

POOLS SAFE

YOUR PERSONAL POOLSIDE ATTENDANT

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

(EXPRESSED IN CANADIAN DOLLARS)

POOL SAFE INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(EXPRESSED IN CANADIAN DOLLARS)

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Chartered Professional Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Pool Safe Inc.:

Opinion

We have audited the consolidated financial statements of Pool Safe Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that as of December 31, 2021 the Company has a working capital deficiency in the amount of \$1,036,977 and had incurred losses in the year in the amount of \$618,862 resulting in an accumulated deficit of \$5,005,266. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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:

- 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 audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's 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 auditor's 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 financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

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

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

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 Ramsay.



Chartered Professional Accountants
Licensed Public Accountants

Markham, Ontario
April 26, 2022

Pool Safe Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

AS AT	Note	December 31, 2021	December 31, 2020
ASSETS			
Current			
Cash and cash equivalents		\$ 28,906	\$ 34,742
Receivables	5	31,058	31,102
Inventory	6	196,786	131,832
		256,750	197,676
Patent design and costs	8	-	-
Equipment	7	209,778	264,100
Revenue share assets	9	407,008	208,352
TOTAL ASSETS		\$ 873,536	\$ 670,128
LIABILITIES AND EQUITY			
Current			
Trade payables and other liabilities	10	\$ 202,301	\$ 136,273
Current portion of lease liability	11	36,355	39,215
Promissory notes	14	20,000	67,000
Current portion of credit line	13	1,035,071	267,585
Current portion of convertible debenture	12	-	454,588
Total current liabilities		1,293,727	964,661
Lease liability	11	77,687	102,210
Long term portion of loans payable	13	-	131,971
Total liabilities		1,371,414	1,198,842
Going concern	2(a)		
Subsequent event	23		
Shareholders' Equity			
Share capital	15	4,033,337	3,339,590
Warrants		136,269	115,775
Equity component of convertible debentures		-	68,647
Reserves		337,782	337,782
Accumulated deficit		(5,005,266)	(4,390,508)
Total equity		(497,878)	(528,714)
TOTAL LIABILITIES AND EQUITY		\$ 873,536	\$ 670,128

These consolidated financial statements are approved on behalf of the Board of Directors:

(Signed) "David Berger"
Director

(Signed) "Steven Glaser"
Director

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

Pool Safe Inc.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31,	
	2021	2020
	\$	\$
Revenue	254,939	264,888
Cost of Sales	424,793	241,989
Gross Profit	(169,854)	22,899
Expenses		
Selling, general and administrative	240,817	144,222
Stock-based compensation	-	2,854
Professional fees	51,140	30,472
Regulatory	30,044	20,690
Advertising and promotion	21,413	23,105
Depreciation and amortization	37,693	38,925
Foreign exchange loss (gain)	(772)	9,881
Government COVID assistance	22	(13,182)
Impairment of patents and designs	-	187,623
Interest and accretion expense	223,075	209,890
	449,008	654,480
Net loss and comprehensive loss	(618,862)	(631,581)
Weighted average shares outstanding, basic	81,461,153	71,212,008
Basic loss per share	(0.01)	(0.01)

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

Pool Safe Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of shares	Share capital	Warrants	Equity portion of convertible debenture	Share- based payments reserve	Accumulated deficit	Total
Balance at December 31, 2019	65,251,240	\$ 3,074,649	\$ 107,446	\$ 30,300	\$ 334,928	\$ (3,812,761)	\$ (265,438)
Warrants expired	-	-	(53,834)	-	-	53,834	-
Units issued via private placement	6,320,000	242,441	58,059	-	-	-	300,500
Units issued for convertible debt term extension	450,000	22,500	4,104	38,347	-	-	64,951
Stock-based compensation	-	-	-	-	2,854	-	2,854
Net loss	-	-	-	-	-	(631,581)	(631,581)
Balance at December 31, 2020	72,021,240	3,339,590	115,775	68,647	337,782	(4,390,508)	(528,714)
Shares issued for convertible debt term extension	3,162,000	63,240	-	-	-	-	63,240
Warrants expired	-	-	(4,104)	-	-	4,104	-
Shares issued for debt	14,046,510	630,507	-	(68,647)	-	-	561,860
Warrants issued for debt financing	-	-	24,598	-	-	-	24,598
Net loss	-	-	-	-	-	(618,862)	(618,862)
Balance at December 31, 2021	89,229,750	\$ 4,033,337	\$ 136,269	\$ -	\$ 337,782	\$ (5,005,266)	\$ (497,878)

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

Pool Safe Inc.
Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

	Year ended December 31,	
	2021	2020
Operating activities		
Net loss	\$ (618,862)	\$ (631,581)
Items not affecting cash:		
Disposal of revenue share assets	45,341	-
Stock-based compensation	-	2,854
Accretion of convertible debentures and warrants	98,646	44,169
Government grant - CEBA	-	(13,182)
Right of use asset amortization	40,420	40,558
Impairment of patents and designs	-	187,623
Depreciation	72,684	85,040
	(361,771)	(284,519)
Net changes in non-cash working capital:		
Increase (decrease) in receivables	44	(10,079)
Decrease (increase) in prepaids	-	59,539
Decrease (increase) in inventory	(64,954)	(64,501)
Increase (decrease) in trade payables and other liabilities	100,887	(75,947)
Cash flows used in operating activities	(325,794)	(375,507)
Investing activities		
Revenue share assets	(302,778)	(49,436)
Cash flows used in investing activities	(302,778)	(49,436)
Financing activities		
Repayment of revolving line of credit	(149,281)	(113,253)
Proceeds of promissory notes	20,000	-
Repayment of ROU liability	(27,383)	(32,408)
Proceeds from issue of units for cash, net of costs	-	300,500
Proceeds from long-term debt	500,000	184,785
Proceeds on revolving line of credit	279,400	120,000
Cash flows provided by (used in) financing activities	622,736	459,624
Net change in cash	(5,836)	34,681
Cash - beginning of year	34,742	61
Cash - end of year	\$ 28,906	\$ 34,742
Non-cash investing and financing activities:		
Bonus Warrants issued with long term debt	24,598	-
Common shares issued for debt conversion	561,860	-
Cash paid for:		
Interest	124,429	165,721

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

1. Nature of business

Pool Safe Inc. ("Pool Safe" or the "Company") was incorporated under the Business Corporations Act (Ontario) on October 27, 2011. The Company manufactures and sells a product known as the "PoolSafe", which functions as a multi-purpose safe, contains a solar-powered charger for USB compatible devices including phones, cameras and tablets as well as a server call-button and a beverage cooler and holders. Pool Safe's head office located at 401 Magnetic Drive, Unit 14, Toronto, Ontario, M3J 3H9.

2. Basis of presentation

(a) Going concern

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's ability to continue in the normal course of operations is dependent on its ability to raise equity or debt financing or through the sale of its products at a profit. Since inception the Company has incurred losses which as of December 31, 2021 totaled \$5,005,266. In addition, the Company had a working capital deficit in the amount of \$1,036,977 at December 31, 2021. There are no assurances that the Company will be successful in achieving these goals. These circumstances cast significant doubt on the Company's ability to continue as going concern and ultimately on the appropriateness of the use of the accounting principles applicable to a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. These adjustments could be material.

Further, in March 2020, the World Health Organization declared coronavirus COVID – 19 a global pandemic which has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposing quarantine period and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown currently, as is the efficacy of the government and central bank interventions. The effect on the travel and leisure industry, in which the Company operates, has been especially harsh. With the development of the vaccines the Company is hopeful that things will improve in the industry in the upcoming year. However, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

(b) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board with an effective date of December 31, 2021.

These consolidated financial statements were approved by the Board of Directors on April 26, 2022.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company as well as its 100% owned subsidiary 1974134 Ontario Inc.

(d) Basis of measurement

Apart from certain assets and liabilities measured at fair value as required under certain IFRS's, the consolidated financial statements have been presented and prepared on the basis of historical cost.

(e) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company.

(f) Estimates and critical judgments by management

The preparation of these consolidated financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically, and adjustments are made to income as appropriate in the year they become known. Items for which actual results may differ materially from

these estimates are described in the following section.

- (i) Useful lives of equipment, patent and design costs, and revenue share assets (collectively "Equipment")
Depreciation of equipment is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of the equipment.
- (ii) Income taxes
Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

3. Significant accounting policies

The principal accounting policies applied to the preparation of these consolidated financial statements are set out below:

- (a) Financial instruments

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") or amortized cost. The Company determines the classification of financial assets at initial recognition.

Financial assets at Fair-value through profit or loss

Financial instruments classified as fair value through profit and loss are reported at fair value at each reporting date, and any change in fair value is recognized in the statement of operations in the period during which the change occurs. Realized and unrealized gains or losses from assets held at FVPTL are included in losses in the period in which they arise.

Financial assets at Fair-value through other comprehensive income

Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs with all subsequent changes in fair value recognized in other comprehensive income (loss). For investments in equity instruments that are not held for trading, the Company can make an irrevocable election (on an instrument-by-instrument bases) at initial recognition to classify them as FVTOCI. On the disposal of the investment, the cumulative change in fair value remains in other comprehensive income (loss) and is not recycled to profit or loss.

Financial assets at amortized cost

Financial assets are classified at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. The Company's accounts receivable are recorded at amortized cost as they meet the required criteria. A provision is recorded based on the expected credit losses for the financial asset and reflects changes in the expected credit losses at each reporting period.

Financial liabilities

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has elected to measure at FVTPL. The Company's financial liabilities include trade and other payables which are classified at amortized cost.

Impairment

IFRS 9 requires an 'expected credit loss' model to be applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition.

(a) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, net of estimated returns and discounts. The Company considers the terms of the sales contracts as well as industry practices, taking into consideration the type of customer, the nature of the transaction and the specific circumstances of each arrangement. The Company's revenue is comprised of sales of its PoolSafe product line units and revenue sharing from its PoolSafe product line installations at various locations.

The Company recognizes revenues on product sales at the time the product is delivered. At the time of delivery, the following criteria for revenue recognition exist: title has transferred to the customer according to the shipping terms, the Company no longer retains managerial involvement with the product associated with ownership, the amount of revenue and costs incurred with respect to the underlying transaction are measured reliably, and collection of the related receivable is probable. Anticipated product returns are provided for at the time of sale.

The Company recognizes revenues on revenue sharing units as it is earned. The Company places PoolSafe units into service with the venue operator. The PoolSafe units can be rented on a daily basis as part of a cabana or VIP daybed rental. The lease is treated as an operating lease. The Company retains ownership of the assets. The Company and the venue operator share the rental proceeds per an agreed distribution rate.

(b) Trade receivables

Trade receivables are recognized initially at fair value less allowances made for doubtful receivables based on a review of year-end trade receivables, and do not carry any interest. An allowance for doubtful accounts receivables is generally made when there is objective evidence that the Company will not be able to collect the amounts due according to original payment terms or when there are indications of collection issues related to specific customers. As at December 31, 2021 and December 31, 2020 no provision for uncollectible accounts was recorded by the Company.

(c) Inventory

The Company's inventory is recorded at the lower of cost or net realizable value, with cost being determined on a first-in, first-out basis. Net realizable value is defined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs.

The value of obsolete or unmarketable inventory is based on the Company's assessment of market conditions for its product determined by historical usage, estimated future demand and in some cases, the specific risk of loss on specifically identified inventory.

(d) Equipment

Equipment is stated at cost less accumulated depreciation. They are depreciated on the basis of their useful lives using the following methods and rates:

Pool Safe Inc.
Notes to Consolidated Financial Statements
Years ended December 31, 2021 and 2020
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	<u>Method</u>	<u>Rate</u>
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Manufacturing equipment tooling and moulds	Straight-line	15 years
Right of use assets	Straight-line	5 years
Revenue share assets	Declining balance	20%

An asset's residual value, useful life and depreciation method are reviewed at each financial year end and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components).

(e) Provisions

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, provision for risks and expenses are recognized for probable outflows of resources that can be estimated and that result from present obligations resulting from past events. In the case where a potential obligation resulting from past events exists, but where occurrence of the outflow of resources is not probable or the estimate is not reliable, these contingent liabilities are disclosed in off-balance sheet commitments and litigation. The provisions are measured based on management's best estimates of outcomes on the basis of facts known at the reporting date.

(f) Share capital

Share capital is presented at the value of the shares issued. Costs related to the issuance of shares are reported in equity, net of tax, as deduction of the issuance proceeds.

(g) Foreign exchange translation

The consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency. Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. At each reporting date, foreign currency denominated monetary assets and liabilities are translated at year-end exchange rates. Exchange differences arising from the transactions are recorded in profit or loss for the period. Exchange differences arising from operating transactions are recorded in operating profit for the period; exchange differences related to financing transactions are recognized in finance income or in equity.

(h) Research and development

Research costs are expensed as incurred. Patent and Design costs are expensed as incurred unless they can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use the asset.

Capitalized Patent and Design costs are amortized on a straight-line basis over 15 years. Management reviews amortization periods and methods annually, with any changes accounted for prospectively.

(i) Government assistance

Government assistance that the Company receives for expenses incurred are recognized in profit or loss as an offset to the expenses to which they relate in the periods in which the expenses are recognized, unless the conditions for receiving the assistance are met after the related expenses have been recognized. In that case, the assistance is recognized when it becomes receivable.

Government assistance in the form of a guarantee from the government are recorded at fair value at the time received.

(j) Income taxes

The Company accounts for its income taxes using the deferred tax assets and liabilities method. Deferred income tax assets and liabilities are determined based on the difference between the carrying amount and the tax basis of the assets and liabilities. Any change in the net amount of deferred income tax assets and liabilities is included in profit or loss or equity. Deferred income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws which are expected to apply to taxable profit for the years in which the assets and liabilities will be recovered or settled. Deferred income tax assets are recognized when it is probable they will be realized. Deferred tax assets and liabilities are not discounted.

(k) Share-based compensation

The Company has a stock option plan as noted below. Where equity-settled share options are awarded to employees, officers and directors, the fair value of the options at the date of grant is charged to the statement of operations over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of operations over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of operations. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(l) Leases

Lease accounting policy

At inception of a contract, the Company assesses whether a contract is, or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date. The assets are depreciated over the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of future economic benefits.

Pool Safe Inc.
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The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease obligation. The lease obligation is subsequently measured at amortized cost using the effective interest rate method.

(m) Earnings per share

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all potentially dilutive common shares, which comprise convertible loans payable, warrants and share options.

4. New standards adopted in the current year and future changes

Accounting Standards issued but not yet adopted:

There are currently no new accounting standards issued but not effective that are anticipated to have a significant impact on the Company.

5. Receivables

Receivables are comprised of:

	Dec. 31, 2021	Dec. 31, 2020
Trade receivables	\$ 20,723	\$ 15,494
Taxes receivable	10,335	15,608
	\$ 31,058	\$ 31,102

The following table shows the aging of the Company's trade receivables:

	Dec. 31, 2021	Dec. 31, 2020
1 to 60 days	\$ 14,543	\$ 10,636
61 days and older	8,622	4,858
	23,165	15,494
Allowance for bad debts	2,442	-
Accounts receivable	\$ 20,723	\$ 15,494

The Company considers all trade receivables to be collectable and has not made any allowance for doubtful accounts as at December 31, 2021 nor December 31, 2020.

6. Inventory

The following comprises inventory:

	Dec. 31, 2021	Dec. 31, 2020
Raw materials	\$ 196,786	\$ 131,832
Finished goods	-	-
	\$ 196,786	\$ 131,832

There was no write-down of inventory during the years ended December 31, 2021 nor December 31, 2020. During the year ended December 31, 2021, \$279,591 (December 31, 2020 - \$168,309) of inventory was expensed as cost of sales.

Pool Safe Inc.
Notes to Consolidated Financial Statements
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(Expressed in Canadian Dollars)

7. Equipment

December 31, 2021

Cost	As at December 31, 2020	Additions	As at December 31, 2021
Furniture and equipment	\$ 4,206	\$ -	\$ 4,206
Computer equipment	1,367	-	1,367
Manufacturing equipment tooling and moulds	204,764	-	204,764
Right of use asset	194,891	-	194,891
Leasehold improvement	14,145	-	14,145
Equipment	\$ 419,373	\$ -	\$ 419,373
Accumulated depreciation	As at December 31, 2020	Additions	As at December 31, 2021
Furniture and equipment	\$ 2,947	\$ 252	\$ 3,199
Computer equipment	1,367	-	1,367
Manufacturing equipment tooling and moulds	73,802	13,651	87,453
Right of use asset	64,453	38,978	103,431
Leasehold improvement	12,704	1,441	14,145
	\$ 155,273	\$ 54,322	\$ 209,595
Net book value	\$ 264,100		\$ 209,778

December 31, 2020

Cost	Balance at December 31, 2019	Additions	As at December 31, 2020
Furniture and equipment	\$ 4,206	\$ -	\$ 4,206
Computer equipment	1,367	-	1,367
Manufacturing equipment tooling and moulds	204,764	-	204,764
Right of use asset	194,891	-	194,891
Leasehold improvement	14,145	-	14,145
Equipment	\$ 419,373	\$ -	\$ 419,373
Accumulated depreciation	Balance at December 31, 2019	Additions	As at December 31, 2020
Furniture and equipment	\$ 2,632	\$ 315	\$ 2,947
Computer equipment	1,010	357	1,367
Manufacturing equipment tooling and moulds	60,151	13,651	73,802
Right of use asset	25,781	38,672	64,453
Leasehold improvement	9,875	2,829	12,704
	\$ 99,449	\$ 55,824	\$ 155,273
Net book value	\$ 319,924		\$ 264,100

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8. Patent and design costs

	As at December 31, 2020	Additions, net	As at December 31, 2021
Cost	\$ 265,283	\$ -	\$ -
Accumulated amortization	(77,660)	-	-
Impairment	(187,623)	-	-
Carrying value	\$ -	\$ -	\$ -

	As at December 31, 2019	Additions, net	As at December 31, 2020
Cost	\$ 265,283	\$ -	\$ 265,283
Accumulated amortization	(59,974)	(17,686)	(77,660)
Impairment	-	(187,623)	(187,623)
Carrying value	\$ 205,309	\$ (205,309)	\$ -

During the 2020 year the Company wrote off the value of the Patent and design costs. The Covid-19 pandemic has had a serious impact on many industries with the travel and leisure industry, in which the Company operates, being one of the hardest hit. Management felt that given this environment that its long-term intangible assets were impaired and as such recorded a write down in the amount of \$187,623 against these assets.

9. Revenue share assets

	As at December 31, 2020	Disposals	Additions, net	As at December 31, 2021
Cost	\$ 329,075	\$ (69,551)	\$ 302,778	\$ 562,302
Accumulated amortization	(120,723)	24,210	(58,781)	(155,294)
Carrying value	\$ 208,352	\$ (45,341)	\$ 243,997	\$ 407,008

	As at December 31, 2019	Disposals	Additions, net	As at December 31, 2020
Cost	\$ 279,639	\$ -	\$ 49,436	\$ 329,075
Accumulated amortization	(68,635)	-	(52,088)	(120,723)
Carrying value	\$ 211,004	\$ -	\$ (2,652)	\$ 208,352

10. Trade payables and other liabilities

Trade payables and accrued liabilities are comprised as follows:

	December 31, 2021	December 31, 2020
Trade payables	\$ 97,413	\$ 36,425
Accrued liabilities	104,888	99,848
	\$ 202,301	\$ 136,273

The following table shows the aging of the Corporation's trade payables:

	December 31, 2021	December 31, 2020
Current	\$ 32,508	\$ 9,749
>60 days	64,905	26,676
	\$ 97,413	\$ 36,425

11. Lease Liability

i) Right of use liability

In the current year the Company entered into a lease on its office location. Under the terms of IFRS 16, the Company recognized \$194,891 (December 31, 2020 - \$194,891) for right-of-use assets. The related lease liabilities at December 31, 2021 were \$104,740 (December 31, 2020 - \$141,425). The liability has been recorded as follows:

Balance, December 31, 2020	\$ 141,425
Imputed interest	12,754
Payments	(40,137)
Balance, December 31, 2021	114,042
Current portion	36,355
Long-term portion	\$ 77,687

Payments, including interest, over the term of the lease are as follows:

	2022	2023	2024	Total
Payments	\$ 49,616	\$ 50,452	\$ 29,593	\$ 129,661

12. Convertible debenture

Convertible debenture financing – December 31, 2020	\$ 454,588
Less: Converted in 2021	(454,588)
	\$ -

During 2018, the Company issued a \$460,000 principal amount of unsecured convertible debentures (the "Debentures"). The Debentures bear interest at a rate of 10% per annum, calculated annually and matures on February 8, 2020 (\$300,000), May 11, 2020 (\$125,000) and June 21, 2020 (\$35,000).

For Debentures with a face value of \$310,000, each \$0.11 (subsequently amended to \$0.10 and then to \$0.04) of the principal amount of the Debentures is convertible into one Purchase Unit ("Unit"). Each Unit is exercisable to purchase one Common Share and one-half Common Share warrant at a price of \$0.11 per Common Share for a period of two years following issuance. Each full warrant can be exercised for one Common Share at a price of \$0.15 for a period of two years following the issuance of the Note. The securities issued in connection with the loan are subject to a statutory four month hold period from the date of issuance. The Company issued 196,364 broker warrants in connection with these Debentures. Each broker warrant is exercisable into one share and one-half common share purchase warrant at a price of \$0.11. Each full warrant can be exercised for one share at a price of \$0.15. The broker warrants expire February 8, 2020.

For the Debentures with a face value of \$150,000, each \$0.11 (subsequently amended to \$0.10 and then to \$0.04) of the principal amount is convertible into one share. This series of debentures were issued with 681,750 warrants. Each of these warrants is exercisable into one Common Share at a price of \$0.15 for two years from the date of issuance of the debenture.

The warrants and brokers warrants issued with the debenture financing were valued at \$24,810 using a Black-Scholes valuation option model and are considered a cost of issuance.

The proceeds of the Financing will be used for general working capital purposes.

The debenture is classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debenture being less than face value. The equity portion of this debt was originally valued at \$30,300 using the residual method of valuation. As a result of the extension of the debt for one year an additional amount of \$34,651 was added to this amount to bring the total amount recognized in equity to \$68,647. A balance of \$5,412 was recognized in 2021. The discount is being accreted over the term of the debenture utilizing the effective interest rate method at a 22.2% discount rate.

Costs to extend the term of the \$460,000 of convertible debt was valued at \$64,951 and were to be expensed over the one-year extension of the term as interest. During the 2020 year, \$59,539 of this balance has been accreted to expense, with the balance of \$5,412 accreted in 2021.

In March 2021, the Company issued 2,760,000 shares to the holders of convertible debt, to extend the term of the loans by 25 months.

In May 2021, the \$460,000 convertible debentures plus accrued interest were converted to 12,260,711 common shares in the Company.

13. Loans
Revolving Line of Credit

The Company entered a revolving credit facility for up to \$1 million. Draws against the facility were as follows:

April 2019	\$ 159,500	
May 2019	113,300	
March 2020	<u>184,785</u>	
	457,585	\$ 457,585

In 2019, the Company repaid \$51,565 against balances borrowed.	(51,565)
In 2020, the Company repaid \$35,253 against balances borrowed.	<u>(35,254)</u>
	370,766

In 2021, the Company repaid \$149,281 against balances borrowed.	(149,281)
In 2021, the Company borrowed a further \$279,400 against balances borrowed.	279,400

The Company issued 3,000,000 warrants in conjunction with this facility. The warrants were valued at \$53,612 using a Black-Scholes valuation option model and are considered a cost of issuance. The facilities are due March 31, 2023 and bear interest at 10% per annum. The Company has pledged 40% of all monthly revenue share asset revenue in repayment of this facility. Early repayment is permitted. (53,612)

Accreted value of warrants to December 31, 2021	<u>47,297</u>
Current portion of loan at December 31, 2021	494,570

Revolving line of credit repayments are based on a percentage of the Company's share of revenue from revenue sharing assets. Repayments are based on a return to normal business by mid-summer 2020 as Covid-19 related shut downs are relaxed.

Principal repayments required in the next three years on the line of credit are as follows:

2023	<u>\$ 500,885</u>
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Senior Secured Loan

In May 2021, the Company entered into a Financing Agreement for a senior secured loan of \$500,000. The Company issued 1,600,000 warrants in conjunction with the Senior Secured Loan. The loan is due December 31, 2022 and bear interest at 12% per annum. The warrants were valued at \$24,598 using a Black-Scholes valuation option model and are considered a cost of issuance. The warrants are being accreted against the loan balance, as interest, over the term of the loan. This loan is subordinate only to the revolving line of credit.

May 2021	\$ 500,000
Warrant value	(24,598)
Warrant accretion	<u>10,517</u>
Current portion of loan balance at December 31, 2021	<u>\$ 485,919</u>

Canada Emergency Business Account (“CEBA”) loan

In April 2020, the Company received the Canada Emergency Business Account (“CEBA”) loan of \$40,000 which is an interest-free loan to cover operating costs. In December 2020, the Company received the Canada Emergency Business Account (“CEBA”) loan of \$20,000 which is an interest-free loan to cover operating costs. The CEBA loan program was launched by the government of Canada to support businesses by providing financing for their expenses that cannot be avoided or deferred and assisting businesses for successful relaunch when the economy recovers from COVID-19. Repaying the balance of the loan on or before December 31, 2022 will result in a loan forgiveness of \$10,000.

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 *Financial Instruments*: the benefit of below-market rate shall be measured as the difference between initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the \$40,000 CEBA Loan at \$30,417 and the \$20,000 CEBA loan at \$16,388, using a discount rate of 10%, which was the estimated rate for a similar loan without interest-free component. The difference of \$13,182 will be accredited to the loan liability over the term of the CEBA Loans and offset to other income on the statement of loss and comprehensive loss.

	December 31, 2021	December 31, 2020
Balance, beginning of period	\$ 49,165	\$ –
Loans received	–	60,000
Interest free benefit	5,418	(13,195)
Finance expense	–	2,360
Balance, end of period	<u>\$ 54,583</u>	<u>\$ 49,165</u>

14. Loans – Promissory Notes

The Company entered other long-term loans which bear interest at 10% per annum

Loans at December 31, 2019	\$ 85,000
Additions in 2020	60,000
Payments in 2020	<u>(78,000)</u>
Loans at December 31, 2020	67,000
Additions in 2021	20,000
Payments in 2021	<u>(67,000)</u>
Loans at December 31, 2021	20,000
Less: Current portion of loans	<u>(20,000)</u>
Long term portion of loans at December 31, 2021	<u>\$ –</u>

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The \$67,000 loans were unsecured and were due in full on December 20, 2020 (extended to April 30, 2021). In March 2021, the Company issued 402,000 common shares to extend the term of the promissory notes by 25 months.

In May 2021 the Company issued 1,675,000 common shares in satisfaction of the \$67,000 of promissory notes.

In December 2021 the Company added \$20,000 of promissory notes. The \$20,000 of promissory notes were unsecured and are due in full on December 31, 2021 (repaid subsequent to year end).

15. Share Capital

(a) *Authorized*

An unlimited number of common shares without par value.

An unlimited number of voting class "A" shares.

(b)

Issued common shares

	Number	Amount
Balance at December 31, 2019 and 2018	65,251,240	\$ 3,074,649
Issuance of units for cash (i)	3,620,000	129,978
Issuance of units for cash (ii)	2,700,000	112,463
Issuance of shares and units for extension of convertible debt term (iii)	450,000	22,500
Balance at December 31, 2020	72,021,240	3,339,590
Issuance of shares and units for extension of convertible debt term (iv)	3,162,000	63,240
Issuance of shares in satisfaction of convertible debt (v)	11,500,000	460,000
Conversion of equity component of convertible debt (v)	-	68,647
Issuance of shares in satisfaction of promissory note (vi)	1,675,000	67,000
Issuance of shares in satisfaction of accrued interest (vii)	871,510	34,860
Balance at December 31, 2021	89,229,750	\$ 4,033,337

- (i) During January 2020, the Company completed the first tranche of a private placement, issuing 3,620,000 units for gross proceeds of \$181,000. Each unit comprised one common share and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at a price of \$0.10 per share for 24 months. Costs associated with the placement were \$15,500. The warrant portion of the unit was valued using the Black-Scholes model and net proceeds were allocated based on the relative values of shares and warrants.
- (ii) During February 2020, the Company completed the second tranche of a private placement, issuing 2,700,000 units for gross proceeds of \$135,000. Each unit comprised one common share and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at a price of \$0.10 per share for 24 months. The warrant portion of the unit was valued using the Black-Scholes model and net proceeds were allocated based on the relative values of shares and warrants.
- (iii) During February 2020, the Company amended the terms of \$450,000 of the total of \$460,000 of the principal of the outstanding convertible debentures ("Debentures"). The holders of the \$450,000 agreed to a one-year extension. Of that total, \$300,000 of Debentures had the unit conversion price repriced from an 11-cent common and 15-cent half warrant to a 10-cent common and 12-cent half warrant. As consideration for the Amendments, the Company has agreed to pay these holders 5% of the principal amount of each Debenture, satisfied by the Company issuing to the holders units at a deemed price of \$0.05 per unit, with each unit being comprised of one common share and one Common share purchase Warrant, and each warrant entitling the holder thereof to purchase one additional common share for a period of two years at a price of \$0.10 per common share. Insiders, which are holders of \$150,000 principal amount, will only have the units common share repriced to 10-cents. As consideration the holders will receive 5% of the principal amount of each Debenture, satisfied by the Company issuing each holder common shares priced at \$0.05.
- (iv) During March 2021, the Company issued 2,760,000 common shares to the holders of convertible debt and 402,000

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common shares to the holders of promissory notes, to extend the maturity terms of the debts by 25 months. The Company ascribed a cost of \$63,240 to these shares at a share price of \$0.02.

- (v) In May 2021, the Company issued 11,500,000 common shares at an ascribed value of \$0.04 per share, for total ascribed value of \$460,000, in payment of the convertible debenture. The Company also recognized the convertible debt warrant, valued at \$68,647, as a part of this repayment transaction.
- (vi) In May 2021, the Company issued 1,675,000 common shares at an ascribed value of \$0.04 per share, for total ascribed value of \$67,000, in payment of the promissory notes.
- (vii) In May 2021, the Company issued 871,510 common shares at an ascribed value of \$0.04 per share, for total ascribed value of \$34,860, in payment of the interest accrued and due to the holders of the convertible debt and the promissory notes.

(c) **Warrants**

At December 31, 2021, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
<u>Warrants</u>		
3,620,000	\$0.10	January 20, 2022
2,700,000	\$0.10	February 14, 2022
1,600,000	\$0.05	December 31, 2022
2,278,571	\$0.07	March 31, 2023
721,429	\$0.07	March 31, 2023

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

	December 31, 2021		December 31, 2020	
Balance, beginning of period	9,620,000	\$0.08	7,724,067	\$0.10
Issued	1,600,000	0.05	6,620,000	\$0.09
Exercised	—	—	—	—
Expired	(300,000)	0.10	(4,724,067)	\$0.12
Balance, end of period	10,920,000	\$0.08	9,620,000	\$0.08

As related to equity financings in the 2020 year, the Company determined that the fair value of the warrants at January and February 2020 related to the 3,620,000 and 2,700,000 warrants, using the Black-Scholes Options Pricing Mode, was \$58,059. The Black-Scholes Options Pricing Model used the following inputs; Dividend yield – Nil, interest rate of 0.52%, volatility of 85% and an expected life of 2 years.

As related to the revolving line of credit financings, the Company determined that the fair value of the warrant liability at April and May 2019 related to the 3,000,000 warrants, using the Black-Scholes Options Pricing Mode, was \$53,612. The Company determined that the fair value of the warrant liability using the Black-Scholes Options Pricing Model, using the following inputs; Dividend yield – Nil, interest rate of 0.52%, volatility of 91% and an expected life of 3 years.

As related to debt financings in the 2021 year, the Company determined that the fair value of the warrants at April 2021 related to the 1,600,000 warrants, using the Black-Scholes Options Pricing Mode, was \$24,598. The Black-Scholes Options Pricing Model used the following inputs; Dividend yield – Nil, interest rate of 0.52%, volatility of 91% and an expected life of 1.7 years.

Subsequent to December 31, 2021, 6,320,000 warrants expired unexercised.

(d) **Stock options**

On April 19, 2017, the Company approved the 10% rolling stock option plan (the "Plan"). Pursuant to the Plan, the Company is entitled to grant options and reserve for issuance up to 10% of the shares issued and outstanding at the time of grant. The terms and conditions of any options granted, including the number and type of options, the exercise

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period, the exercise price and vesting provisions, are determined by the Compensation Committee which makes recommendations to the board of directors for their approval. The maximum term of options granted cannot exceed 10 years.

The TSXV's rules require the Plan to be approved annually by shareholders.

At December 31, 2021, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
4,100,000	\$0.11	June 22, 2022
500,000	\$0.11	April 11, 2023
500,000	\$0.11	December 17, 2023

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

	December 31, 2020		December 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	5,100,000	\$ 0.11	5,250,000	\$ 0.11
Granted	-		-	
Exercised	-		-	
Cancelled/Expired	-		(150,000)	\$ 0.11
Outstanding, end of period	5,100,000	\$ 0.11	5,100,000	\$ 0.11
Exercisable, end of period	5,100,000	\$ 0.11	5,016,667	\$ 0.11

The aggregate intrinsic value for options vested and for total options as of December 31, 2021 is \$nil (December 31, 2020 - \$nil). The weighted average contractual term of stock options outstanding and exercisable as at December 31, 2021 is 0.7 years (December 31, 2020 - 1.7 years).

The weighted average fair value of stock options granted, vested, and modified during the period was \$Nil (year ended December 31, 2020 - \$Nil).

No stock options were granted during the years ended December 31, 2021 and 2020.

16. Related party transactions

The following is a summary of the Company's related party transactions during the year:

(a) Key management compensation

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors. Compensation provided to key management is as follows:

	December 31, 2021	December 31, 2020
Short-term employee benefits, including salaries and fees	\$ 105,230	\$ 67,308
Stock-based compensation	-	2,799
	\$ 105,230	\$ 70,107

Of the total of \$460,000 of convertible debentures issued, \$150,000 was issued to executive officers and directors of the Company. These debentures, plus interest outstanding, were converted to 998,058 common shares in 2021.

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Balances of \$35,663 (December 31, 2020 - \$21,900) were due to related parties at December 31, 2021.

17. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2020 - 26.5%) to the effective tax rate is as follows:

	Dec. 31, 2021	Dec. 31, 2020
Net loss before income taxes	\$ (618,862)	\$ (631,581)
Combined statutory tax rate	26.5%	26.5%
Theoretical tax expense (recovery)	(163,998)	(167,369)
Non-deductible expenses	47,022	81,450
Share issue costs	(14,609)	(14,609)
Changes in unrecognized deferred tax assets	131,585	100,528
Income tax recovery	\$ -	\$ -

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences because it is not probable that future taxable profit will be available against which the Company can utilize the benefits there from.

	Dec. 31, 2021	Dec. 31, 2020
Non-capital loss carry-forwards	\$4,306,000	\$3,906,000

For income tax purposes, the Company has losses carried forward from prior years which can be used to reduce future years' taxable income. These losses expire as follows:

	Non-capital losses
2032	\$ 15,000
2033	302,000
2034	297,000
2036	716,000
2037	769,000
2038	933,000
2039	584,000
2040	290,000
2041	400,000
	\$ 4,306,000

18. Operating Segment Information

Management has determined that the Company's operations have similar economic characteristics and are similar in the nature of products and services, production processes, types and classes of customer, methods of distribution and regulatory environment and as such have aggregated its operating units into a single reportable segment. The Company undertakes its operations in the U.S. and has no significant assets located or revenues generated outside the U.S. Therefore, no segment reporting is included in these consolidated financial statements.

19. Earnings (loss) per share

Basic and diluted loss per share are calculated using the following numerators and denominators:

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Numerators	December 31, 2021	December 31, 2020
Loss attributable to common shareholders	\$ (618,862)	\$ (631,581)
Loss used in the computation of basic and diluted earnings per share	\$ (618,862)	\$ (631,581)

Denominators	December 31, 2021	December 31, 2020
Weighted average number of common shares for computation of basic and diluted loss per share	81,461,153	71,212,008

Denominators did not include balances for stock options or warrants as these items were anti-dilutive.

20. Financial instruments

(a) Financial risks

(i) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to review liquidity resources and ensure that sufficient funds are available to meet financial obligations as they become due. Further, the Company's management is responsible for ensuring funds exist and are readily accessible to support business opportunities as they arise. The Company's funding is provided in the form of capital raised through the issuance of shares and long-term debt. As the Company has a large working capital deficiency, liquidity risk is considered high.

(ii) 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 main credit risk relates to its accounts receivable. The accounts receivable are due from a few customers and various government bodies. The Company does not anticipate any significant loss for non-collection but has set up an allowance for doubtful accounts in the amount of \$2,442.

(iii) Market risk

(1) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is not exposed to price risk.

(2) Concentration risk

Concentration risk is the risk that any single investment or group thereof, has the potential to materially affect the operating results of the Company. The Company is not exposed to this risk.

It is management's opinion that the Company is not subject to significant interest rate risk.

(b) Fair value hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - valuation techniques using the inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In these consolidated financial statements, classification of financial instruments measured at fair value is as follows:

Level 1 - cash;

Level 2 - none;

Level 3 - none.

During the year, there were no transfers of amounts between Level 1 and Level 2 and 3.

21. Capital management

The Company considers its capital to be its equity, and debt as disclosed in Notes 12, 13, 14 and 15. The Company's objectives when managing its capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investors' confidence required to sustain future investments.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than that of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2021, the Company is not compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

The Company manages the capital structure and makes appropriate adjustments to it based upon changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company will attempt to issue new shares, issue new debt, acquire or dispose of assets.

22. Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS")

As part of the Canadian federal governments response to the COVID-19 pandemic they instituted a program under the name The Canada Emergency Wage Subsidy (CEWS) CEWS is a wage subsidy program offered until October 2021 to qualifying employers who have seen a drop in revenue due to COVID-19. The purpose of CEWS is to prevent more job losses by helping employers keep employees on payroll. During the year the Company applied for and received CEWS totaling \$95,940 (2020 - \$40,098). and is included Under Government COVID assistance.

During 2021 the Company also received Canadian government rent subsidies (CERS) of \$18,462 and small business support grants from the Province of Ontario in the amount of \$40,000.

Total government assistance received in the year was \$154,402

23. Subsequent event

After year end the outstanding \$20,000 promissory note (Note 14) and accrued interest was repaid.

After year end, the Company received additional unsecured promissory notes in the amount of \$70,000 advanced by an individual related to a director of the Company, bearing interest at 5% per annum. These promissory notes are repayable one year from the date of the advance.

Subsequent to December 31, 2021, 6,320,000 warrants expired unexercised.