Pool Safe Inc.

Financial Statements

Six month period ended December 31, 2016

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Financial Statements
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Contents

Wasserman Ramsay

Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Pool Safe Inc.:

We have audited the accompanying financial statements of Pool Safe Inc. which comprise the statements of financial position as at December 31, 2016 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pool Safe Inc. as at December 31, 2016 and the results of its operations, changes in shareholders' equity and cash flows for the six month period then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2(a) in the financial statements, which indicates that the Company had losses during the six month period ended December 31, 2016 and has accumulated losses since inception totaling $923,360 as well as a working capital deficiency in the amount of $254,401. These conditions, along with other matters set forth in Note 2(a) indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Wasserman Ramsay

Chartered Accountants
Licensed Public Accountants

Markham, Ontario
April 24, 2017

Pool Safe Inc.
Statement of Financial Position
As at

	Notes	December 31, 2016	June 30, 2016	June 30, 2015
Assets				
Current				
Cash		10,751	26,324	26,213
Prepaids and other receivables	5	27,669	24,103	23,884
Inventory	6	10,933	67,334	47,520
		49,353	117,761	97,617
Equipment	7	187,847	233,943	249,765
Patent and design costs	8	161,942	167,303	159,933
Revenue share assets	9	133,579	-	-
		532,721	519,007	507,315
Liabilities				
Current				
Trade payables and other liabilities	10	247,678	139,832	29,249
Current portion of long-term debt	11	56,076	56,076	56,076
		303,754	195,908	85,325
Long-term debt	11	171,857	59,895	115,971
		475,611	255,803	201,296
Going concern	2(a)			
Guarantee	11			
Commitments and contingencies	14			
Subsequent event	20			
Shareholders' Equity				
Share capital	12	980,470	930,470	605,470
Accumulated deficit		(923,360)	(667,266)	(299,451)
		57,110	263,204	306,019
		532,721	519,007	507,315

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

(Signed) *"David Berger"*
Director

The accompanying notes are an integral part of these financial statements

Pool Safe Inc.
Statement of Loss and Comprehensive Loss

	Notes	Six month period ended December 31, 2016	Year ended June 30, 2016	Year ended June 30, 2015
Revenue		34,944	60,569	242,623
Cost of Sales		52,665	32,111	102,425
Gross Profit		(17,721)	28,458	140,198
Expenses				
Selling, general and administrative		147,591	271,223	134,676
Professional fees		54,296	67,087	22,454
Regulatory fees		7,700	-	-
Advertising and promotion		25,089	13,068	926
Depreciation		1,088	36,250	9,685
Foreign exchange		(138)	-	-
Interest on loan payable		2,747	8,645	12,062
		238,373	396,273	179,803
Net and comprehensive loss		$ (256,094)	$ (367,815)	$ (39,605)
Weighted average number of outstanding shares		1,417,180	1,302,124	1,222,240
Loss per share		(0.18)	(0.28)	(0.03)

The accompanying notes are an integral part of these financial statements

Pool Safe Inc.
Consolidated Statement of Changes in Shareholders' Equity
For the six month period ended December 31, 2016

	Notes	Number of shares	Share capital	Warrants	Contributed surplus	Accumulated deficit	Total
Balance at June 30, 2014		1,203,358	$ 555,470	$ -	$ -	$ (259,846)	$ 295,624
Shares issued via private placement - October 3,2014		25,525	50,000	-	-	-	50,000
Net loss		-	-	-	-	(39,605)	(39,605)
Balance at June 30, 2015		1,228,883	605,470	-	-	(299,451)	306,019
Shares issued via private placement - July 15, 2015		10,203	20,000	-	-	-	20,000
Shares issued via private placement - August 4, 2015		25,511	50,000	-	-	-	50,000
Shares issued via private placement - October 23, 2015		25,511	50,000	-	-	-	50,000
Shares issued via private placement - January 15, 2016		25,511	50,000	-	-	-	50,000
Shares issued via private placement - March 31, 2016		38,265	75,000	-	-	-	75,000
Shares issued via private placement - June 9, 2016		40,816	80,000	-	-	-	80,000
Net loss		-	-	-	-	(367,815)	(367,815)
Balance at June 30, 2016		1,394,700	$ 930,470	$ -	$ -	$ (667,266)	$ 263,204
Shares issued via private placement - July 22, 2016		22,480	50,000	-	-	-	50,000)
Net loss						(256,094)	(256,094)
Balance at December 31, 2016		1,420,211	980,470	$ -	$ -	$ (923,360)	$ 57,110

The accompanying notes are an integral part of these financial statements

Pool Safe Inc.

Statement of Cash Flows

	Notes	Six month period ended December 31, 2016	Year ended June 30, 2016	Year ended June 30, 2015
Operating activities				
Net loss		$ (256,094)	$ (367,815)	$ (39,605)
Items not affecting cash:				
Amortization of patent and design costs		-	12,010	890
Depreciation		20,929	24,240	8,795
		(235,165)	(331,565)	(29,920)
Net changes in non-cash working capital:				
Decrease (increase) in prepaids and other receivables		(3,566)	(219)	1,543
Decrease (increase) inventory		56,401	(19,814)	(2,520)
Decrease in income tax credit recoverable		-	-	43,178
Increase (decrease) in trade payables and other liabilities		107,846	110,583	(33,786)
Cash flows used in operating activities		(74,484)	(241,015)	(21,505)
Investing activities				
Purchase of equipment		(103,051)	(8,418)	(48,575)
Purchase of patent and design costs, net of tax credits	8	-	(19,380)	33,436
Cash flows used in investing activities		(103,051)	(27,798)	(15,139)
Financing activities				
Repayment of long-term debt		(28,038)	(56,076)	(56,076)
Proceeds from long-term debt		140,000	-	-
Proceeds from issuance of share capital		50,000	325,000	50,000
Cash flows provided by (used in) financing activities		161,962	268,924	(6,076)
Net change in cash		(15,573)	111	(42,720)
Cash - beginning of period		26,324	26,213	68,933
Cash - end of period		$ 10,751	$ 26,324	$ 26,213

The accompanying notes are an integral part of these financial statements

1. Nature of business

Pool Safe Inc. ("PoolSafe" or the "Company"), was incorporated under the Business Corporations Act (Ontario) on October 27, 2011. PoolSafe is an exclusive product which offers security, convenience and guest services all bundled in one product. PoolSafe'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 to at a profit. Since inception the Company has incurred losses which as of December 31, 2016 totaled $923,360 (June 30, 2016 - $667,815). In addition, the Company has a working capital deficiency in the amount of $254,401 (June 30, 2016 – $78,147). 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

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board with an effective date of January 1, 2014.

These financial statements were approved by the Board of Directors on April 24, 2017.

(c) Basis of measurement

Apart from certain assets and liabilities measured at fair value as required under certain IFRSs, 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, patent design costs, and revenue share assets

Depreciation of property, plant and equipment, patent design costs, and revenue share assets 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. Significant accounting policies

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

(a) Financial instruments

The Company aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of the transaction.

All financial assets and liabilities with the exception of those measured at fair value through profit or loss, or available- for-sale are subject to review for impairment annually and written down when there is evidence of impairment based on specific criteria.

The Company's accounting policy for each category is as follows:

(i) 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. In these financial statements, cash has been classified as fair value through profit and loss.

(ii) Available-for-sale

Other investments, which consist of privately held investments are classified in this category as available-for-sale. These financial instruments are initially recorded at the fair value at the time of acquisition, represented by the transaction price. Thereafter, at each reporting date, the fair value may be adjusted using one or more of the valuation indicators described below. These constitute level three inputs in accordance with the fair value hierarchy of IFRS 13, as described in Note 18(b). Gains and losses as a result of the valuations are recorded in other comprehensive income, and transaction costs are expensed as incurred.

The determination of fair value of the Company's privately held investments is subject to inherent limitations. Financial information for private companies may not be available, or may be unreliable. Use of the valuation approach described below involves uncertainties and management judgments, and any value estimated from these techniques may not be realized or realizable.

The Company's management considers specific information about the investee companies, trends in general market conditions, and the share performance of similar publicly traded companies when valuing the Company's privately held investments.

The absence of the occurrence of any of the following events, any significant change in trends in general market conditions, or any significant change in share performance of comparable publicly traded companies generally indicates that the fair value of the privately held investments has not materially changed.

Management considers the following factors to indicate a change in the fair value, or impairment of, a privately held investment, and may adjust the value if:

a. there has been significant subsequent equity financing provided by outside investors at a value which differs from the current recorded value of the investee company, in which case the fair value of the investment is adjusted to equal the value at which that financing took place;

b. there have been significant corporate, political, legal, or operating events affecting the investee company such that, management believes they will have a material impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to fair value of the investment will be based on management's judgment;

c. the investee company is placed into receivership or bankruptcy;

d. based on financial information received from the investee company, it is evident that the investee company is unlikely to be able to continue as a going concern;

e. receipt or denial by the investee company of medical marijuana licenses from Health Canada, which allow the investee company to initiate or continue operations; and

f. management changes by the investee company that the Company's management believes will have an impact on the investee company's ability to achieve its objectives and build value for shareholders.

(ii) Held-to-maturity

Financial instruments classified as held-to-maturity are financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are initially recorded at fair value and subsequently carried at amortized cost, using the effective interest method. Transaction costs are included in the amount initially recognized. There are no financial instruments that are classified in this category.

(iii) Loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are expensed as incurred. In these financial statements, loans receivable have been classified as loans and receivables. Trade payables and other liabilities, convertible loans payable, promissory note payable, and mortgage payable have been classified as other financial liabilities.

(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 when cash is received for usage under the revenue sharing agreement with the location of installation.

(b) Trade receivables

Trade receivables are recognized initially at fair value less allowances made for doubtful receivables based on a review of year-end trade receivables, and do not carry any interest. An allowance for doubtful accounts receivables is generally made when there is objective evidence that the Company will not be able to collect the amounts due according to original payment terms or when there are indications of collection issues related to specific customers. As at December 31, 2016, June 30, 2016 and June 30, 2015, 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 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.

Patent and Design costs are amortized on a straight-line basis over 15 years once commercial production has been met. Commercial production commenced June 1, 2015. Management reviews amortization periods and methods annually, and changes are 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 does not currently have a stock option plan, however, when a plan is adopted the value of any options granted will be recorded as noted below.

The Company does not currently have a stock option plan but in the future when a plan is formulated the options granted will be recorded 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) 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 issued but not yeteffective

(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.

5. Prepaids and other receivables

Prepaids and other receivable is comprised of:

	Dec. 31, 2016	June 30, 2016	June 30, 2015
Trade receivables	$ 15,401	$ 13,422	$ 22,824
Taxes receivable	11,208	9,621	-
Prepaids and deposits	1,060	1,060	1,060
	$ 27,669	**$ 24,103**	**$ 23,884**

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

	Dec. 31, 2016	June 30, 2016	June 30, 2015
1 to 60 days	$ 15,300	$ 9,067	$ 22,268
61 days and older	101	4,355	556
	15,401	13,422	22,824
Allowance for bad debts	-	-	-
Accounts receivable	$ 15,401	$ 13,422	$ 22,824

The Company considers all trade receivables to be collectable and has not made any allowance for doubtful accounts as at December 31, 2016, June 30, 2016, nor June 30, 2015.

6. Inventory

The following comprises inventory:

	Dec. 31, 2016	June 30, 2016	June 30, 2015
Raw materials	$ 10,933	$ 67,334	$ 47,520
Finished goods	-	-	-
	$ 10,933	$ 67,334	$ 47,250

There was no write-down of inventory during the year ended December 31, 2016 (June 30, 2016 - $nil, June 30, 2015 - $nil). During the year ended December 31, 2016, $36,852 (June 30, 2016 - $20,949, June 30, 2015 - $102,424) of inventory was expensed as cost of sales.

7. Equipment

June 30, 2015

Cost	Balance at July 1, 2014	Additions	As at June 30, 2015
Furniture and equipment	$ 1,376	$ 48,575	$ 49,951
Manufacturing equipment tooling and moulds	203,788	-	203,788
Leasehold improvement	5,730	-	5,730
	$ 210,894	$ 48,575	$ 259,469

Accumulated depreciation	Balance at July 1, 2014	Additions	As at June 30, 2015
Furniture and equipment	$ 336	$ 6,519	$ 6,855
Manufacturing equipment tooling and moulds	-	1,130	1,130
Leasehold improvement	573	1,146	1,719
	$ 909	$ 8,795	$ 9,704
Net book value	$ 209,985		$ 249,765

June 30, 2016

Cost	Balance at July 1, 2015	Additions	As at June 30, 2016
Furniture and equipment	$ 49,951	$ 7,651	$ 57,602
Computer equipment	-	767	767
Manufacturing equipment tooling and moulds	203,788	-	203,788
Leasehold improvement	5,730	-	5,730
	$ 259,469	$ 8,418	$ 267,887

Accumulated depreciation	Balance at July 1, 2015	Additions	As at June 30, 2016
Furniture and equipment	$ 6,855	$ 9,380	$ 16,235
Computer equipment	-	120	120
Manufacturing equipment tooling and moulds	1,130	13,590	14,720
Leasehold improvement	1,719	1,150	2,869
	$ 9,704	$ 24,240	$ 33,944
Net book value	$ 249,765		$ 233,943

December 31, 2016

Cost	Balance at June 30, 2016	Additions, net	As at Dec. 31, 2016
Furniture and equipment	$ 57,602	$ (54,506)	$ 3,096
Computer equipment	767	600	1,367
Manufacturing equipment tooling and moulds	203,788	-	203,788
Leasehold improvement	5,730	-	5,730
	$ 267,887	$ (53,906)	$ 213,981

Accumulated depreciation	Balance at June 30, 2016	Additions, net	As at Dec. 31, 2016
Furniture and equipment	$ 16,235	$ (15,381)	$ 853
Computer equipment	120	205	325
Manufacturing equipment tooling and moulds	14,720	6,792	21,512
Leasehold improvement	2,869	573	3,442
	$ 33,944	$ (7,811)	$ 26,132
Net book value	$ 233,943		$ 187,847

8. Patent and design costs

	Balance at July 1, 2014	Additions, net	As at June 30, 2015
Cost	$ 194,259	$ (33,436)	$ 160,823
Accumulated amortization	-	(890)	(890)
Carrying value	$ 194,259	$ (34,326)	$ 159,933

	Balance at July 1, 2015	Additions, net	As at June 30, 2016
Cost	$ 160,823	$ 19,380	$ 180,203
Accumulated amortization	(890)	(12,010)	(12,900)
Carrying value	$ 159,933	$ 7,370	$ 167,303

	Balance at July 1, 2016	Additions, net	As at Dec. 31, 2016
Cost	$ 180,203	$ -	$ 180,203
Accumulated amortization	(12,900)	(5,361)	(18,261)
Carrying value	$ 167,303	$ (5,361)	$ 161,942

The Company commenced amortization on June 1, 2015.

9. Revenue share assets

	Balance at July 1, 2014	Additions, net	As at June 30, 2015
Cost	$ -	$ -	$ -
Accumulated amortization	-	-	-
Carrying value	$ -	$ -	$ -

	Balance at July 1, 2015	Additions, net	As at June 30, 2016
Cost	$ -	$ -	$ -
Accumulated amortization	-	-	-
Carrying value	$ -	$ -	$ -

	Balance at July 1, 2016	Additions, net	As at Dec. 31, 2016
Cost	$ -	$ 156,958	$ 156,958
Accumulated amortization	-	(23,379)	(23,379)
Carrying value	$ -	$ 133,579	$ 133,579

10. Trade payables and other liabilities

Trade payables and accrued liabilities are comprised as follows:

	Dec. 31, 2016	**June 30, 2016**	**June 30, 2015**
Trade payables	$ 232,678	$ 139,832	$ 23,143
Accrued liabilities	15,000	-	6,106
	$ 247,678	$ 139,832	$ 29,249

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

	Dec. 31, 2016	**June 30, 2016**	**June 30, 2015**
Current	$ 136,357	$ 43,395	$ 8,278
>60 days	96,321	96,437	14,865
	$ 232,678	$ 139,832	$ 23,143

11. Long-term debt

Shareholder loans, unsecured, with interest rates between 3% and 10% On September 9, 2016, the Company received an unsecured loan in the amount of $50,000 from 2151089 Ontario Inc. The principal amount bears interest at a rate of 10% per annum. On October 24, 2016, the Company received a second unsecured loan in the amount of $50,000, from 2151089 Ontario Inc. The principal amount bears interest at a rate of 10% per annum. 2151089 Ontario Inc. is wholly owned by Carolyn Berger, who is the spouse of David Berger, a Director and the President of the Company. On November 9, 2016, the Company received an unsecured loan in the amount of $40,000 from Steven Mintz. The principal amount bears interest at a rate of 3% per annum. Steven Mintz is a Director and the Chief Financial Officer of the Company. The loans from 2151089 Ontario were repaid subsequent to December 31, 2016 with proceeds from the closing of the subsequent financing (see Note 20).	$ 140,000
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 matures on July 15, 2018.	87,933
Less: Current portion of long-term debt	(56,076)
	$ 171,857

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

2017	$ 56,076
2018	171,857
2019	-
	$ 227,933

12. 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 July 1, 2014	1,203,358	$ 555,470
Issuance of shares for cash (i)	25,525	50,000
Balance at June 30, 2015	1,228,883	$ 605,470
Issuance of shares for cash (ii)	10,203	20,000
Issuance of shares for cash (iii)	25,511	50,000
Issuance of shares for cash (iv)	25,511	50,000
Issuance of shares for cash (v)	25,511	50,000
Issuance of shares for cash (vi)	38,265	75,000
Issuance of shares for cash (vii)	40,816	80,000
Balance at June 30, 2016	1,394,700	930,470
Issuance of shares for cash (viii)	25,511	50,000
Balance at December 31, 2016	1,420,211	980,470

(i) During October 2014, the Company issued 25,525 common shares for net proceeds of $50,000.
(ii) During July 2015, the Company issued 10,203 common shares for net proceeds of $20,000.
(iii) During August 2015, the Company issued 25,511 common shares for net proceeds of $50,000.
(iv) During October 2015, the Company issued 25,511 common shares for net proceeds of $50,000.
(v) During January 2016, the Company issued 25,511 common shares for net proceeds of $50,000.
(vi) During March 2016, the Company issued 38,265 common shares for net proceeds of $75,000.
(vii) During June 2016, the Company issued 40,816 common shares for net proceeds of $80,000.
(viii) During July 2016, the Company issued 25,511 common shares for net proceeds of $50,000.

13. Related party transactions

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

(a) Key management compensation

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

	Dec. 31, 2016	**June 30, 2016**	**June 30, 2015**
Short-term employee benefits, including salaries and fees	$ 17,780	$ 85,490	$ 42,250
Sub-contractors	12,300	20,000	-
	$ 30,080	$ 105,490	$ 42,250

14. Commitments and contingencies

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

2017 (six months)	9,260
2018	19,240
2019	16,033

	$	44,533

(b) The Company is subject to a claim for damages related to an alleged breach of a non-disclosure document. The Company believes that the allegations contained in the statement of claim are without merit and plans to vigorously defend itself; accordingly, no provision for loss has been recognized.

15. Income taxes

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

	Dec. 31, 2016	June 30, 2016	June 30, 2015
Net loss before income taxes	$ (256,094)	$ (367,815)	$ (39,605)
Combined statutory tax rate	26.5%	26.5%	26.5%
Theoretical tax expense (recovery)	(67,800)	(97,000)	(10,000)
Non-deductible expenses:	-	-	-
Listing expense	-	-	-
Effect of provincial tax rate difference	-	-	-
Other adjustments	-	-	-
Changes in unrecognized deferred tax assets	67,800	97,000	10,000
Income tax recovery	$ -	$ -	$ -

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

	Dec. 31, 2016	June 30, 2016	June 30, 2015
Non-capital loss carry-forwards	$1,230,000	$ 996,000	$ 628,000

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

	Non-capital losses
2032	$ 29,000
2033	302,000
2034	297,000
2036	368,000
2037	234,000
	$ 1,230,000

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	**Dec. 31, 2016**	**June 30, 2016**	**June 30, 2015**
Loss attributable to common shareholders	$ (256,096)	$ (367,815)	$ (39,605)
Loss used in the computation of basic and diluted earnings per share	$ (256,096)	$ (367,815)	$ (39,605)

Denominators	**Dec. 31, 2016**	**June 30, 2016**	**June 30, 2015**
Weighted average number of common shares for computation of basic and diluted loss per share	1,417,180	1,302,124	1,222,240

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.

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 12. 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 December 31, the Company completed its Qualifying Transaction with Pound Venture Capital Corporation and concurrently, a financing.

For the Qualifying Transaction, each Pool Safe common share outstanding at December 31, 2016, being 1,420,211 common shares, were exchanged for 39,765,908 shares in the publicly listed company. A further 1,786,923 shares in the public company were issued to the CPC shell in exchange for those shares. Debt of $192,994 was converted into 1,704,892 shares in the publicly listed company.

Gross proceeds of $1.25 million were raised through the issue of unit and subscription receipts. These units and subscription receipts were exchanged for 11,038,040 shares and 5,519,020 warrants in the publicly listed company. Broker warrants related to the financing were issued for 427,476 units, with each unit comprising a warrant which can be exercised to purchase one common share in the Company and a one half of one common share warrant in the Company.

Shares existing at the date of these financial statements and comparative shares as at June 30, 2016 and 2015, adjusted for the share split, are as follows:

	December 31, 2016	June 30, 2016	June 30, 2015
Shares Outstanding	54,295,763	39,051,600	34,408,724
Warrants	5,946,496	-	-
Options	129,942	-	-
Total	60,372,201	39,051,600	34,408,724