YOUR PERSONAL POOLSIDE ATTENDANT

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2020 AND 2019

(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.

POOL SAFE INC.

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

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

AS AT	Note	September 30, 2020	December 31, 2019
ASSETS			
Current			
Cash and cash equivalents		$ 24,219	$ 61
Receivables	5	59,094	21,023
Prepaids	6	16,237	-
Inventory	7	141,086	67,331
		240,636	88,415
Patent design and costs	9	192,045	205,309
Equipment	8	298,641	319,924
Revenue share assets	10	228,789	211,004
TOTAL ASSETS		$ 960,111	$ 824,652
LIABILITIES AND EQUITY			
Current			
Trade payables and other liabilities	11	$ 124,271	$ 212,220
Deferred revenue	12	-	-
Current portion of lease liability	13	40,029	32,408
Promissory notes	16	97,000	85,000
Current portion of loans	15	61,104	61,104
Current portion of convertible debenture	14	460,000	439,563
Total current liabilities		782,404	830,295
Lease liability	13	109,874	141,425
Loan payable	15	316,139	118,370
Total liabilities		1,208,417	1,090,090
Going concern	2(a)		
Shareholders' Equity			
Share capital		3,309,590	3,074,649
Warrants		161,072	107,446
Equity component of convertible debentures		30,300	30,300
Reserves		337,782	334,928
Accumulated deficit		(4,087,051)	(3,812,761)
Total equity		(248,307)	(265,438)
TOTAL LIABILITIES AND EQUITY		$ 960,111	$ 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 condensed interim financial statements

Pool Safe Inc.

Consolidated Interim Condensed Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2020	**2019**	**2020**	**2019**
		$	**$**	**$**	**$**
Revenue		152,072	206,460	226,260	372,479
Cost of Sales		69,106	78,683	141,683	216,537
Gross Profit		82,966	127,777	84,577	155,942
Expenses					
Selling, general and administrative		44,299	125,494	159,325	362,928
Stock-based compensation		486	3,073	2,854	24,940
Professional fees		2,710	8,832	13,500	58,566
Regulatory and public company fees		6,399	3,476	54,382	23,309
Advertising and promotion		-	43,939	14,241	90,649
Depreciation		3,206	494	11,045	1,407
Other income		(9,582)	-	(9,582)	-
Foreign exchange		-	29	-	(27)
Interest expense		45,854	29,200	159,985	120,773
		93,766	214,537	405,750	682,546
Net loss and comprehensive loss		(10,800)	(221,386)	(321,173)	(526,604)
Weighted average shares outstanding, basic	17	72,021,239	65,251,239	71,212,008	65,251,239
Basic loss per share	17	(0.00)	(0.00)	(0.00)	(0.01)
Weighted average shares outstanding, diluted	17	72,021,239	65,251,239	71,212,008	65,251,239
Diluted loss per share	17	(0.00)	(0.00)	(0.00)	(0.01)

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

Pool Safe Inc.

Consolidated Interim 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
Stock-based compensation	-	-	-	-	18,502	-	18,502
Warrants expired	-	-	(93,917)	-	-	93,917	-
Warrants issued	-	-	53,612	-	-	-	53,612
Net loss	-	-	-	-	-	(526,604)	(526,604)
Balance at September 30, 2019	65,251,239	3,074,649	107,446	30,300	326,608	(3,718,768)	368,642
Stock-based compensation	-	-	-	-	8,320	-	8,320
Net loss	-	-	-	-	-	(93,993)	(93,993)
Balance at December 31, 2019	65,251,239	3,074,649	107,446	30,300	334,928	(3,812,761)	(265,438)
Warrants expired	-	-	(46,884)	-	-	46,884	-
Units issued via private placement	6,320,000	212,441	58,059	-	-	-	270,500
Units issued for convertible debt term extension	450,000	22,500	42,451	-	-	-	64,951
Stock-based compensation	-	-	-	-	2,854	-	2,368
Net loss	-	-	-	-	-	(321,173)	(321,173)
Balance at September 30, 2020	72,021,239	$ 3,309,590	$ 161,072	$ 30,300	$ 337,782	$ (4,087,050)	$ (248,306)

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

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

	Nine months ended September 30, 2020	2019
Operating activities		
Net loss	$ (321,173)	$ (526,604)
Items not affecting cash:		
Disposal of revenue share assets	-	2,189
Stock-based compensation	2,854	24,940
Accretion of convertible debentures and warrants	50,131	51,353
Right of Use asset amortization	9,745	-
Depreciation	56,453	47,391
	(201,990)	(400,731)
Net changes in non-cash working capital:		
Decrease (increase) in receivables	(38,071)	9,036
Decrease (increase) in prepaids	32,476	89,146
Decrease (increase) in inventory	(73,755)	98,203
Increase (decrease) in trade payables and other liabilities	(87,949)	13,568
Increase (decrease) in deferred revenue	-	-
Obligations under capital lease		(30,636)
Decrease in customer deposits		(10,797)
Cash flows used in operating activities	(369,289)	(232,211)
Investing activities		
Deposit on lease	-	75,390
Revenue share assets	(49,436)	(156,211)
Purchase of equipment	-	(1,532)
Cash flows used in investing activities	(49,436)	(82,353)
Financing activities		
Repayment of loans	(88,472)	(13,460)
Repayment of capital lease	-	(66,710)
Repayment of ROU liability	(23,930)	-
Issuance of units for cash, net of costs	270,500	-
Proceeds from long-term debt	224,785	272,800
Proceeds of promissory notes	60,000	-
Cash flows provided by (used in) financing activities	442,883	192,630
Net change in cash	24,158	(121,934)
Cash - beginning of year	61	146,838
Cash - end of period	$ 24,219	$ 24,904
Cash paid for:		
Interest	109,854	69,420

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 “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, 2020 totaled $4,087,050. In addition, the Company had a working capital deficit in the amount of $541,768 at September 30, 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, On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company is not currently determinable, but management continues to monitor the situation.

(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, 2019. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending December 31, 2020 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 23, 2020 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

The Company adopted IFRS 9 as of January 1, 2018.

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.

The Company has completed a detailed assessment of its financial instruments as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9.

	IAS 39	**IFRS 9**
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Loans and receivable	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Loans and debentures	Other financial liabilities	Amortized cost

The adoption of this standard did not have a material impact on the Company's consolidated financial statements but resulted in certain additional disclosures. The carrying value and measurement of all financial instruments remains unchanged as at January 1, 2018 as a result of the adoption of the new standard.

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 September 30, 2020 and December 31, 2019 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
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, 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 and revised standards and interpretations adopted in the current year

(a) IFRS 16 LEASES
IFRS 16 was issued in January 2016 and replaces the previous guidance on leases. This standard provides a single recognition and measurement model to be applied to leases, with required recognition of assets and liabilities for most leases. This standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if the Company is also applying IFRS 15, Revenue from Contracts with Customers. The Company has adopted this standard in its consolidated financial statements commencing January 1, 2019.

(b) IFRIC 23 – Uncertainty Over Income Tax Treatments
IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The Company has adopted this standard in its consolidated financial statements commencing January 1, 2019. The adoption had no effect on the consolidated financial statements.

(Expressed in Canadian Dollars)

5. Receivables

Receivables are comprised of:

	September 30, 2020	December 31, 2019
Trade receivables	$ 53,829	$ 12,313
Taxes receivable	5,265	8,710
	$ 59,094	**$ 21,023**

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

	September 30, 2020	December 31, 2019
1 to 60 days	$ 43,929	$ 12,313
61 days and older	9,900	-
	53,829	12,313
Allowance for bad debts	-	-
Accounts receivable	$ 53,829	$ 12,313

The Company considers all trade receivables to be collectable and has not made any allowance for doubtful accounts as at September 30, 2020 nor December 31, 2019.

6. Prepaids

	September 30, 2020	December 31, 2019
Deferred financial costs	$ 16,237	$ -
Prepaids and deposits	-	-
Current portion	16,237	-
Deposit on lease	-	-
Total prepaids	**$ 16,237**	**$ -**

The term of the convertible debt was extended by one year. The costs of shares and warrants offered to extend the term were valued at $64,951. This value will be amortized over the one-year term of the loan extension.

7. Inventory

The following comprises inventory:

	September 30, 2020	December 31, 2019
Raw materials	$ 141,086	$ 67,331
Finished goods	-	-
	$ 141,086	$ 67,331

There was no write-down of inventory during the period ended September 30, 2020 nor the year ended December 31, 2019. During the period ended September 30, 2020, $96,275 (year ended December 31, 2019 - $221,568) of inventory was expensed as cost of sales.

(Expressed in Canadian Dollars)

8. Equipment

September 30, 2020

Cost	Balance at December 31, 2019	Additions	As at September 30, 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 September 30, 2020
Furniture and equipment	$ 2,632	$ 236	$ 2,868
Computer equipment	1,010	357	1,367
Manufacturing equipment tooling and moulds	60,151	10,238	70,389
Right of use asset	25,781	9,745	35,526
Leasehold improvement	9,875	707	10,582
	99,449	21,283	120,732
Net book value	$ 319,924		$ 298,641

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

(Expressed in Canadian Dollars)

9. Patent and design costs

	Balance at December 31, 2019	Additions, net	As at September 30, 2020
Cost	$ 265,283	$ -	$ 265,283
Accumulated amortization	(59,974)	(13,264)	(73,238)
Carrying value	$ 205,309	$ (13,264)	$ 192,045

	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

10. Revenue share assets

	As at December 31, 2019	Disposals	Additions, net	As at September 30, 2020
Cost	$ 279,639	$ -	$ 49,436	$ 329,075
Accumulated amortization	(68,635)	-	(31,651)	(100,286)
Carrying value	$ 211,004	$ -	$ 17,785	$ 228,789

	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

11. Trade payables and other liabilities

Trade payables and accrued liabilities are comprised as follows:

	September 30, 2020	December 31, 2019
Trade payables	$ 59,572	$ 100,580
Accrued liabilities	64,699	111,640
	$ 124,271	$ 212,220

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

	September 30, 2020	December 31, 2018
Current	$ 33,098	$ 69,563
>60 days	26,473	31,017
	$ 59,571	$100,580

12. Deferred revenue

Deferred revenue is comprised as follows:

	September 30, 2020	December 31, 2019
	$ -	$ -

(Expressed in Canadian Dollars)

13. Lease Liability

i) Right of use liability

During the 2019 year the Company entered into a lease on its office location. Under the terms of IFRS 16, the Company recognized $194,891 for right-of-use assets and $194,841 of related lease liabilities. During 2019 the liability was reduced through use to $173,833. The liability has been recorded as follows:

Balance, January 1, 2020	$ 173,833
Imputed interest	11,609
Payments	(35,539)
Balance, September 30, 2020	149,903
Current portion	40,029
Long-term portion	$ 109,874

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

	2020	2021	2022	2023	2024	Total
Payments	$ 12,055	$ 48,779	$ 49,616	$ 50,452	$ 16,910	$ 177,812

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.

14. Convertible debenture

Convertible debenture financing	$ 460,000
Less: Current portion of long-term debt	(460,000)
	$ -

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 expired February 8, 2020.

(Expressed in Canadian Dollars)

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 valued at $30,300 using the residual method of valuation. 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:

2021	$ 460,000

In 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. Debentures of $10,000 were not renegotiated in 2020 and remain outstanding at September 30, 2020.

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.

Total interest on long term debt for the six-month period in 2020 was $75,580, which comprised $52,913 of accretion interest related to the original conversion and the term extension, and $22,667 of coupon interest on the loans.

15. Loans – Revolving Lines 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	184,875	
	457,675	457,675
In 2019, the Company repaid $51,565 against balances borrowed.		(51,565)
In 2020, the Company repaid $32,138 against balances borrowed.		(32,138)
		373,972
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		(53,612)

(Expressed in Canadian Dollars)

a cost of issuance. The facilities are due March 31, 2022 and bear interest at 10% per annum. Early repayment is permitted.	
Accreted value of warrants to September 30, 2020	25,307
	345,667
Less: Current portion	(61,104)
	$ 284,563

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

2020	$ 28,841
2021	120,000
2022	225,131
	$ 373,972

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 shutdowns are relaxed.

In April 2020, the Company received the Canada Emergency Business Account ("CEBA") loan which is an interest-free loan to cover operating costs. The CEBA loan 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 CEBA Loan at $30,417, using a discount rate of 10%, which was the estimated rate for a similar loan without interest-free component. The difference of $9,583 will be accredited to the loan liability over the term of the CEBA Loan and offset to other income on the statement of loss and comprehensive loss.

		2020		2019
Balance, beginning of period	$	–	$	–
Loan received		40,000		–
Interest free benefit		(9,583)		–
Finance expense		1,553		–
Balance, end of period	$	31,970	$	–

16. 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	(48,000)
	7,000
Less: Current portion of loans	(97,000)
	$ -

The loans were unsecured and are due in full on December 20, 2020.

(Expressed in Canadian Dollars)

17. 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	82,463
Issuance of shares and units for extension of convertible debt term (iii)	450,000	22,500
Balance at September 30, 2020	72,021,239	$ 3,309,590

(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. Costs associated with the placement were $30,000. 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.

(c) ***Warrants***

At September 30, 2020, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
Broker Units		
80,800	$0.12	November 26, 2020
Warrants		
862,500	$0.12	November 26, 2020
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

(Expressed in Canadian Dollars)

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

	September 30, 2020		December 31, 2019	
Balance, beginning of period	7,724,067	$0.10	10,677,563	$0.15
Issued	6,620,000	$0.10	3,000,000	$0.07
Exercised	—		—	
Expired	(3,213,210)	$0.12	(5,953,496)	$0.17
Balance, end of period	10,644,443	$0.09	7,724,067	$0.10

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 the convertible debenture term extensions in February 2020, the Company determined that the fair value of the 300,000 warrants, using the Black-Scholes Options Pricing Mode, was $4,104. 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 equity financings, the Company determined that the proportionate fair value of the 3,620,000 warrants issued on January 22, 2020, using the Black-Scholes Options Pricing Mode, was $35,522. The Company determined that the proportionate fair value of the 2,700,000 warrants issued on February 14, 2020, using the Black-Scholes Options Pricing Mode, was $22,327. 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.

In addition to the above the Company has reserved for issuance 6,000,000 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, 2019, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
150,000	$0.11	December 17, 2020
4,100,000	$0.11	June 22, 2022
500,000	$0.11	April 11, 2023
500,000	$0.11	December 17, 2023

(Expressed in Canadian Dollars)

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

	September 30, 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	-		(100,000)	
Outstanding, end of period	5,250,000	$ 0.11	5,250,000	$ 0.11
Exercisable, end of period	5,016,667	$ 0.11	5,016,667	$ 0.11

The aggregate intrinsic value for options vested and for total options as of September 30, 2020 is $nil (December 31, 2019- $nil). The weighted average contractual term of stock options outstanding and exercisable as at September 30, 2020 is 1.9 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 - $Nil).

18. Related party transactions

Related parties include directors, officers, close family members, certain consultants and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Compensation provided to key management is as follows:

	September 30, 2020	September 30, 2019
Short-term employee benefits, including salaries and fees	$ 67,308	$ 185,769
Stock-based compensation	2,255	21,028
	$ 69,563	$ 206,797

Of the total of $460,000 of convertible debentures issued in the prior year $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 $103,162 (December 31, 2019 - $35,854) were due to related parties at September 30, 2020.

19. Income taxes

This note has not been updated from December 31, 2019.

20. 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.

(Expressed in Canadian Dollars)

21. Earnings (loss) per share

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

Numerators	**September 30, 2020**	**September 30, 2019**
Loss attributable to common shareholders	$ (321,173)	$ (526,604)
Loss used in the computation of basic and diluted earnings per share	$ (321,173)	$ (526,604)

Denominators	**September 30, 2020**	**September 30, 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.

22. 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 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.

23. Capital management

The Company considers its capital to be its equity, and debt as disclosed in Notes 14, 15, 16 and 17. 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 September 30, 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.

24. COVID- 19

The outbreak of the novel strain of coronavirus, specifically identified as “COVID 19”, 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 imposed quarantine periods 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 at this time, as is the efficacy of the government and central bank interventions. 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 and its operating subsidiaries in future periods.