POOLSAFE

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CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2022 AND 2021

(EXPRESSED IN CANADIAN DOLLARS)

Notice to Reader

The accompanying unaudited condensed interim financial statements of Pool Safe Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

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Pool Safe Inc.
Consolidated Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars - Unaudited)

AS AT	Note	September 30, 2022	December 31, 2021
ASSETS			
Current			
Cash and cash equivalents		$ 291,301	$ 28,906
Receivables	5	161,714	31,058
Prepaids	12	55,040	-
Inventory	6	248,488	196,786
		756,543	256,750
Equipment	7	169,550	209,778
Revenue share assets	8	657,825	407,008
TOTAL ASSETS		$ 1,583,918	$ 873,536
LIABILITIES AND EQUITY			
Current			
Trade payables and other liabilities	9	$ 259,684	$ 202,301
Current portion of lease liability	10	34,164	36,355
Promissory notes	13	-	20,000
Current portion of loans	12	1,896,572	1,035,071
Total current liabilities		2,190,420	1,293,727
Lease liability	10	53,101	77,687
Total liabilities		2,243,521	1,371,414
Going concern	2(a)		
Subsequent event	22		
Shareholders' Equity			
Share capital	14	4,033,337	4,033,337
Warrants		203,790	136,269
Reserves		365,540	337,782
Accumulated deficit		(5,262,270)	(5,005,266)
Total equity		(659,306)	(497,878)
TOTAL LIABILITIES AND EQUITY		$ 1,583,918	$ 873,536

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 condensed interim financial statements

Pool Safe Inc.
Consolidated Condensed Interim Statements of Operations and Comprehensive Profit (Loss)
(Expressed in Canadian Dollars - Unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	2021	2022	2021
		$	$	$	$
Revenue		331,925	169,591	662,345	233,072
Cost of Sales		220,471	102,067	358,104	284,841
Gross Profit		111,454	67,524	304,241	(51,769)
Expenses					
Selling, general and administrative	22	151,741	85,319	354,959	163,704
Stock-based compensation		27,758	-	27,758	-
Professional fees		20,720	6,880	44,341	40,430
Regulatory		5,754	3,639	13,836	22,091
Advertising and promotion		13,914	4,391	17,568	6,674
Depreciation and amortization		7,721	1,000	25,438	2,540
Foreign exchange loss (gain)		397	(265)	726	(259)
Government grant and subsidy - CEBA		-	(18,325)	-	(71,324)
Interest and accretion expense		53,964	37,374	134,678	183,928
		281,969	120,013	619,304	347,783
Net profit (loss) and comprehensive profit (loss)		(170,515)	(275,065)	(315,063)	(399,552)
Weighted average shares outstanding, basic		89,229,750	89,229,750	89,229,750	81,461,153
Basic and diluted profit (loss) per share		(0.00)	(0.00)	(0.00)	(0.00)

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

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

	Number of shares	Share capital	Warrants	Equity portion of convertible debenture	Share-based payments reserve	Accumulated deficit	Total
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
Shares issued for debt	14,046,510	630,507		(68,647)	-	-	561,860
Warrants issued for debt financing	-	-	24,598	-	-	-	24,598
Net loss	-	-	-	-	-	(399,552)	(399,552)
Balance at September 30, 2021	89,229,750	4,033,337	140,373	-	337,782	(4,790,060)	(278,568)
Warrants expired	-	-	(4,104)	-	-	4,104	-
Net loss	-	-	-	-	-	(219,310)	(219,310)
Balance at December 31, 2021	89,229,750	4,033,337	136,269	-	337,782	(5,005,266)	(497,878)
Warrants issued for debt financing	-	-	67,521	-	-	-	67,521
Warrants expired	-	-	(58,059)	-	-	58,059	-
Stock-based compensation	-	-	-	-	27,758	-	27,758
Net loss	-	-	-	-	-	(315,063)	(315,063)
Balance at September 30, 2022	89,229,750	$ 4,033,337	$ 172,236	$ -	$ 365,540	$ (5,262,270)	$ (659,603)

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

Pool Safe Inc.
Consolidated Condensed Interim Statement of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

	Nine Months Ended September 30,	
	2022	**2021**
Operating activities		
Net loss	$ (315,063)	$ (399,552)
Items not affecting cash:		
Disposal of revenue share assets	95,769	3,993
Stock-based compensation	27,758	-
Accretion of convertible debentures and warrants	22,598	92,508
Right of use asset amortization	29,234	31,355
Depreciation	83,629	43,845
	(56,075)	(227,851)
Net changes in non-cash working capital:		
Increase (decrease) in receivables	(138,448)	(80,394)
Increase (decrease) in prepaids	(55,040)	
Decrease (increase) in inventory	(51,702)	(125,832)
Increase (decrease) in trade payables and other liabilities	64,573	50,293
Cash flows used in operating activities	(236,692)	(383,784)
Investing activities		
Revenue share assets	(419,220)	(76,092)
Cash flows used in investing activities	(419,220)	(76,092)
Financing activities		
Repayment of revolving line of credit	(7,582)	(82,426)
Repayment of promissory notes	(86,500)	-
Proceeds of promissory notes	66,500	-
Repayment of ROU liability	(33,968)	(25,917)
Proceeds on revolving line of credit	368,413	279,400
Proceeds from convertible debt	611,444	-
Proceeds of senior secured loan	-	500,000
Cash flows provided by (used in) financing activities	918,307	671,057
Net change in cash	262,395	211,181
Cash - beginning of year	28,906	34,742
Cash - end of period	$ 291,301	$ 245,923
Cash paid for:		
Interest	$ 112,080	$ 91,420

The accompanying notes are an integral part of these consolidated condensed interim 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 “LounGenie” (formerly 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 September 30, 2022 totaled $5,262,270. In addition, the Company had a working capital deficit in the amount of $1,433,877 at September 30, 2022. 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

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee ("IFRIC"). These consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. The same accounting policies and methods of computation are followed in these consolidated interim condensed financial statements as compared with the most recent annual consolidated financial statements as at and for the period ended December 31, 2021. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending December 31, 2022 could result in restatement of these consolidated interim condensed financial statements.

The policies applied in these unaudited consolidated interim condensed financial statements are based on IFRS issued and outstanding as of November 24, 2022, the date the Board of Directors approved the statements.

(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 Loungenie product line units and revenue sharing from its Loungenie 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 Loungenie units into service with the venue operator. The Loungenie 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 March 31, 2022 and December 31, 2021 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:

	Method	Rate
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.

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.

(Expressed in Canadian Dollars - Unaudited)

(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:

	September 30, 2022	Dec. 31, 2021
Trade receivables	$ 129,765	$ 20,723
Taxes receivable	31,949	10,335
	$ 161,714	**$ 31,058**

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

	September 30, 2022	Dec. 31, 2021
1 to 60 days	$ 129,765	$ 14,543
61 days and older	2,442	8,622
	132,207	23,165
Allowance for bad debts	2,442	2,442
Accounts receivable	$ 129,765	$ 20,723

The Company considers all trade receivables to be collectable and has not made any allowance for doubtful accounts, other than indicated above, as at September 30, 2022 nor December 31, 2021.

6. Inventory

The following comprises inventory:

	September 30, 2022	Dec. 31, 2021
Raw materials	$ 248,488	$ 196,786
Finished goods	-	-
	$ 248,488	$ 196,786

There was no write-down of inventory during the periods ended September 30, 2022 nor December 31, 2021. During the period ended September 30, 2022, $112,212 (September 30, 2021, $239,543) of inventory was expensed as cost of sales.

(Expressed in Canadian Dollars - Unaudited)

7. Equipment

September 30, 2022

Cost	As at December 31, 2021	Additions	As at September 30, 2022
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, 2021	Additions	As at September 30, 2022
Furniture and equipment	$ 3,199	$ 756	$ 3,955
Computer equipment	1,367	-	1,367
Manufacturing equipment tooling and moulds	87,453	10,238	97,691
Right of use asset	103,431	29,234	132,665
Leasehold improvement	14,145	-	14,145
	$ 209,595	$ 40,228	$ 236,413
Net book value	$ 209,778		$ 169,550

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

(Expressed in Canadian Dollars - Unaudited)

8. Revenue share assets

	As at December 31, 2021	Disposals	Additions, net	As at September 30, 2022
Cost	$ 562,302	$ (154,512)	$ 419,220	$ 827,010
Accumulated amortization	(155,294)	58,743	(72,634)	(169,185)
Carrying value	$ 407,008	$ (95,769)	$ 346,586	$ 657,825

	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

9. Trade payables and other liabilities

Trade payables and accrued liabilities are comprised as follows:

	September 30, 2022	December 31, 2021
Trade payables	$ 106,373	$ 97,413
Accrued liabilities	153,311	104,888
	$ 259,684	$ 202,301

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

	September 30, 2022	December 31, 2021
Current	$ 67,158	$ 32,508
>60 days	39,215	64,905
	$ 106,373	$ 97,413

10. Lease Liability

i) Right of use liability

The Company entered into a lease on its office location in 2020. 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 September 30, 2022 were $87,265 (December 31, 2021 - $114,042). The liability has been recorded as follows:

Balance, December 31, 2021	$ 114,042
Imputed interest	7,191
Payments	(33,968)
Balance, September 30, 2022	87,265
Current portion	34,164
Long-term portion	$ 53,101

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

	2022	**2023**	**2024**	**Total**
Payments	**$ 12,474**	**$ 50,452**	**$ 32,447**	**$ 95,373**

(Expressed in Canadian Dollars - Unaudited)

11. Convertible debentures

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.

(Expressed in Canadian Dollars - Unaudited)

12. 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 184,785 457,585		$ 457,585
In 2019, the Company repaid $51,565 against balances borrowed.		(51,565)
In 2020, the Company repaid $35,253 against balances borrowed.		(35,254)
		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
		500,885
In 2022, the Company repaid $14,493 against balances borrowed.		(7,582)
In 2022, the Company borrowed a further $296,985 against balances borrowed.		296,985
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 were 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 September 30, 2022		51,152
In July, 2022, the Company extended the term of the 3,000,000 warrants in connection with this facility, and increased the amount of the facility to $3,500,000. The interest rate for the facility was reduced from 10% to 8%, with a 2% interest penalty in the event of late payment. The warrant extension was valued at $31,554 using a Black-Scholes valuation option model and is considered a cost of extending the facility. The term of the facilities was extended to May 31, 2025.		(31,554)
Accreted value of warrants to September 30, 2022		1,578
Current portion of loan at September 30, 2022		$ 757,852

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	$ 790,288

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.

(Expressed in Canadian Dollars - Unaudited)

May 2021	$ 500,000
Warrant value	(24,598)
Warrant accretion	10,517
Current portion of loan balance at December 31, 2021	485,919
Warrant accretion	10,557
Current portion of loan balance at September 30, 2022	$ 496,476

Debenture

On August 31, 2022, the Company entered into a loan for $675,000. The loan is due August 31, 2025 and bears interest at 8% per annum. The Company incurred costs of $56,613 related to the Loan. The Company issued 19,237,500 warrants in conjunction with the Loan. The warrants were valued at $94,026 using a Black-Scholes valuation option model and are considered a cost of issuance. The financing costs and the warrant costs are being accreted against the loan balance, as interest, over the term of the loan.

August 2022	$ 675,000
Warrant value	(94,026)
Warrant accretion	2,612
Current portion of loan balance at September 30, 2022	583,586
Prepaid costs of financing	(56,613)
Cost accretion	1,573
Balance at September 30, 2022	$ 528,546

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. In 2022, the Government extended the repayment term to December 31, 2023. Repaying the balance of the loan on or before December 31, 2023 will result in a loan forgiveness of $20,000.

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.

		September 30, 2022		December 31, 2021
Balance, beginning of period	$	54,583	$	49,165
Loans received		–		–
Interest free benefit		4,063		5,418
Finance expense		–		–
Balance, end of period	$	58,646	$	54,583

(Expressed in Canadian Dollars - Unaudited)

13. Loans – Promissory Notes

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

Loans at December 31, 2020	$ 67,000
Additions in 2021	20,000
Payments in 2021	(67,000)
Loans at December 31, 2021	20,000
Additions in 2022	66,500
Payments in 2022	(86,500)
Loans at September 30, 2022	-

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.

In 2022, the Company added $66,500 of promissory notes and repaid $86,500 of promissory notes.

14. 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 September 30, 2022 and 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.

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(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 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 September 30, 2022, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
Warrants		
1,600,000	$0.05	December 31, 2022
19,237,500	$0.05	August 31, 2025
2,278,571	$0.07	May 31, 2025
721,429	$0.08	May 31, 2025

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

	September 30, 2022		December 31, 2021	
Balance, beginning of period	10,920,000	$0.08	9,620,000	$0.08
Issued	19,237,500	0.05	1,600,000	0.05
Exercised	—		—	
Expired	(6,320,000)	0.09	(300,000)	0.10
Balance, end of period	23,837,500	$0.05	10,920,000	$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

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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. In July, 2022, the Company extended the term of the 3,000,000 warrants to May 31, 2025, in connection with the line of credit. The warrant extension was valued at $31,554 using a Black-Scholes valuation option model and is considered a cost of extending the facility.

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.

As related to debt financings in the 2022 year, the Company determined that the fair value of the warrants at August 2022 related to the 19,237,500 warrants, using the residual value method, was $94,026, based on the relative value of the warrants.

During the period ended September 30, 2022, 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 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 TSX Venture Exchange (“TSXV”) rules require the Plan to be approved annually by shareholders. At the Company’s Annual General Meeting held on December 1, 2021, the shareholders voted to approve the Company’s new Omnibus Plan. The TSXV also provided the Company with their conditional approval and final approval was received November 3, 2022.

At September 30, 2022, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
4,461,487	$0.05	September 6, 2032
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:

	September 30, 2022	
	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	5,100,000	$ 0.11
Granted	4,461,487	0.05
Exercised	-	
Cancelled/Expired	(4,100,000)	0.11
Outstanding, end of period	5,461,487	$ 0.06
Exercisable, end of period	1,000,000	$ 0.11

The aggregate intrinsic value for options vested and for total options as of September 30, 2022 is $nil (December 31, 2021 - $nil). The weighted average contractual term of stock options outstanding and exercisable as at September 30, 2022 is

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8.3 years (December 31, 2021 – 0.7 years).

The weighted average fair value of stock options granted, vested, and modified during the period was $27,758 (year ended December 31, 2021 - $Nil).

During the period ended September 30, 2022, the Company issued 4,461,487 stock options. The options have a strike price of $0.05 per share and a ten-year term. The options vest on meeting certain performance goals and are expected to vest as to one third in 2022, one third in 2024 and one third in 2025. The options were valued at $128,941 using the Black-Scholes model and the value will be expensed over the vesting term of the options. No stock options were granted during the year ended December 31, 2021.

15. Related party transactions

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

(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:

	September 30, 2022	September 30, 2021
Short-term employee benefits, including salaries and fees	$ 110,769	$ 66,462
Stock-based compensation	27,758	-
	$ 138,527	$ 66,462

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.

Stock-based compensation of $27,758 was granted to the incoming Executive Chairman in 2022.

Balances of $Nil (December 31, 2021 - $35,663) were due to related parties at September 30, 2022.

The $70,000 promissory note was issued to a relative of a director of the Company and a promissory note for $16,500 was issued to an officer of the Company. Both notes we repaid as at September 30, 2022.

16. Income taxes

This note has not been updated from December 31, 2021.

17. 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.

18. Earnings (loss) per share

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

Numerators	September 30, 2022	September 30, 2021
Loss attributable to common shareholders	$ (315,063)	$ (321,173)
Loss used in the computation of basic and diluted earnings per share	$ (315,063)	$ (321,173)

Denominators	**September 30, 2022**	**September 30, 2021**
Weighted average number of common shares for computation of basic and diluted loss per share	89,229,750	71,212,008

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

19. 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 to be 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 period, there were no transfers of amounts between Level 1 and Level 2 and 3.

20. Capital management

The Company considers its capital to be its equity, and debt as disclosed in Notes 11, 12, 13 and 14. 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 six months. As of September 30, 2022, 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.

21. 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 2021 year the Company applied for and received CEWS totaling $95,940 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 2021 year was $154,402.

22. Subsequent Event

Subsequent to September 30, 2022, the Company received an additional loan of $130,000. The loan has a three-year term and bears interest at 8%. The Company issued 3,705,000 warrants to the holders of these loans. Each warrant entitles the holder to acquire one (1) common share of the Company (“Common Share”) at an exercise price of $0.05 for a period of 36 months from the closing date of the Debenture Financing (the “Closing Date”). If at any time the Common Shares trade at higher than $0.15 per Common Share (on a volume weighted average basis) for a period of 20 consecutive trading days (the “Early Expiry Event”), the Company will have the right to accelerate the expiry date of the Financing Warrants by providing the holder with written notice of an Early Expiry Event (the “Early Expiry Notice”). The period whereby the holder is entitled to exercise any portion of outstanding Financing Warrants shall expire 30 calendar days following the date on which the company provides Early Expiry Notice to holders (the “Early Expiry Date”). Furthermore, if a portion of the Debentures are repaid during the first year following the Closing Date, a proportional number of the Financing Warrants shall have their term reduced to the later of one year from the Closing Date and 30 days from repayment of that portion of the Debenture. The lead investor (the “Lead Investor”) of the Debenture Financing shall have their Financing Warrants expire on the date that is 37 months after the Closing Date. The Lead Investor shall also have an Early Expiry Date.