

POOLS SAFE

YOUR PERSONAL POOLSIDE ATTENDANT

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND NINE
MONTHS ENDED
SEPTEMBER 30, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

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

THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

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

| AS AT | Note | September 30, 2018 (unaudited) | December 31, 2017 |
|--------------------------------------|------|--------------------------------------|----------------------|
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | | \$ 365,343 | \$ 68,003 |
| Prepays and other receivables | 5 | 213,640 | 63,577 |
| Inventory | 6 | 73,874 | 107,981 |
| | | 652,857 | 239,561 |
| Patent design and costs | 8 | 225,998 | 149,928 |
| Equipment | 7 | 169,722 | 179,788 |
| Revenue share assets | 9 | 149,135 | 71,771 |
| TOTAL ASSETS | | \$ 1,197,712 | \$ 641,048 |
| LIABILITIES AND EQUITY | | | |
| Current | | | |
| Trade payables and other liabilities | 10 | \$ 310,326 | \$ 200,086 |
| Current portion of long-term debt | 12 | - | 31,857 |
| Total current liabilities | | 310,326 | 231,943 |
| Obligations under capital lease | 11 | 72,432 | - |
| Long-term debt | 12 | 392,282 | - |
| Total liabilities | | 775,040 | 231,943 |
| Going concern | 2(a) | | |
| Guarantee | 12 | | |
| Commitments and contingencies | 15 | | |
| Shareholders' Equity | | | |
| Share capital | | 2,978,916 | 2,310,674 |
| Warrants | | 115,326 | 93,917 |
| Convertible debt warrants | | 32,752 | - |
| Reserves | | 284,211 | 200,142 |
| Accumulated deficit | | (2,988,533) | (2,195,628) |
| Total equity | | 422,672 | 409,105 |
| TOTAL LIABILITIES AND EQUITY | | \$ 1,197,712 | \$ 641,048 |

These 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 financial statements

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

| | Note | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-----------------------------------------------------|------|-------------------------------------|------------|------------------------------------|-------------|
| | | 2018 \$ | 2017 \$ | 2018 \$ | 2017 \$ |
| Revenue | | 118,480 | 182,206 | 317,398 | 309,022 |
| Cost of Sales | | 41,102 | 77,759 | 214,689 | 180,926 |
| Gross Profit | | 77,378 | 104,447 | 102,709 | 128,096 |
| Expenses | | | | | |
| Selling, general and administrative | | 121,389 | 152,186 | 361,214 | 459,801 |
| Stock-based compensation | | 17,658 | 44,868 | 84,069 | 177,402 |
| Public listing fee | | - | 3,357 | - | 463,242 |
| Professional fees | | 12,324 | 7,706 | 81,998 | 12,856 |
| Litigation settlement | | 289,000 | - | 289,000 | - |
| Investor relations and regulatory | | 1,713 | 3,170 | 16,642 | 13,130 |
| Advertising and promotion | | 219 | 31,532 | 18,260 | 31,891 |
| Depreciation | | 529 | 477 | 1,588 | 1,431 |
| Foreign exchange | | 2,859 | 442 | 823 | 1,789 |
| Gain on debt repayment | | (4,336) | - | (4,336) | (17,018) |
| Interest expense | | 20,343 | 837 | 46,356 | 9,299 |
| | | 461,695 | 244,575 | 895,614 | 1,153,823 |
| Net loss and comprehensive loss | | (384,317) | (140,128) | (792,905) | (1,025,727) |
| Weighted average shares outstanding, basic | 17 | 55,231,771 | 54,309,763 | 54,620,476 | 48,556,150 |
| Basic loss per share | 17 | (0.01) | (0.00) | (0.01) | (0.02) |
| Weighted average shares outstanding, diluted | 17 | 55,231,771 | 54,309,763 | 54,620,476 | 48,556,150 |
| Diluted loss per share | 17 | (0.01) | (0.00) | (0.01) | (0.02) |

The accompanying notes are an integral part of these financial statements

Pool Safe Inc.**Consolidated Interim Condensed Statements of Changes in Shareholders' Equity**

(Expressed in Canadian Dollars)

(Unaudited)

| | Notes | Number of shares | Share capital | Warrants | Convertible Debt Warrant | Share- based payments reserve | Accumulated deficit | Total |
|-----------------------------------------|-------|---------------------|------------------|------------|--------------------------------|----------------------------------------|------------------------|-------------|
| Balance at December 31, 2016 | | 39,765,908 | \$ 980,470 | \$ - | \$ - | \$ - | \$ (923,360) | \$ 57,110 |
| Units issued via private placement | 13 | 11,052,040 | 969,785 | 93,917 | - | - | - | 1,063,702 |
| Shares issued to acquire public listing | 13 | 1,786,923 | 184,443 | - | - | - | - | 184,443 |
| Shares issued to repay debt | 13 | 1,704,892 | 175,976 | - | - | - | - | 175,976 |
| Stock-based compensation | | - | - | - | - | 177,767 | - | 177,767 |
| Net loss | | - | - | - | - | - | (1,025,727) | (1,025,727) |
| Balance at September 30, 2017 | | 54,309,763 | 2,310,674 | 93,917 | - | 177,767 | (1,949,087) | 633,271 |
| Stock-based compensation | | - | - | - | - | 22,375 | - | 22,375 |
| Net loss | | - | - | - | - | - | (246,541) | (246,541) |
| Balance at December 31, 2017 | | 54,309,763 | 2,310,674 | 93,917 | - | 200,142 | (2,195,628) | 409,105 |
| Units issued via private placement | 13 | 5,643,020 | 364,498 | 21,409 | - | - | - | 385,907 |
| Shares issued to settle litigation | 13 | 3,400,000 | 289,000 | - | - | - | - | 289,000 |
| Shares issued to repay debt | 13 | 173,456 | 14,744 | - | - | - | - | 14,744 |
| Convertible debt warrant | 12 | - | - | - | 32,752 | - | - | 32,752 |
| Stock-based compensation | | - | - | - | - | 84,069 | - | 84,069 |
| Net loss | | - | - | - | - | - | (792,905) | (792,905) |
| Balance at September 30, 2018 | | 63,526,239 | \$ 2,978,916 | \$ 115,326 | \$ 32,752 | \$ 284,211 | \$ (2,988,533) | \$ 422,672 |

The accompanying notes are an integral part of these financial statements

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

| | Note | Nine months ended September 30, 2018 | 2017 |
|-------------------------------------------------------------|------|-----------------------------------------|-------------------|
| Operating activities | | | |
| Net loss | | \$ (792,905) | \$ (1,025,727) |
| Items not affecting cash: | | | |
| Disposal of revenue share assets | | 27,002 | - |
| Stock-based compensation | | 84,069 | 177,402 |
| Litigation settlement for shares | | 289,000 | - |
| Foreign exchange | | - | 365 |
| Accretion of convertible debt in interest | | 22,571 | - |
| Gain on debt repayment for shares | | (4,336) | (17,018) |
| Depreciation | | 35,185 | 45,349 |
| | | (339,414) | (819,629) |
| Net changes in non-cash working capital: | | | |
| Decrease (increase) in prepaids and other receivables | | (150,063) | (93,514) |
| Decrease (increase) in inventory | | 34,107 | (92,504) |
| Increase (decrease) in trade payables and other liabilities | | 110,240 | (85,240) |
| Cash flows used in operating activities | | (345,130) | (1,056,851) |
| Investing activities | | | |
| Revenue share assets | | (120,475) | (42,296) |
| Purchase of patent and design costs, net of tax credits | 7 | (85,080) | - |
| Cash flows used in investing activities | | (205,555) | (42,296) |
| Financing activities | | | |
| Repayment of long-term debt | | (31,857) | (182,057) |
| Proceeds from capital lease | | 78,000 | - |
| Repayment of capital lease | | (5,568) | - |
| Proceeds from long-term debt | | 369,243 | - |
| Proceeds from issuance of convertible warrants | | 32,752 | - |
| Proceeds from issuance of equity units | | 385,907 | 1,441,139 |
| Debt retired via share issuance | | 19,080 | - |
| Cash flows provided by (used in) financing activities | | 848,025 | 1,225,046 |
| Net change in cash | | 297,340 | 125,899 |
| Cash - beginning of period | | 68,003 | 10,751 |
| Cash - end of period | | \$ 365,343 | \$ 136,650 |

The accompanying notes are an integral part of these 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.

Effective December 31, 2016, the financial year end of the Company changed from June 30 of each year to December 31.

2. Basis of presentation

(a) Going concern

These 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, 2018 totaled \$2,988,533 (December 31, 2017 - \$2,195,628). In addition, the Company had working capital in the amount of \$342,531 at September 30, 2018. 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 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.

(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, 2017. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2018 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 28, 2018, the date the Board of Directors approved the statements.

(c) Basis of measurement

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

(d) Functional and presentation currency

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

(e) Estimates and critical judgments by management

The preparation of these 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 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

Depreciation of property, plant and 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 assets.

- (ii) Fair value of financial assets available for sale
Financial assets available for sale consist of privately held investments. Determination of the fair values of privately held investments requires the Company to make various assumptions about the future prospects of the investees, the economic, legal, and political environment in which the investees operate, and the ability of the investees to obtain financing to support their operations. As a result, any value estimated may not be realized or realizable, and the values may differ from values that would be realized if a ready market existed.
- (iii) Income taxes
Income taxes and tax exposures recognized in the 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.
- (iv) Date of commencement of commercial production
The date noted as the date of the beginning of commercial production (June 1, 2015) reflects management's best estimate based on facts available.

3. New and revised standards and interpretations issued but not yet effective

(a) IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. The effective date of this standard is January 1, 2018. The Company will adopt this new standard as of its effective date. The Company is currently analyzing the possible impact of this Standard on its financial statements.

(b) IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 was issued by IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company will adopt this new standard as of its effective date. The Company is currently analyzing the possible impact of this Standard on its financial statements.

(c) AMENDMENTS TO IAS 7

IAS 7 amendments include additional disclosures to enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments become effective for annual periods beginning on or after January 1, 2017. The Company will adopt the amendments as of the effective date. The Company is currently analyzing the possible impact of the amendments on its financial statements.

(d) 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 is currently evaluating the impact of the adoption of this new standard on its financial statements.

4. Acquisition of Pounder Venture Capital Corp.

On April 19, 2017, the Company completed qualifying transaction (“QT”) with Pounder Venture Capital Corp. (“PVC”) as announced November 29, 2016. The transaction was completed via the merger of a wholly-owned subsidiary of PVC (“PVC Subco”) and the Company, which constituted a reverse takeover of PVC by the shareholders of the Company. The resulting company will continue to operate as Pool Safe Inc. and trade publicly on the TSX Venture under the symbol “POOL”.

The completion consisted of a combination of the two companies, with the Company being the continuing entity, and a concurrent financing, as required by the TSX Venture Exchange.

The terms of the Transaction including the following:

- i) The Company assumed the outstanding liabilities of PVC which were estimated to be \$257,994. The Company issued 1,704,892 common shares to settle \$192,994 of these assumed debts;
- ii) All stock options of PVC were converted to 129,942 stock options of the Company at a deemed cost of \$365. These stock options had an exercise price of \$0.40 per share and an expiry date of April 18, 2018;
- iii) The Company issued 1,786,923 common shares for all common shares of PVC;
- iv) The Company incurred transaction costs of \$17,083 related to this portion of the transaction.

The table below summarizes the fair value of the assets acquired and the liabilities assumed at the acquisition date, as well as the consideration paid:

| | |
|----------------------------------|-----------------------|
| <u>Consideration:</u> | |
| Common shares | \$ 184,443 |
| Stock options | 365 |
| Total Consideration | <u>184,808</u> |
| <u>Liabilities Acquired:</u> | |
| Accounts Payable | 257,994 |
| Transaction costs | 17,083 |
| Total Liabilities Acquired | <u>275,077</u> |
| Expense of public listing | <u>\$ 459,885</u> |

In conjunction with the RTO transaction, on April 19, 2017, the Company issued 11,052,040 units for cash proceeds of \$1,251,250 (proceeds net of broker cash fees of \$48,394, and legal and other costs of \$139,154, were \$1,063,702). Each unit was comprised of one common share and one half of one common share purchase warrant. Each whole share warrant can be converted into one common share at an exercise price of approximately \$0.18 for a period until April 18, 2019. The net proceeds were allocated as \$969,785 to common shares and \$93,917 to warrants, based on a Black-Scholes valuation of the warrants

The Company's consolidated statements of comprehensive income include the result of operations for Pounder from its respective dates of acquisition.

5. Prepaids and other receivables

Prepaids and other receivable is comprised of:

| | Sept. 30, 2018 | Dec. 31, 2017 |
|-----------------------|-----------------------|----------------------|
| Trade receivables | \$ 24,792 | \$ 23,352 |
| Taxes receivable | 28,539 | 39,165 |
| Security deposits | 85,309 | - |
| Prepaids and deposits | 76,060 | 1,060 |
| | <u>\$ 138,640</u> | <u>\$ 63,577</u> |

Pool Safe Inc.
Notes to Consolidated Interim Condensed Financial Statements
Nine Months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

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

| | Sept. 30, 2018 | Dec. 31, 2017 |
|-------------------------|-----------------------|----------------------|
| 1 to 60 days | \$ 24,792 | \$ 20,447 |
| 61 days and older | - | 2,905 |
| | 24,792 | 23,352 |
| Allowance for bad debts | - | - |
| Accounts receivable | \$ 24,792 | \$ 23,352 |

The Company considers all trade receivables to be collectable and has not made any allowance for doubtful accounts as at September 30, 2018 nor December 31, 2017.

6. Inventory

The following comprises inventory:

| | September 30, 2018 | Dec. 31, 2017 |
|----------------|---------------------------|----------------------|
| Raw materials | \$ 73,874 | \$ 107,981 |
| Finished goods | - | - |
| | \$ 73,874 | \$ 107,981 |

There was no write-down of inventory during the periods ended September 30, 2018 nor December 31, 2017. During the period ended September 30, 2018, \$236,539 (September 30, 2017 - \$180,926) of inventory was expensed as cost of sales.

7. Equipment

September 30, 2018

| Cost | Balance at Dec. 31, 2017 | Additions | As at September 30, 2018 |
|--------------------------------------------|-----------------------------|-------------|-----------------------------|
| Furniture and equipment | \$ 4,206 | \$ - | \$ 4,206 |
| Computer equipment | 1,367 | - | 1,367 |
| Manufacturing equipment tooling and moulds | 204,764 | - | 204,764 |
| Leasehold improvement | 14,145 | - | 14,145 |
| Equipment | \$ 224,482 | \$ - | \$ 224,482 |

| Accumulated depreciation | Balance at Dec. 31, 2017 | Additions | As at September 30, 2018 |
|--------------------------------------------|-----------------------------|-----------|-----------------------------|
| Furniture and equipment | \$ 1,746 | \$ 369 | \$ 2,115 |
| Computer equipment | 638 | 164 | 802 |
| Manufacturing equipment tooling and moulds | 35,196 | 8,478 | 43,674 |
| Leasehold improvement | 7,114 | 1,055 | 8,168 |
| | \$ 44,694 | \$ 10,066 | \$ 54,760 |

| | | | |
|-----------------------|-------------------|--|-------------------|
| Net book value | \$ 179,788 | | \$ 169,722 |
|-----------------------|-------------------|--|-------------------|

September 30, 2017

| Cost | Balance at Dec. 31, 2016 | Additions | As at September 30, 2017 |
|--------------------------------------------|-----------------------------|------------------|-----------------------------|
| Furniture and equipment | \$ 3,096 | \$ 1,110 | \$ 4,206 |
| Computer equipment | 1,367 | - | 1,367 |
| Manufacturing equipment tooling and moulds | 203,788 | 975 | 204,763 |
| Leasehold improvement | 5,730 | 8,415 | 14,145 |
| Equipment | \$ 213,981 | \$ 10,500 | \$ 224,481 |

Pool Safe Inc.
Notes to Consolidated Interim Condensed Financial Statements
Nine Months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

| Accumulated depreciation | Balance at Dec. 31, 2016 | Additions | As at September 30, 2017 |
|--------------------------------------------|-----------------------------|-----------|-----------------------------|
| Furniture and equipment | \$ 853 | \$ 669 | \$ 1,522 |
| Computer equipment | 325 | 234 | 559 |
| Manufacturing equipment tooling and moulds | 21,512 | 10,263 | 31,776 |
| Leasehold improvement | 3,442 | 2,753 | 6,195 |
| | \$ 26,132 | \$ 13,919 | \$ 40,052 |
| Net book value | \$ 187,847 | | \$ 184,429 |

8. Patent and design costs

| | Balance at Dec. 31, 2017 | Additions, net | As at September 30, 2018 |
|--------------------------|-----------------------------|----------------|-----------------------------|
| Cost | \$ 180,203 | \$ 85,080 | \$ 265,283 |
| Accumulated amortization | (30,275) | (9,010) | (39,285) |
| Carrying value | \$ 149,928 | \$ 76,070 | \$ 225,998 |

| | Balance at Dec. 31, 2016 | Additions, net | As at September 30, 2017 |
|--------------------------|-----------------------------|----------------|-----------------------------|
| Cost | \$ 180,203 | \$ - | \$ 180,203 |
| Accumulated amortization | (18,261) | (9,009) | (27,270) |
| Carrying value | \$ 161,942 | \$ (9,009) | \$ 152,933 |

The Company commenced amortization on June 1, 2015.

9. Revenue share assets

| | Balance at Dec. 31, 2017 | Disposals | Additions, net | As at September 30, 2018 |
|--------------------------|-----------------------------|-------------|-------------------|-----------------------------|
| Cost | \$ 102,856 | \$ (38,976) | \$ 120,475 | \$162,505 |
| Accumulated amortization | (31,085) | 11,974 | (16,109) | (35,220) |
| Carrying value | \$ 71,771 | \$ (27,002) | \$ 104,366 | \$ 149,135 |

| | Balance at Dec. 31, 2016 | Disposals | Additions, net | As at September 30, 2017 |
|--------------------------|-----------------------------|-----------|-------------------|-----------------------------|
| Cost | \$ 156,958 | \$ - | \$ 31,795 | \$ 188,753 |
| Accumulated amortization | (23,379) | - | (22,421) | (45,800) |
| Carrying value | \$ 133,579 | \$ - | \$ 9,374 | \$ 142,953 |

10. Trade payables and other liabilities

Trade payables and accrued liabilities are comprised as follows:

| | September 30, 2018 | Dec. 31, 2017 |
|---------------------|--------------------|---------------|
| Trade payables | \$ 209,072 | \$ 182,336 |
| Accrued liabilities | 101,254 | 17,750 |
| | \$ 310,326 | \$ 200,086 |

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

| | September 30, 2018 | Dec. 31, 2017 |
|----------|--------------------|---------------|
| Current | \$ 193,314 | \$ 85,897 |
| >60 days | 15,758 | 96,439 |
| | \$ 209,072 | \$ 182,336 |

11. Obligation under capital lease

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

The future minimum payments under the lease are as follows:

| | |
|-----------------------------------|------------------|
| 2018 | \$ 7,659 |
| 2019 | 30,636 |
| 2020 | 30,636 |
| 2021 | 15,318 |
| | <u>84,249</u> |
| Less Amount representing interest | 11,817 |
| Balance September 30, 2018 | <u>\$ 72,432</u> |

Total interest expense for the year related to the Company's obligations under capital lease was \$2,091 (2017 - \$nil).

12. Long-term debt

| | |
|-----------------------------------------|-------------------|
| Convertible debenture financing | \$ 392,282 |
| Less: Current portion of long-term debt | - |
| | <u>\$ 392,282</u> |

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

For the Notes maturing February 8, 2020, each \$0.11 of the principal amount of the Notes 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 the issuance of the Note. 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 160,000 broker warrants in connection with these Notes. 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 mature February 8, 2020.

For the Notes maturing May 11 and June 21, each \$0.11 of the principal amount of the Notes is convertible into one share. In addition, 568,125 warrants were issued related to the May 11 Notes and 159,075 warrants were issued related to the June 21 Notes. Each of these warrants is exercisable into one Common Share at a price of \$0.15 for two years from the close of the Note.

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 totals \$32,752. 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 \$22,571 was recorded as accretion expense on the consolidated statements of loss and comprehensive loss for the 2018 year.

Pool Safe Inc.
Notes to Consolidated Interim Condensed Financial Statements
Nine Months ended September 30, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Bank loan bearing interest at the rate of prime plus 3.0% per annum, repayable in monthly principal repayments of \$4,673 plus interest, secured by a general security agreement over all assets of the Company and a personal guarantee from the majority shareholders, amounting to 25% of the original loan balance. The loan was repaid on July 15, 2018. | - |
| Less: Current portion of long-term debt | - |
| | <u>-</u> |

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

| | |
|------|-------------------|
| 2018 | \$ - |
| 2019 | - |
| 2020 | 460,000 |
| | <u>\$ 460,000</u> |

13. 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 June 30, 2016 | 39,051,600 | \$ 930,470 |
| Issuance of shares for cash (i) | 714,308 | 50,000 |
| Balance at December 31, 2016 | 39,765,908 | 980,470 |
| Issuance of shares for public company shell (ii) | 1,786,923 | 184,443 |
| Issuance of shares for debt (iii) | 1,704,892 | 175,976 |
| Issuance of units for cash (iv) | 11,052,040 | 969,785 |
| Balance at December 31, 2017 | 54,309,763 | 2,310,674 |
| Issuance of units for cash (v) | 5,643,020 | 364,498 |
| Issuance of shares for litigation settlement (vi) | 3,400,000 | 289,000 |
| Issuance of shares for debt (vii) | 173,456 | 14,744 |
| Balance at September 30, 2018 and December 31, 2017 | 63,526,239 | \$ 2,978,916 |

- (i) During July 2016, the Company issued 714,308 common shares for net proceeds of \$50,000.
- (ii) During April 2017, the Company issued 1,786,923 common shares in exchange for all the shares of Pounder Venture Capital Corp., a publicly traded company (see Note 4). The share portion of units issued had a deemed value of \$0.1032 each for a deemed exchange value of \$184,443.
- (iii) During April 2017, the Company issued 1,704,892 common shares in exchange for \$192,994 of assumed liabilities of Pounder Venture Capital Corp., a publicly traded company (see Note 4). The Company recognized a gain on settlement of \$17,018 related to this settlement.
- (iv) During April 2017, the Company issued 11,052,040 units for cash proceeds of \$1,251,250 (proceeds net of broker cash fees of \$48,394, and legal and other costs of \$139,154, were \$1,063,702). Each unit was comprised of one common share and one half of one common share purchase warrant. Each whole share warrant can be converted into one common share at an exercise price of approximately \$0.18 for a period until April 18, 2019. The net proceeds were allocated as \$969,785 to common shares and \$93,917 to warrants (Note 12(c)), based on a Black-Scholes valuation of the warrants.

In addition, 427,476 broker units were issued. Each broker unit is exercisable into a unit of the Company at approximately \$0.11 per broker unit. Each broker unit is comprised of one share and one-half share warrant. Each whole share warrant can be converted into one common share at an exercise price of approximately \$0.18 for a period until April 18, 2019.

- (v) During September 2018, the Company issued 5,643,020 units for cash proceeds of \$395,011 (proceeds net of broker cash fees of \$5,680, and legal and other costs of \$3,425, were \$385,906). Each unit was comprised of one common share and one common share purchase warrant. Each share warrant can be converted into one common share at an exercise price of \$0.12 until September 27, 2020, subject to certain acceleration rights in favour of the Company. The net proceeds were allocated as \$364,498 to common shares and \$21,409 to warrants (Note 12(c)), based on a Black-

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Scholes valuation of the warrants.

In addition, 81,143 finder warrants were issued. Each finder warrant is exercisable into a common share of the Company at a price of \$0.12 until September 27, 2020.

- (vi) During September 2018, the Company issued 3,400,000 shares in settlement of litigation. The shares were valued at \$289,000 and were expensed in the September 2018 period.
- (vii) During September 2018, the Company issued 173,455 to settle \$19,080 of debt. The shares were valued at \$14,744 and the difference was recognized as a gain on settlement of debt in the September 2018 period.

(b) **Warrants**

At September 30, 2018, the following warrants were outstanding:

| | Number of Warrants | Exercise Price | Expiry Date |
|--------------------------------------|--------------------|----------------|--------------------|
| <u>Broker Units</u> | | | |
| | 427,476 | \$0.11 | April 18, 2019 |
| | 160,000 | \$0.11 | February 8, 2020 |
| | 81,143 | \$0.12 | September 27, 2020 |
| <u>Warrants</u> | | | |
| | 5,526,020 | \$0.18 | April 18, 2019 |
| | 568,125 | \$0.15 | May 11, 2020 |
| | 159,075 | \$0.15 | June 21, 2020 |
| | 2,821,510 | \$0.12 | September 27, 2020 |
| <u>Warrants for Convertible Debt</u> | | | |
| | 2,727,273 | \$0.11 | February 8, 2020 |
| | 1,136,364 | \$0.11 | May 11, 2020 |
| | 318,182 | \$0.11 | June 21, 2020 |

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

| | September 30, 2018 | | December 31, 2017 | |
|------------------------------|--------------------|--------|-------------------|--------|
| Balance, beginning of period | 5,953,496 | \$0.17 | — | |
| Issued | 7,971,672 | \$0.12 | 5,953,496 | \$0.17 |
| Exercised | — | | — | |
| Expired | — | | — | |
| Balance, end of period | 13,925,168 | \$0.14 | 5,953,496 | \$0.17 |

The Company determined that the fair value of the warrant liability at April 18, 2017 related to the 5,526,020 warrants, using the Black-Scholes Options Pricing Mode, was \$93,917. The Company determined that the fair value of the broker warrant liability at April 18, 2017 related to the 427,476 warrants, using the Black-Scholes Options Pricing Mode, was \$13,806 using the following inputs; Dividend yield – Nil, interest rate of .62%, volatility of 85% and an expected life of 2 years.

(c) **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 September 30, 2018, the following stock options were outstanding:

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| Number of Options | Exercise Price | Expiry Date |
|-------------------|----------------|----------------|
| 100,000 | \$0.11 | June 2, 2019 |
| 100,000 | \$0.11 | July 27, 2019 |
| 4,100,000 | \$0.11 | June 22, 2022 |
| 500,000 | \$0.11 | April 11, 2023 |

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

| | September 30, 2018 | | December 31, 2017 | |
|--------------------------------|--------------------|---------------------------------|-------------------|---------------------------------|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding, beginning of year | 4,429,942 | \$ 0.12 | - | - |
| Granted | 650,000 | 0.11 | 4,429,942 | \$ 0.12 |
| Exercised | - | - | - | - |
| Cancelled/Expired | (279,942) | 0.24 | - | - |
| Outstanding, end of period | 4,800,000 | \$ 0.11 | 4,429,942 | \$ 0.12 |
| Exercisable, end of period | 3,100,000 | \$ 0.11 | 1,646,609 | \$ 0.13 |

The aggregate intrinsic value for options vested and for total options as of September 30, 2018 is \$nil (December 31, 2017- \$nil). The weighted average contractual term of stock options outstanding and exercisable as at September 30, 2018 is 3.7 years (December 31, 2017 – 4.4 years).

The weighted average fair value of stock options granted, vested, and modified during the period was \$84,069 (year ended December 31, 2017 - \$200,142 of which \$177,767 was incurred in the nine-month period ended September 30, 2017) which has been included in general and administrative expense or Listing expense (\$365 in 2017).

The following assumptions were used for the Black-Scholes valuation of stock options granted during the periods:

| | September 30, 2018 | Dec. 31, 2017 |
|-------------------------|--------------------|------------------|
| Risk-free interest rate | 0.5% | 0.5% |
| Expected life | 2.0 to 4.0 years | 0.8 to 4.0 years |
| Annualized volatility | 85% | 85% |
| Dividend rate | - | - |

14. Related party transactions

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

(a) Key management compensation

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

| | September 30, 2018 | September 30, 2017 |
|-----------------------------------------------------------|--------------------|--------------------|
| Short-term employee benefits, including salaries and fees | \$ 192,308 | \$ 139,096 |
| Stock-based compensation | 78,815 | 156,251 |
| Sub-contractors | - | 3,150 |
| | \$ 271,123 | \$ 298,497 |

Loans of \$140,000 and interest of \$6,292 were repaid to related parties in 2017.

15. Commitments and contingencies

(a) The following is a summary of the Company's operating lease obligations due in future fiscal years:

| | |
|------|------------------|
| 2018 | \$ 19,240 |
| 2019 | 16,033 |
| | <u>\$ 35,273</u> |

16. 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 financial statements.

17. Earnings (loss) per share

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

| Numerators | September 30, 2018 | September 30, 2017 |
|----------------------------------------------------------------------|--------------------|--------------------|
| Loss attributable to common shareholders | \$ (792,905) | \$ (1,025,727) |
| Loss used in the computation of basic and diluted earnings per share | (792,905) | (1,025,727) |

| Denominators | September 30, 2018 | September 30, 2017 |
|----------------------------------------------------------------------------------------------|--------------------|--------------------|
| Weighted average number of common shares for computation of basic and diluted loss per share | 54,620,476 | 48,556,150 |

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

18. 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 various government bodies; therefore, the company does not anticipate any significant loss for non-collection.

(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.

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

(a) 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 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.

19. Capital management

The Company considers its capital to be its equity, and debt as disclosed in Note 11. 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.

20. Subsequent event

Subsequent to September 30, 2018, the Company closed the final tranche of \$120,750 of its previously announced non-brokered private placement through the issuance of 1,725,000 units. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of 12 cents for a period of 24 months following the closing date of the offering, subject to an acceleration right in favour of the company. In connection with the closing of this tranche, the company paid certain eligible persons cash commissions totaling \$5,656 and granted 80,800 finder's warrants to acquire common shares. Insiders of the Company subscribed to 1,525,000 units of this financing.