepaid expenses totaling \$2,000,907 and the Company has working capital of \$112,608. The Company will have to generate additional cash from equity raised through the Canadian public markets to meet its commitments (see also Subsequent Events).

Common Share Exchange

On October 26, 2018, the Company issued 925,479 common shares at a deemed price of \$0.30 per share to the minority shareholders of YD Ynvisible in exchange for 925,479 common shares of YD Ynvisible. The Company now owns approximately 98% of YD Ynvisible.

Change in Year End

Effective January 1, 2018, the Company has elected to change its year end from November 30 to December 31. The change was made to align the Company's reporting periods with its new subsidiary and to provide investors with better comparable information to other similar reporting companies.

Cash Flows

Net cash used in operating activities for the three months ended March 31, 2019 was \$448,082 (2018 - \$1,373,977). The cash used consisted primarily of general and administrative expenses, net of non-cash expenditures and a net change in non-cash working capital, detailed in the statement of cash flows. The prior period saw increased activity highlighted by the reverse takeover transaction.

During the three months ended March 31, 2019, cash used investing activities was \$212,517 (2018 - \$4,776) for the purchase of fixed assets.

During the three months ended March 31, 2019, cash provided from financing activities was \$961,152 (2018 - \$5,186,258). In the current period, the Company closed a private placement for \$1,001,760 with \$12,494 in cash costs. In the prior period, the Company completed a prospectus offering for gross proceeds of \$4,600,000 and incurred cash share costs of \$102,803. The Company repaid \$963,815 in loans in the prior period. In the current period, the Company repaid long term debt of \$28,114 (2018 - \$39,102). As a result of the RTO, the Company acquired \$1,691,978 in cash in the prior period.

The Company's cash increased by \$319,521 from \$957,078 at December 31, 2018 to \$1,276,599 at March 31, 2019.

Off Balance Sheet Arrangements

At March 31, 2019 and as of the date of this report, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Transactions with Related Parties

Directors and Officers

As of March 31, 2019 and the date of this report, the Company had the following directors and officers:

Jani-Mikael Kuusisto – Chief Executive Officer and Director
Inês Henriques, PhD – Chief Operating Officer and Director
Alexander Helmelt – Director
Duarte Mineiro – Director
Martin Burian – Director
Benjamin Leboe – Director
Carlos Pinheiro Baptista, PhD – Chief Technology Officer
Darren Urquhart, CPA, CA – Chief Financial Officer

The Company has incurred charges during the three months ended March 31, 2019 and 2018 from directors and senior management, or companies controlled by them, for management and consulting fees and share-based compensation as follows:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Jani-Mikael Kuusisto – Salary	\$34,731	\$35,757
Jani-Mikael Kuusisto – Share based compensation	-	101,189
Inês Henriques – Salary	21,482	22,117
Inês Henriques – Share based compensation	-	67,459
Alexander Helmel – Consulting fees	7,500	7,500
Alexander Helmel – Share based compensation	-	44,973
Duarte Mineiro – Share based compensation	-	44,973
Martin Burian – Consulting fees	3,000	3,000
Martin Burian – Share based compensation	-	22,486
Carlos Pinheiro Baptista – Salary	24,873	22,117
Carlos Pinheiro Baptista – Share based compensation	-	84,324
Benjamin Leboe – Consulting fees	3,000	-
Benjamin Leboe – Share based compensation	7,778	-
Darren Urquhart – Consulting fees	7,500	8,000
Darren Urquhart – Share based compensation	-	22,486
Total cash consulting and management fees	\$ 102,086	\$ 98,491
Total share-based compensation	\$ 7,778	\$ 387,890
Total compensation of officers and directors	\$ 109,864	\$ 486,381

Note: Share based compensation is a non-cash expense for valuing stock option grants that is computed using the Black-Scholes Valuation Model.

As at March 31, 2019, accounts payable and accrued liabilities include \$115,325 (December 31, 2018 - \$122,252) due to officers and directors. Trade and other payable amounts due to related parties are unsecured and have no specified terms of repayment.

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.

Subsequent Events

Private Placement

On April 19, 2019, the Company arranged a non-brokered private placement for gross proceeds of up to \$2,500,000. The private placement consisted of up to 7,142,857 units (the “Units”) at a price of \$0.35 per Unit.

On May 15, 2019, the Company increased the size of its non-brokered private placement due to increased demand. The Company will now issue up to 11,428,571 Units at a price of \$0.35 per Unit for gross proceeds of up to \$4,000,000.

Each Unit consists of one common share (a “Share”) and one-half of a common share purchase warrant (a “Warrant”). Each whole Warrant is exercisable into a common share of the Company (a “Warrant Share”) at a price of \$0.60 per Warrant Share for a period of three years from issuance.

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, in which case 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.

Net proceeds from the private placement will be used for general working capital. All securities issued in connection with the private placement will be subject to a statutory hold period of four months. The Company may be paying finder's fees up to the amount permitted by the TSX Venture Exchange policies. Completion of the private placement is subject to the receipt of all necessary corporate and regulatory approvals, including approval of the TSX Venture Exchange.

Stock Option Grant

On May 1, 2019, the Company granted 1,775,000 incentive stock options to directors, officers, employees and consultants of the Company at an exercise price of \$0.37 per share. The options are exercisable for a period of five years and are subject to the approval of the TSX Venture Exchange.

Ynvisible Contracted by Leading Security and Identity Solutions Company

On April 4, 2019, the Company announced that it has entered into a commercial agreement with a globally leading security and identity solutions group which is exploring the use of Ynvisible's proprietary intellectual property and expertise in electrochromics in its electronic identification document solutions. Ynvisible will deliver the results of this agreement by the end of Q2/2019. The Parties aim to build the collaboration and develop printed electrochromics into the Client's secure document offering for increased levels of authentication.

Proposed Transactions

There are no proposed transactions that will materially affect the performance of the Company other than those disclosed elsewhere in this MD&A.

Other MD&A Requirements

This MD&A is intended to assist the reader's understanding of Ynvisible and its operations, business, strategies, performance and future outlook from the perspective of management. The documents mentioned above, as well as news releases and other important information may be viewed through the SEDAR website at www.sedar.com.

This MD&A may contain management estimates of anticipated future trends, activities, or results; these are not a guarantee of future performance, since actual results may vary based on factors and variables outside of management's control. Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible to ensure that information disclosed externally, including the financial statements and MD&A, is complete and reliable. Ynvisible's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's Audit Committee meets with management to review the financial statement results, including the MD&A, and to discuss other financial, operating and internal control matters. The Audit Committee is free to meet with the independent auditors at any time.

Summary of Outstanding Share Data as of the Date of this Report

	Number Issued and Outstanding
Common shares	56,647,432
Stock Options	4,775,000
Warrants	1,752,876
Fully Diluted	63,175,308

Approval

The Board of Directors of Ynvisible has approved the disclosure contained in the MD&A as of the date of this report. A copy of this MD&A will be provided to anyone who requests it and can be located, along with additional information, on the SEDAR website at www.sedar.com.

Controls and Procedures

Disclosure controls and procedures ('DC&P') are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ('ICFR') are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

TSX Venture listed companies are not required to provide representations in filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument MI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Forward-Looking Statements

All statements made in this MD&A, other than statements of historical facts, are forward-looking statements. The Company's actual results may differ significantly from those anticipated in the forward-looking statements and readers are cautioned not to place undue reliance on these forward-looking statements. Except as required by securities regulations, the Company undertakes no obligation to publicly release the results of any revisions to forward-looking statements that may be made to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events. Forward-looking statements include, but are not limited to, statements with respect to the development of products, sales growth and global expansion, the impact of the Company's products and services on customers and marketplaces, future financial or operating performance of the Company, the ability to capitalize on future opportunities and estimates regarding the size and scope of target markets and their potential for growth.

In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to the integration of acquisitions; future costs of materials and labor; speed of technology adoption in target markets and emergence of competing technologies, and other risks of the printed electronics and technology industries; and delays in obtaining financing.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Accounting Policies Adopted During the Period

IFRS 16 Leases

IFRS 16 replaces the previous leases standard, IAS 17 Leases, and interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, lessee and lessor. The Company adopted IFRS 16 effective January 1, 2019 (see also Notes 3, 6 and 13 of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2019).

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: the amounts disclosed related to fair values of stock options and warrants issued and the resultant 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; and 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.

Risks and Uncertainties

The Company is subject to a number of risks and uncertainties due to the nature of its business. The Company’s activities expose the Company to various operational and financial risks that could have a significant impact on its level of operating cash flows in the future. Readers are advised to study and consider risk factors stressed below. The following are identified as main risk factors that could cause actual results to differ materially from those stated in any forward-looking statements made by, or on behalf of, the Company.

Operational Risks

The Company is subject to operational risk from such factors as personnel and/or environmental accidents at production facilities; fire; patent disputes; changes in supplier pricing; non-performance of obligations under existing agreements; technical difficulties including plant and equipment breakdown; loss of significant customers; problems with product transportation and logistics; legal action from persons or entities adversely impacted by the Company’s business; and the ability to obtain financing to maintain operations.

Governmental Regulation

Regulatory standards continue to change, making the review process longer, more complex and therefore more expensive. Electrochromic display production on the Company's facilities is affected by government regulations relating to such matters as environmental protection, health, safety and labour, restrictions on production, price control, and tax increases. There is no assurance that future changes in such regulations couldn't result in additional expenses and capital expenditures, decreasing availability of capital, increased competition, reserve uncertainty, title risks, and delays in operations. The Company relies on the expertise and commitment of its management team, advisors, employees and contractors to ensure compliance with current laws.

Customer Demand

The Company is subject to risk from falling customer demand for its products. Global, regional and seasonal economic, political and military events including recessions and wars; competition including pricing and availability of similar products from competitors; changes in technology; and changes in laws and regulations affecting the Company's customers.

Financial Risks

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

Credit Risk

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

Interest Rate Risk

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

Liquidity Risk

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

Foreign Currency Risk

The Company's functional currency is the Canadian dollar. The Company funds the operations of its subsidiary, YD Ynvisible, 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 March 31, 2019, a 10% change in exchange rates between the Canadian dollar and the Euro would result in a \$48,551 change in foreign exchange gain or loss.