

POOLS SAFE

YOUR PERSONAL POOLSIDE ATTENDANT

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

POOL SAFE INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

	INDEX	PAGE
Independent Auditors' Report		1
Consolidated Financial Statements		
Consolidated Statements of Financial Position		3
Consolidated Statements of Operations and Comprehensive Loss		4
Consolidated Statements of Changes in Equity		5
Consolidated Statements of Cash Flows		6
Notes to the Consolidated Financial Statements		7

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, 2020 and 2019, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (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, 2020 the Company has a working capital deficiency in the amount of \$766,985 and had incurred losses in the year in the amount of \$631,581 resulting in an accumulated deficit of \$4,390,508. 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

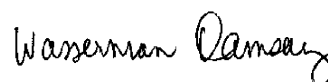
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not 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 29, 2021

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

AS AT	Note	December 31, 2020	December 31, 2019
ASSETS			
Current			
Cash and cash equivalents		\$ 34,742	\$ 61
Receivables	5	31,102	21,023
Inventory	6	131,832	67,331
		197,676	88,415
Patent design and costs	8	-	205,309
Equipment	7	264,100	319,924
Revenue share assets	9	208,352	211,004
TOTAL ASSETS		\$ 670,128	\$ 824,652
LIABILITIES AND EQUITY			
Current			
Trade payables and other liabilities	10	\$ 136,273	\$ 212,220
Current portion of lease liability	11	39,215	32,408
Promissory notes	14	67,000	85,000
Current portion of credit line	13	267,585	61,104
Current portion of convertible debenture	12	454,588	439,563
Total current liabilities		964,661	830,295
Lease liability	11	102,210	141,425
Long term portion of loans payable	13	131,971	118,370
Total liabilities		1,198,842	1,090,090
Going concern	2(a)		
Subsequent event	23		
Shareholders' Equity			
Share capital	15	3,339,590	3,074,649
Warrants		115,775	107,446
Equity component of convertible debentures		68,647	30,300
Reserves		337,782	334,928
Accumulated deficit		(4,390,508)	(3,812,761)
Total equity		(528,714)	(265,438)
TOTAL LIABILITIES AND EQUITY		\$ 670,128	\$ 824,652

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,	
		2020	2019
		\$	\$
Revenue		264,888	416,309
Cost of Sales		241,989	276,723
Gross Profit		22,899	139,586
Expenses			
Selling, general and administrative	22	144,222	459,415
Stock-based compensation		2,854	26,822
Professional fees		30,472	31,736
Regulatory		20,690	30,185
Advertising and promotion		23,105	107,084
Depreciation and amortization		38,925	30,603
Foreign exchange loss (gain)		9,881	3,056
Government grant - CEBA		(13,182)	-
Impairment of patents and designs		187,623	-
Interest and accretion expense		209,890	165,199
		654,480	854,100
Net loss and comprehensive loss		(631,581)	(714,514)
Weighted average shares outstanding, basic		71,212,008	65,251,239
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, 2018	65,251,239	\$3,074,649	\$147,751	\$30,300	\$308,106	\$(3,192,164)	\$ 368,642
Warrants expired	-	-	(93,917)	-	-	93,917	-
Warrants issued	-	-	53,612	-	-	-	53,612
Stock-based compensation	-	-	-	-	26,822	-	26,822
Net loss	-	-	-	-	-	(714,514)	(714,514)
Balance at December 31, 2019	65,251,239	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	72,021,239	\$ 3,339,590	\$ 115,775	\$ 68,647	\$ 337,782	\$ (4,390,508)	\$ (528,714)

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,	
	2020	2019
Operating activities		
Net loss	\$ (631,581)	\$ (714,514)
Items not affecting cash:		
Disposal of revenue share assets	-	2,189
Stock-based compensation	2,854	26,822
Accretion of convertible debentures and warrants	44,169	74,364
Government grant - CEBA	(13,182)	-
Right of use asset amortization	40,558	25,781
Impairment of patents and designs	187,623	-
Depreciation	85,040	72,562
	(284,519)	(512,796)
Net changes in non-cash working capital:		
Decrease in receivables	(10,079)	19,506
Decrease (increase) in prepaids	59,539	89,146
Decrease (increase) in inventory	(64,501)	70,749
Increase (decrease) in trade payables and other liabilities	(75,947)	58,105
Increase (decrease) in deferred revenue	-	(10,797)
Cash flows used in operating activities	(375,507)	(286,087)
Investing activities		
Deposit on lease	-	44,754
Revenue share assets	(49,436)	(123,911)
Purchase of equipment	-	(1,532)
Cash flows used in investing activities	(49,436)	(80,689)
Financing activities		
Repayment of loans	(113,253)	(51,565)
Repayment of capital lease	-	(66,710)
Repayment of ROU liability	(32,408)	(19,526)
Issuance of capital stock for cash	-	-
Proceeds from issue of units for cash, net of costs	300,500	-
Proceeds from long-term debt	184,785	272,800
Proceeds of promissory notes	120,000	85,000
Cash flows provided by (used in) financing activities	459,624	219,999
Net change in cash	34,681	(146,777)
Cash - beginning of year	61	146,838
Cash - end of year	\$ 34,742	\$ 61
Non-cash investing and financing activities:		
Warrants issued with long term debt	-	53,612
Cash paid for:		
Interest	165,721	90,835

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, 2020 totaled \$4,390,508. In addition, the Company had a working capital deficit in the amount of \$766,985 at December 31, 2020. 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, 2020.

These consolidated financial statements were approved by the Board of Directors on April 29, 2021.

(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, 2019 and December 31, 2018 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, 2020 and 2019
(Expressed in Canadian Dollars)

	<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
Leasehold improvements	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) 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.

(j) Share-based compensation

The Company has a stock option plan as noted below. Where equity-settled share options are awarded to employees,

Pool Safe Inc.
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

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.

(k) Leases

IFRS 16 - Leases replaces IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; and introduces new disclosure requirements. Under IFRS 16, a lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Right-of-use assets will be initially measured at cost, which includes the initial measurement of the lease liabilities and other costs, less lease incentives. Lease liabilities will initially be measured at the present value of future lease payments and subsequently measured at amortized cost using the effective interest method. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances and may be applied retrospectively to each prior period presented (full retrospective approach) or with the cumulative effect of adoption recognized at initial application (modified retrospective approach). The modified retrospective approach offers the option, on a lease-by-lease basis, to either measure the right-of-use asset retrospectively using the discount rate as at the date of initial application or to measure the right-of-use asset at an amount equal to the lease liability.

The Company adopted IFRS 16 on January 1, 2019. On initial adoption, the Company did not have a right of use lease.

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.

(l) 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 adopted in current year:

(a)

IFRS 3, Business combinations (IFRS 3)

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The adoption of the amendments had no significant impact on the Company's consolidated financial statements.

(b) *IAS 1, Presentation of financial statements ("IAS 1") and IAS 8, Accounting policies, changes in accounting estimates and errors ("IAS 8")*

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of materiality and how it should be applied. The amendments also align the definition of materiality across IFRS and other publications. The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The adoption of the amendments had no impact on the Company's consolidated financial statements.

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, 2020	Dec. 31, 2019
Trade receivables	\$ 15,494	\$ 12,313
Taxes receivable	15,608	8,710
	\$ 31,102	\$ 21,023

Pool Safe Inc.
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

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

	Dec. 31, 2020	Dec. 31, 2019
1 to 60 days	\$ 10,636	\$ 12,313
61 days and older	4,858	-
	15,494	12,313
Allowance for bad debts	-	-
Accounts receivable	\$ 15,494	\$ 12,313

The Company considers all trade receivables to be collectable and has not made any allowance for doubtful accounts as at December 31, 2020 nor December 31, 2019.

6. Inventory

The following comprises inventory:

	Dec. 31, 2020	Dec. 31, 2019
Raw materials	\$ 131,832	\$ 67,331
Finished goods	-	-
	\$ 131,832	\$ 67,331

There was no write-down of inventory during the years ended December 31, 2020 nor December 31, 2019. During the year ended December 31, 2020, \$168,309 (December 31, 2019 - \$221,568) of inventory was expensed as cost of sales.

7. Equipment

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

Pool Safe Inc.
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

December 31, 2019

Cost	Balance at December 31, 2018	Additions	As at December 31, 2019
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	\$ 224,482	\$ 194,891	\$ 419,373

Accumulated depreciation	Balance at December 31, 2018	Additions	As at December 31, 2019
Furniture and equipment	\$ 2,238	\$ 394	\$ 2,632
Computer equipment	857	153	1,010
Manufacturing equipment tooling and moulds	46,500	13,651	60,151
Right of use asset	-	25,781	25,781
Leasehold improvement	8,520	1,355	9,875
	\$ 58,115	\$ 38,234	\$ 99,449

Net book value	\$ 166,367		\$ 319,924
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8. Patent and design costs

	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)	\$ -

	Balance at December 31, 2018	Additions, net	As at December 31, 2019
Cost	\$ 265,283	\$ -	\$ 265,283
Accumulated amortization	(42,289)	(17,685)	(59,974)
Carrying value	\$ 222,994	\$ (17,685)	\$ 205,309

During the current 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.

Management is hopeful that with the advent of widespread vaccinations the industry will recover in the latter half of the upcoming fiscal year and no further write downs of long-term assets will be required.

9. Revenue share assets

	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

Pool Safe Inc.
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Balance at December 31, 2018	Disposals	Additions, net	As at December 31, 2019
Cost	\$ 161,781	\$ (6,052)	\$ 123,910	\$ 279,639
Accumulated amortization	(33,175)	3,863	(39,323)	(68,635)
Carrying value	\$ 128,606	\$ (2,189)	\$ 84,587	\$ 211,004

10. Trade payables and other liabilities

Trade payables and accrued liabilities are comprised as follows:

	December 31, 2020	December 31, 2019
Trade payables	\$ 36,425	\$ 100,580
Accrued liabilities	99,848	111,640
	\$ 136,273	\$ 212,220

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

	December 31, 2020	December 31, 2019
Current	\$ 9,749	\$ 69,563
>60 days	26,676	31,017
	\$ 36,425	\$ 100,580

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, 2019 - \$194,891) for right-of-use assets. The related lease liabilities at December 31, 2020 were \$141,425 (December 31, 2019 - \$173,833) of. The liability has been recorded as follows:

Balance, January 1, 2020	\$ 173,833
Imputed interest	15,535
Payments	(47,943)
Balance, December 31, 2020	141,425
Current portion	39,215
Long-term portion	\$ 102,210

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

	2021	2022	2023	2024	Total
Payments	\$ 48,779	\$ 49,616	\$ 50,452	\$ 16,910	\$ 165,757

ii) Obligation under capital lease:

During 2018 the Company entered into a capital lease agreement for the revenue share equipment. The lease bore an effective interest rates of 10.98% per annum and was repayable in 36 monthly blended principal and interest payments of \$2,553 per month. The lease obligation and interest has been prepaid.

The lease was terminated in 2019. Interest of \$9,880 was expensed in 2019. Lease obligations of \$66,710 were offset against prepaid balances and lease deposits.

12. Convertible debenture

Convertible debenture financing	\$ 454,588
Less: Current portion of long-term debt	(454,588)
	<u>\$ -</u>

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 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 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 will be 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. An amount of \$62,513 was recorded as interest accretion expense on the consolidated statements of loss and comprehensive loss for the year.

Principal repayments required in the next two years are as follows:

2022	<u>\$ 460,000</u>
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Costs to extend the term of the \$450,000 of convertible debt was valued at \$64,951 and will 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 at year end to be accreted in 2021.

Total interest on long term debt for the year was \$125,976 in 2020 (December 31, 2019 - \$162,352), which comprised \$79,976 (December 31, 2019 - \$74,364) of accretion interest and \$46,000 (December 31, 2019 - \$87,988) of coupon interest on the loans.

Subsequent to the year end the Company negotiated the extension of these convertible debentures until 2022 and

subsequent to that, a conversion to equity (See Note 23).

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

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, 2022 and bear interest at 10% per annum. Early repayment is permitted.	(53,612)
Accreted value of warrants to December 31, 2020	<u>33,237</u>
	350,391

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:

2021	\$ 267,585
2022	103,181
	<u>\$ 370,766</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.

Pool Safe Inc.
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
Balance, beginning of period	\$ —	\$ —
Loans received	60,000	—
Interest free benefit	(13,195)	—
Finance expense	2,360	—
Balance, end of period	\$ 49,165	\$ —

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	(78,000)
	<u>67,000</u>
Less: Current portion of loans	(67,000)
	<u>\$ —</u>

The loans were unsecured and were due in full on December 20, 2020 (extended to April 30, 2021). Subsequent to year end the Company repaid \$15,000 of the principal outstanding under these promissory notes with the balance of \$52,000 converted to equity as more fully disclosed in Note 23.

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	65,251,239	\$ 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	450,000	22,500
Balance at December 31, 2020	<u>72,021,239</u>	<u>\$ 3,339,590</u>

- (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

Pool Safe Inc.
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

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.

(c) **Warrants**

At December 31, 2020, 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
300,000	\$0.10	February 24, 2022
3,000,000	\$0.07	March 31, 2022

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

	December 31, 2020		December 31, 2019	
Balance, beginning of period	7,724,067	\$0.10	10,677,563	\$0.15
Issued	6,620,000	\$0.09	3,000,000	\$0.07
Exercised	—	—	—	—
Expired	(4,724,067)	\$0.12	(5,953,496)	\$0.17
Balance, end of period	9,620,000	\$0.08	7,724,067	\$0.10

As related to equity financings in the current 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 debenture financings, the Company determined that the fair value of the broker warrant liability at February 8, 2018 related to the 196,364 broker warrants, using the Black-Scholes Options Pricing Mode, was \$6,214. The Company determined that the fair value of the warrant liability at May 11, 2018 related to the 568,125 warrants, using the Black-Scholes Options Pricing Mode, was \$15,467. The Company determined that the fair value of the warrant liability at June 21, 2018 related to the 113,625 warrants, using the Black-Scholes Options Pricing Model, was \$3,129. The Black-Scholes Options Pricing Model used the following inputs; Dividend yield – Nil, interest rate of .62%, volatility of 85% and an expected life of 2 years.

As related to equity financings, the Company determined that the fair value of the warrant liability at September 27, 2018 related to the 2,821,510 warrants, using the Black-Scholes Options Pricing Mode, was \$21,412. The Company determined that the fair value of the finders warrant liability at September 27, 2018 related to the 81,143 finders warrants, using the Black-Scholes Options Pricing Mode, was \$665. The Company determined that the fair value of the warrant liability at November 26, 2018 related to the 862,500 warrants, using the Black-Scholes Options Pricing Model, was \$6,350. The Company determined that the fair value of the finders warrant liability at November 18, 2018 related to the 80,800 finders warrants, using the Black-Scholes Options Pricing Model, was \$597. The Black-Scholes Options Pricing Model used the following inputs; Dividend yield – Nil, interest rate of 0.62%, volatility of 85% and an

expected life of 2 years.

In addition to the above the Company has reserved for issuance 5,590,909 common share for issuance should the convertible debentures and attached warrants be exercised.

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

At December 31, 2020, 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	5,250,000	\$ 0.11	5,350,000	\$ 0.11
Granted	-		-	
Exercised	-		-	
Cancelled/Expired	(150,000)	\$ 0.11	(100,000)	
Outstanding, end of period	5,100,000	\$ 0.11	5,250,000	\$ 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, 2020 is \$nil (December 31, 2019- \$nil). The weighted average contractual term of stock options outstanding and exercisable as at December 31, 2020 is 1.7 years (December 31, 2019 – 2.6 years).

The weighted average fair value of stock options granted, vested, and modified during the period was \$Nil (year ended December 31, 2019 - \$0.08).

No stock options were granted during the years ended December 31, 2020 and 2019.

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

Pool Safe Inc.
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

include executive and non-executive directors. Compensation provided to key management is as follows:

	December 31, 2020	December 31, 2019
Short-term employee benefits, including salaries and fees	\$ 67,308	\$ 243,461
Stock-based compensation	2,799	22,562
Sub-contractors	-	-
	<u>\$ 70,107</u>	<u>\$ 266,023</u>

Of the total of \$460,000 of convertible debentures issued, \$150,000 was issued to executive officers and directors of the Company. Bonus shares valued at \$7,500 were issued to these insiders in consideration of extending the term of the convertible debenture by one year.

Balances of \$21,900 (December 31, 2019 - \$35,854) were due to related parties at December 31, 2020.

17. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2014 - 26.5%) to the effective tax rate is as follows:

	Dec. 31, 2020	Dec. 31, 2019
Net loss before income taxes	\$ (631,581)	\$ (714,514)
Combined statutory tax rate	26.5%	26.5%
Theoretical tax expense (recovery)	(167,369)	(189,346)
Non-deductible expenses	81,450	50,976
Listing expense	-	-
Share issue costs	(14,609)	2,144
Other adjustments	-	-
Changes in unrecognized deferred tax assets	100,528	136,226
Income tax recovery	<u>\$ -</u>	<u>\$ -</u>

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, 2020	Dec. 31, 2019
Non-capital loss carry-forwards	<u>\$4,010,000</u>	<u>\$2,815,000</u>

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	\$ 29,000
2033	302,000
2034	297,000
2036	716,000
2037	769,000
2038	933,000
2039	584,000
2040	380,000
	<u>\$ 4,010,000</u>

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:

Numerators	December 31, 2020	December 31, 2019
Loss attributable to common shareholders	\$ (631,581)	\$ (714,514)
Loss used in the computation of basic and diluted earnings per share	\$ (631,581)	\$ (714,514)
<hr/>		
Denominators	December 31, 2020	December 31, 2019
Weighted average number of common shares for computation of basic and diluted loss per share	71,212,008	65,251,239

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.

(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 and has not set up an allowance for doubtful accounts.

(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

Pool Safe Inc.
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

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, 2020, 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 may attempt to issue new shares, issue new debt, acquire or dispose of assets.

22. Canada Emergency Wage Subsidy ("CEWS")

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 June 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 \$40,098 which was offset against wages and benefits paid which is included under selling, general and administrative expenses.

23. Subsequent event

The promissory note, issued on Nov. 28, 2019, has a maturity date of one year from the date of issuance and bears an annual interest rate of 10 per cent per annum. The debentures, issued in February, May and June, 2018, have a maturity date of three years from the date of issuance, and bear interest at an annual rate of 10 per cent. The holders of the debentures issued in the first financing and second financing have both agreed to the amendments. The company has extended the maturity date of the promissory note and the debentures to April 30, 2023, reduced the interest rate payable by the company on the principal amounts of the debentures and the promissory note to 5 per cent per annum, and deferred payment of all accrued interest on the principal amounts of the debentures and the promissory note to Sept. 30, 2021.

As consideration for the amendments, the company has agreed to pay the holder of the promissory note 12 per cent of the outstanding debt and the holders of the debentures 12 per cent of the principal amount of each debenture, satisfied by the company issuing common shares in the capital of the company at a deemed price of two cents per share for an aggregate of 3,162,000 common shares.

The Company has also entered into an amending agreement with Intrexa pursuant to which the parties have agreed to extend the termination date of the credit agreement and the bonus warrants issued in consideration for Intrexa entering into the credit agreement by one year, to March 31, 2023.

Pool Safe Inc.
Notes to Consolidated Financial Statements
Years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

On April 26, 2021, the Company announced that it had entered into an agreement with the holder of the promissory note and non-secured convertible debentures (the “**Parties**”) whereby the Parties agreed to convert all outstanding principal and accrued interest totaling \$561,860 into common shares of the Company at a deemed price of \$0.04 per common share. The Company issued 14,046,510 common shares to settle the aggregate amount outstanding. At that time, the Company also announced the issuance of \$500,000 aggregate principal amount of Senior Secured Debenture. Interest on the Debenture shall accrue on the principal amount at a rate of 12% per annum, with interest to be paid payable monthly in arrears. The Debenture matures on December 31, 2022. In connection with the Financing, the Company granted 1,600,000 bonus warrants to the Debenture holder. Each warrant will be exercisable into one common share of the Company at an exercise price of \$0.05 and will expire on the maturity date of the Debenture.