

POOLS SAFE

YOUR PERSONAL POOLSIDE ATTENDANT

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

**FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2023 AND 2022**

(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 FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(EXPRESSED IN CANADIAN DOLLARS - UNAUDITED)

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

AS AT	Note	September 30, 2023	December 31, 2022
ASSETS			
Current			
Cash and cash equivalents		\$ 522,538	\$ 221,096
Receivables	5	287,934	33,343
Prepays		-	-
Inventory	6	437,051	210,532
Total current assets		1,247,523	464,971
Equipment	7	116,669	156,140
Revenue share assets	8	700,870	599,793
TOTAL ASSETS		\$ 2,065,062	\$ 1,220,904
LIABILITIES AND EQUITY			
Current			
Trade payables and other liabilities	9 & 14	\$ 198,181	\$ 258,006
Current portion of lease liability	10	30,728	33,464
Promissory notes	12	-	-
Current portion of loans	11	1,010,000	993,399
Total current liabilities		1,238,909	1,284,869
Lease liability	10	16,976	45,337
Long term portion of loans payable	11	2,023,739	902,990
Total liabilities		3,279,624	2,233,196
Going concern	2(a)		
Subsequent event	20		
Shareholders' Equity			
Share capital	13	4,055,837	4,033,337
Warrants		426,724	221,899
Reserves		471,397	393,365
Accumulated deficit		(6,168,520)	(5,660,893)
Total equity		(1,214,562)	(1,012,292)
TOTAL LIABILITIES AND EQUITY		\$ 2,065,062	\$ 1,220,904

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

(Signed) "David Berger"
Director

(Signed) "Steven Glaser"
Director

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023 \$	2022 \$	2023 \$	2022 \$
Revenue	487,181	331,925	901,778	662,345
Cost of Sales	190,469	220,471	439,500	358,104
Gross Profit	296,712	111,454	462,278	304,241
Expenses				
Selling, general and administrative	169,354	151,741	425,657	354,959
Stock-based compensation	27,265	27,758	78,032	27,758
Professional fees	51,506	20,720	92,281	44,341
Regulatory	5,187	5,754	24,630	13,836
Advertising and promotion	31,848	13,914	57,889	17,568
Depreciation and amortization	3,248	7,721	9,744	25,438
Foreign exchange loss (gain)	(2,357)	397	(5,418)	726
Interest and accretion expense	127,055	53,964	287,090	134,678
	413,106	281,969	969,905	619,304
Net gain (loss) and comprehensive gain (loss)	(116,394)	(170,515)	(507,627)	(315,063)
Weighted average shares outstanding, basic and diluted	89,979,750	89,229,750	89,433,794	89,229,750
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	(0.00)

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

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

(Expressed in Canadian Dollars - Unaudited)

	Number of shares	Share Capital	Warrants	Share- based payments reserve	Accumulated deficit	Total
Balance at December 31, 2021	89,229,750	\$ 4,033,337	\$ 136,269	\$ 337,782	\$ (5,005,266)	\$ (497,878)
Warrants issued for debt financing	-	-	67,521	-	-	67,521
Warrants expired	-	-	(58,059)	-	58,059	-
Stock-based compensation	-	-	-	27,758	-	27,758
Net loss	-	-	-	-	(315,063)	(315,063)
Balance at September 30, 2022	89,229,750	4,033,337	145,731	365,540	(5,262,270)	(717,662)
Warrants issued for debt financing	-	-	76,168	-	-	76,168
Stock-based compensation	-	-	-	27,825	-	27,825
Net loss	-	-	-	-	(398,623)	(398,623)
Balance at December 31, 2022	89,229,750	4,033,337	221,899	393,365	(5,660,893)	(1,012,292)
Shares issued	750,000	22,500	-	-	-	-
Warrants issued for debt financing	-	-	204,825	-	-	204,825
Stock-based compensation	-	-	-	78,032	-	78,032
Net loss	-	-	-	-	(507,627)	(507,627)
Balance at September 30, 2023	89,979,750	\$ 4,055,837	\$ 426,724	\$ 471,397	\$ (6,168,520)	\$ (1,214,562)

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

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

	Nine Months Ended September 30,	
	2023	2022
Operating activities		
Net loss	\$ (507,627)	\$ (315,063)
Items not affecting cash:		
Disposal of revenue share assets	81,102	95,769
Stock-based compensation	78,032	27,758
Accretion of convertible debentures and warrants	67,348	22,598
Right of use asset amortization	29,235	29,234
Depreciation	188,682	83,629
	(63,228)	(56,075)
Net changes in non-cash working capital:		
Decrease (increase) in receivables	(254,591)	(138,448)
Decrease (increase) in prepaids	-	(55,040)
Decrease (increase) in inventory	(226,519)	(51,702)
Increase (decrease) in trade payables and other liabilities	(41,855)	64,573
Cash flows used in operating activities	(586,193)	(236,692)
Investing activities		
Revenue share assets	(360,625)	(419,220)
Cash flows used in investing activities	(360,625)	(419,220)
Financing activities		
Repayment of revolving line of credit	(138,178)	(7,582)
Repayment of promissory notes		(86,500)
Proceeds of promissory notes	-	66,500
Repayment of ROU liability	(31,097)	(33,968)
Proceeds from Loans	1,140,000	368,413
Proceeds on revolving line of credit	277,535	611,444
Cash flows provided by (used in) financing activities	1,248,260	918,307
Net change in cash	301,442	262,395
Cash - beginning of year	221,096	28,906
Cash – end of period	\$ 522,538	\$ 291,301
Cash paid for:		
Interest	\$ 219,743	\$ 112,080

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

Pool Safe Inc.
Notes to Consolidated Interim Condensed Financial Statements
Nine months ended September 30, 2023 and 2022
(Expressed in Canadian Dollars - Unaudited)

1. Nature of business

Pool Safe Inc. ("Pool Safe" or the "Company") was incorporated under the Business Corporations Act (Ontario) on October 27, 2011. The Company manufactures and sells a product known as the "LounGenie", 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, 2023 totaled \$6,168,520. In addition, the Company had working capital in the amount of \$8,614 at September 30, 2023. 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 a 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.

(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, 2022. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2023 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 27, 2023, the date the Board of Directors approved the statements.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company as well as its 100% owned subsidiary 1974134 Ontario Inc.

(d) Basis of measurement

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

(e) Functional and presentation currency

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

(f) Estimates and critical judgments by management

The preparation of these consolidated financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically, and adjustments are made to income as appropriate in the year they become known. Items for which actual results may differ materially from these estimates are described in the following section.

- (i) Useful lives of equipment, patent and design costs, and revenue share assets (collectively "Equipment")
Depreciation of equipment is dependent upon estimates of useful lives, which are determined through the exercise

of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of the equipment.

- (ii) **Income taxes**
Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

3. Significant accounting policies

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

- (a) **Financial instruments**

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") or amortized cost. The Company determines the classification of financial assets at initial recognition.

Financial assets at Fair-value through profit or loss

Financial instruments classified as fair value through profit and loss are reported at fair value at each reporting date, and any change in fair value is recognized in the statement of operations in the period during which the change occurs. Realized and unrealized gains or losses from assets held at FVPTL are included in losses in the period in which they arise.

Financial assets at Fair-value through other comprehensive income

Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs with all subsequent changes in fair value recognized in other comprehensive income (loss). For investments in equity instruments that are not held for trading, the Company can make an irrevocable election (on an instrument-by-instrument bases) at initial recognition to classify them as FVTOCI. On the disposal of the investment, the cumulative change in fair value remains in other comprehensive income (loss) and is not recycled to profit or loss.

Financial assets at amortized cost

Financial assets are classified at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. The Company's accounts receivable are recorded at amortized cost as they meet the required criteria. A provision is recorded based on the expected credit losses for the financial asset and reflects changes in the expected credit losses at each reporting period.

Financial liabilities

Financial liabilities are initially recorded at fair value and subsequently measured at amortized cost, unless they are required to be measured at FVTPL (such as derivatives) or the Company has elected to measure at FVTPL. The Company's financial liabilities include trade and other payables which are classified at amortized cost.

Impairment

IFRS 9 requires an 'expected credit loss' model to be applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition.

(b) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, net of estimated returns and discounts. The Company considers the terms of the sales contracts as well as industry practices, taking into consideration the type of customer, the nature of the transaction and the specific circumstances of each arrangement. The Company's revenue is comprised of sales of its LounGenie product line units and revenue sharing from its LounGenie product line installations at various locations.

The Company recognizes revenues on product sales at the time the product is delivered. At the time of delivery, the following criteria for revenue recognition exist: title has transferred to the customer according to the shipping terms, the Company no longer retains managerial involvement with the product associated with ownership, the amount of revenue and costs incurred with respect to the underlying transaction are measured reliably, and collection of the related receivable is probable. Anticipated product returns are provided for at the time of sale.

The Company recognizes revenues on revenue sharing units as it is earned. The Company places LounGenie units into service with the venue operator. The LounGenie units can be rented on a daily basis as part of a cabana or VIP daybed rental. The lease is treated as an operating lease. The Company retains ownership of the assets. The Company and the venue operator share the rental proceeds per an agreed distribution rate.

(c) Trade receivables

Trade receivables are recognized initially at fair value less allowances made for doubtful receivables based on a review of period-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 June 30, 2023 and December 31, 2022 there was no provision for uncollectible accounts recorded by the Company.

(d) 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.

(e) 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:

	<u>Method</u>	<u>Rate</u>
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Manufacturing equipment tooling and moulds	Straight-line	15 years
Right of use assets	Straight-line	5 years
Revenue share assets	Declining balance	33%

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).

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) Government assistance

Government assistance that the Company receives for expenses incurred are recognized in profit or loss as an offset to the expenses to which they relate in the periods in which the expenses are recognized, unless the conditions for receiving the assistance are met after the related expenses have been recognized. In that case, the assistance is recognized when it becomes receivable.

Government assistance in the form of a guarantee from the government are recorded at fair value at the time received.

(k) 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.

(l) Share-based compensation

The Company has in place an Omnibus Plan, (the "Omnibus Plan") which was last approved by the shareholders of Pool Safe's at its Annual General and Special Meeting of Shareholders (the "AGSM") held on February 28, 2023. The purpose of the Omnibus Plan is to advance the interests of the Corporation through the motivation, attraction and retention of key

employees, consultants and directors of the Company and designated affiliates of the Company and to secure for the Company and Shareholders the benefits inherent in the ownership of Common Shares by key employees, consultants and directors of the Company and the designated affiliates of the Company through the granting of non-transferable options ("Options") and restricted share units ("RSUs", and together with the Options, collectively, the "Awards") to eligible participants under the Omnibus Plan. The Omnibus Plan is currently administered by the Board. Pursuant to the Omnibus Plan, the directors may delegate the administration of the Omnibus Plan to a committee (the "Committee") of the directors of the Company authorized to carry out such administration and, failing a committee being so designated, the Omnibus Plan is to be administered by the Board.

Common Shares Subject to the Omnibus Plan

The aggregate number of Options reserved for issue under the Omnibus Plan may not exceed 10% of the Common Shares outstanding from time to time. The Omnibus Plan sets the maximum number of Common Shares reserved for issuance, in the aggregate, pursuant to the settlement of RSUs granted under the Omnibus Plan at 8,922,975 Common Shares.

The maximum number of Common Shares reserved for issue pursuant to Awards granted to participants who are insiders of the Company in any twelve-month period may not exceed, in the aggregate, 10% of the number of Common Shares then outstanding, unless disinterested Shareholder approval is received therefor in accordance with the policies of the TSXV. The maximum number of Common Shares reserved for issue pursuant to Awards granted under the Omnibus Plan to any one participant in any twelve-month period shall not exceed 5% of the number of Common Shares then outstanding, unless disinterested Shareholder approval is received therefor in accordance with the policies of the TSXV. The maximum number of Common Shares reserved for issue under Awards granted to any one participant (other than a participant who is an eligible director or eligible employee) in any twelve-month period shall not exceed 2% of the number of Common Shares then outstanding.

The maximum number of Common Shares reserved for issue under Options granted to all eligible employees and to all participants (other than participants who are eligible directors) conducting Investor Relations Activities in any twelve-month period shall not exceed, in the aggregate, 2% of the number of Common Shares then outstanding. Options granted to participants (other than participants who are eligible directors or eligible employees) performing Investor Relations Activities shall vest in stages over a twelve-month period, with no more than one-fourth of the Options vesting in any three month period. The directors of the Company shall, through the establishment of appropriate procedures, monitor the trading in the securities of the Company by all grantees of Options performing Investor Relations Activities.

At the 2023 AGSM, Shareholders were asked to approve an amended and restated omnibus incentive plan (the "Amended Omnibus Plan"), including certain amendments to the existing Omnibus Plan. The intent and design of the amended Omnibus Plan remains the same, to attract and retain the key executives necessary for the Company's long-term success, to encourage executives to further the development of the Company and its operations, and to motivate top quality and experienced executives. The proposed amendments to the Omnibus Plan are being implemented to comply with the recent amendments, on November 24, 2021, to the TSXV Policy 4.4 – Security Based Compensation. The full text of the Amended Omnibus Plan can be found on SEDAR (www.sedarplus.ca) in the Management Information Circular dated January 16, 2023.

The Company previously had an employee 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.

(m) Leases

Lease accounting policy

At inception of a contract, the Company assesses whether a contract is, or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date. The assets are depreciated over the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of future economic benefits.

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease obligation. The lease obligation is subsequently measured at amortized cost using the effective interest rate method.

(n) Earnings per share

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all potentially dilutive common shares, which comprise convertible loans payable, warrants and share options.

4. New standards adopted in the current year and future changes

Accounting Standards issued but not yet adopted:

There are currently no new accounting standards issued but not effective that are anticipated to have a significant impact on the Company.

Pool Safe Inc.
Notes to Consolidated Interim Condensed Financial Statements
Nine months ended September 30, 2023 and 2022
(Expressed in Canadian Dollars - Unaudited)

5. Receivables

Receivables are comprised of:

	September 30, 2023	Dec. 31, 2022
Trade receivables	\$ 227,533	\$ 17,339
Taxes receivable	60,401	16,004
	\$ 287,934	\$ 33,343

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

	September 30, 2023	Dec. 31, 2022
1 to 60 days	\$ 224,320	\$ 16,766
61 days and older	3,213	573
	227,533	17,339
Allowance for bad debts	-	-
Accounts receivable	\$ 227,533	\$ 17,339

The Company has not made any allowance for doubtful accounts as at September 30, 2023 and December 31, 2022.

6. Inventory

The following comprises inventory:

	September 30, 2023	Dec. 31, 2022
Raw materials	\$ 437,051	\$ 210,532
Finished goods	-	-
	\$ 437,051	\$ 210,532

There was no write-down of inventory during the period ended September 30, 2023 and the year ended December 31, 2022. During the period ended September 30, 2023, \$81,924 (period ended September 30, 2022 - \$112,212) of inventory was expensed as cost of sales.

7. Equipment

September 30, 2023

Cost	As at	Additions	As at
	December 31, 2022		September 30, 2023
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
	As at		As at
Accumulated depreciation	December 31, 2022	Additions	September 30, 2023
Furniture and equipment	\$ 4,206	\$ -	\$ 4,206
Computer equipment	1,367	-	1,367
Manufacturing equipment tooling and moulds	101,104	10,238	111,342
Right of use asset	142,411	29,233	171,644
Leasehold improvement	14,145	-	14,145
	\$ 263,233	\$ 39,471	\$ 302,704
Net book value	\$ 156,140		\$ 116,669

Pool Safe Inc.
Notes to Consolidated Interim Condensed Financial Statements
Nine months ended September 30, 2023 and 2022
(Expressed in Canadian Dollars - Unaudited)

December 31, 2022

Cost	As at December 31, 2021	Additions	As at December 31, 2022
Furniture and equipment	\$ 4,206	\$ -	\$ 4,206
Computer equipment	1,367	-	1,367
Manufacturing equipment tooling and moulds	204,764	-	204,764
Right of use asset	194,891	-	194,891
Leasehold improvement	14,145	-	14,145
Equipment	\$ 419,373	\$ -	\$ 419,373

Accumulated depreciation	As at December 31, 2021	Additions	As at December 31, 2022
Furniture and equipment	\$ 3,199	\$ 1,007	\$ 4,206
Computer equipment	1,367	-	1,367
Manufacturing equipment tooling and moulds	87,453	13,651	101,104
Right of use asset	103,431	38,980	142,411
Leasehold improvement	14,145	-	14,145
	\$ 209,595	\$ 53,638	\$ 263,233

Net book value	\$ 209,778		\$ 156,140
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8. Revenue share assets

	As at December 31, 2022	Disposals	Additions, net	As at September 30, 2023
Cost	\$ 777,330	\$ (67,507)	\$ 330,407	\$ 1,040,230
Accumulated amortization	(177,537)	16,623	(178,446)	(339,360)
Carrying value	\$ 599,793	\$ (50,884)	\$ 151,961	\$ 700,870

	As at December 31, 2021	Disposals	Additions, net	As at December 31, 2022
Cost	\$ 562,302	\$ (204,192)	\$ 419,220	\$ 777,330
Accumulated amortization	(155,294)	82,428	(104,671)	(177,537)
Carrying value	\$ 407,008	\$ (121,764)	\$ 314,549	\$ 599,793

9. Trade payables and other liabilities

Trade payables and accrued liabilities are comprised as follows:

	September 30, 2023	December 31, 2022
Trade payables	\$ 47,636	\$ 41,747
Accrued liabilities	150,545	216,259
	\$ 198,181	\$ 258,006

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

	September 30, 2023	December 31, 2022
Current	\$ 47,636	\$ 41,747
>60 days	-	-
	\$ 47,636	\$ 41,747

10. Lease Liability

i) Right of use liability

In the 2020 year the Company entered into a lease on its office location. Under the terms of IFRS 16, the Company originally recognized \$194,891 for right-of-use assets. The related lease liabilities at September 30, 2023 were \$47,704 (December 31, 2022 - \$78,801). The liability has been recorded as follows:

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

	2023	2024	Total
Payments	\$ 12,683	\$ 16,911	\$ 29,594
Balance, December 31, 2022			\$ 78,801
Imputed interest			4,372
Payments			(35,469)
Balance, September 30, 2023			47,704
Current portion			30,728
Long-term portion			\$ 16,976

11. Loans

Loans are comprised as follows:

	September 30, 2023	December 31, 2022
Revolving Line of Credit	\$ 835,598	\$ 690,229
Senior Secured Loan	500,000	500,000
Debenture	1,638,141	646,160
Canada Emergency Business Account ("CEBA") loan	60,000	60,000
	3,033,739	1,896,389
Current portion	1,010,000	993,399
Long term portion	\$ 2,023,739	\$ 902,990

Revolving Line of Credit

The Company entered a revolving credit facility for up to \$1 million. In July, 2022, the Company increased the available amount of the facility to \$3,500,000.

Loan at December 31, 2021 494,570

In 2022, the Company repaid \$250,462 against balances borrowed. (250,462)

In 2022, the Company borrowed a further \$466,245 against balances borrowed. 466,245

In 2023, the Company repaid \$189,794 against balances borrowed. (189,794)

In 2023, the Company borrowed a further \$277,551 against balances borrowed. 277,551

In 2023, the Company incurred interest of \$51,616 51,616

The Company issued 3,000,000 warrants in conjunction with this facility. The warrants were valued at \$53,612 using a Black-Scholes valuation option model and are considered a cost of issuance.

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The facilities are due March 31, 2023 and bear interest at 10% per annum. The Company has pledged 40% of all monthly revenue share asset revenue in repayment of this facility. Early repayment is permitted.

Net unaccreted warrant value at December 31, 2022	(1,263)
Accreted value of warrants in the nine-month period ended September 30, 2023	1,263

In July, 2022, the Company extended the term of the 3,000,000 warrants in connection with this facility, and increased the amount of the facility to \$3,500,000. The interest rate for the facility was reduced from 10% to 8%, with a 2% interest penalty in the event of late payment. The warrant extension was valued at \$31,554 using a Black-Scholes valuation option model and is considered a cost of extending the facility. The term of the facilities was extended to May 31, 2025.

Net unaccreted warrant value at December 31, 2022	(18,861)
Accreted value of warrants in the nine-month period ended September 30, 2023	4,733

Loan balance, September 30, 2023	835,598
Current portion of loan at September 30, 2023	450,000
Long term portion of loan at September 30, 2023	<u>\$ 374,658</u>

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 during 2023 and 2024.

Principal repayments required in the next three years on the line of credit are as follows:

2023	\$ 450,000
2024	406,040

Senior Secured Loan

In May 2021, the Company entered into a Financing Agreement for a senior secured loan of \$500,000. The Company issued 1,600,000 warrants in conjunction with the Senior Secured Loan. The loan was due December 31, 2022 and bear interest at 12% per annum. Subsequent to December 31, 2022, the repayment date was extended to December 31, 2023 and the term of the warrants was concurrently extended. The warrants were valued at \$24,598 using a Black-Scholes valuation option model and are considered a cost of issuance. The warrants were accreted against the loan balance, as interest, over the term of the loan. This loan is subordinate only to the revolving line of credit.

Current portion of loan balance at September 30, 2023 and December 31, 2022	<u>\$ 500,000</u>
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Debenture

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

On November 10, 2022, the Company entered into further loan agreements totaling \$130,000. The loans are due August 31, 2025 and bears interest at 8% per annum. The Company issued 3,705,000 bonus warrants in conjunction with the Loans. The warrants were valued at \$18,109 using a Black-Scholes valuation option model and are considered a cost of issuance. The financing costs and the warrant costs are being accreted against the loan balance, as interest, over the term of the loan.

On June 1, 2023, the Company entered into further loan agreements totaling \$420,000. The loans are due June 1, 2026 and bears interest at 8% per annum. The Company issued 11,970,000 bonus warrants in conjunction with the Loans. The warrants were valued at \$75,462 using a Black-Scholes valuation option model and are considered a cost of issuance. The warrant costs are being accreted against the loan balance, as interest, over the term of the loan.

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On June 30, 2023, the Company entered into further loan agreements totaling \$670,000. The loans are due June 30, 2026 and bears interest at 8% per annum. The Company issued 19,095,000 bonus warrants in conjunction with the Loans. The warrants were valued at \$120,380 using a Black-Scholes valuation option model and are considered a cost of issuance. The warrant costs are being accreted against the loan balance, as interest, over the term of the loan.

On July 6, 2023, the Company entered into further loan agreements totaling \$50,000. The loans are due July 6, 2026 and bears interest at 8% per annum. The Company issued 1,425,000 bonus warrants in conjunction with the Loans. The warrants were valued at \$8,984 using a Black-Scholes valuation option model and are considered a cost of issuance. The warrant costs are being accreted against the loan balance, as interest, over the term of the loan.

August 2022	\$ 675,000
November 2022	130,000
	<u>805,000</u>
Warrant value	(112,135)
Warrant accretion	3,618
Cash costs of financing	(56,613)
Cost accretion	<u>6,290</u>
Loan balance at December 31, 2022	646,160
June 2023	420,000
June 2023	670,000
July 2023	50,000
Warrant value	(204,825)
Warrant accretion	42,653
Cost accretion	<u>14,153</u>
Loan balance at September 30, 2023	<u>\$ 1,638,141</u>

Canada Emergency Business Account (“CEBA”) loan

In April 2020, the Company received the Canada Emergency Business Account (“CEBA”) loan of \$40,000 which is an interest-free loan to cover operating costs. In December 2020, the Company received the Canada Emergency Business Account (“CEBA”) loan of \$20,000 which is an interest-free loan to cover operating costs. The CEBA loan program was launched by the government of Canada to support businesses by providing financing for their expenses that cannot be avoided or deferred and assisting businesses for successful relaunch when the economy recovers from COVID-19. In 2022, the Government extended the repayment term to December 31, 2023. Repaying the balance of the loan on or before January 18, 2024 will result in a loan forgiveness of \$20,000.

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 *Financial Instruments*: the benefit of below-market rate shall be measured as the difference between initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the \$40,000 CEBA Loan at \$30,417 and the \$20,000 CEBA loan at \$16,388, using a discount rate of 10%, which was the estimated rate for a similar loan without interest-free component. The difference of \$13,182 was accredited to the loan liability over the term of the CEBA Loans and offset to other income on the statement of loss and comprehensive loss.

	September 30, 2023	December 31, 2022
Balance, beginning of period	\$ 60,000	\$ 54,582
Interest free benefit	-	5,418
Balance, end of period	<u>\$ 60,000</u>	<u>\$ 60,000</u>

12. Loans – Promissory Notes

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

Loans at December 31, 2021	20,000
Less: Current portion of loans	(20,000)
Long term portion of loans at September 30, 2023 and December 31, 2022	<u>\$ -</u>

In December 2021 the Company added \$20,000 of promissory notes. The \$20,000 of promissory notes were unsecured and were repaid in 2022.

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 December 31, 2020	72,021,240	3,339,590
Issuance of shares and units for extension of convertible debt term (i)	3,162,000	63,240
Issuance of shares in satisfaction of convertible debt (ii)	11,500,000	460,000
Conversion of equity component of convertible debt (ii)	-	68,647
Issuance of shares in satisfaction of promissory note (iii)	1,675,000	67,000
Issuance of shares in satisfaction of accrued interest (iv)	871,510	34,860
Balance at December 31, 2022 and 2021	89,229,750	\$ 4,033,337
Issuance of shares in satisfaction of debt (v)	750,000	22,500
Balance at September 30, 2023	89,979,750	\$ 4,055,837

- (i) During March 2021, the Company issued 2,760,000 common shares to the holders of convertible debt and 402,000 common shares to the holders of promissory notes, to extend the maturity terms of the debts by 25 months. The Company ascribed a cost of \$63,240 to these shares at a share price of \$0.02.
- (ii) In May 2021, the Company issued 11,500,000 common shares at an ascribed value of \$0.04 per share, for total ascribed value of \$460,000, in payment of the convertible debenture. The Company also recognized the convertible debt warrant, valued at \$68,647, as a part of this repayment transaction.
- (iii) In May 2021, the Company issued 1,675,000 common shares at an ascribed value of \$0.04 per share, for total ascribed value of \$67,000, in payment of the promissory notes.
- (iv) In May 2021, the Company issued 871,510 common shares at an ascribed value of \$0.04 per share, for total ascribed value of \$34,860, in payment of the interest accrued and due to the holders of the convertible debt and the promissory notes.
- (v) In January 2023, the Company issued 750,000 common shares at an ascribed value of \$0.03 per share, for total ascribed value of \$22,500, in payment of a debt to a related party.

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(c) **Warrants**

At September 30, 2023, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
<u>Warrants</u>		
11,115,000	\$0.05	August 31, 2025
8,122,500	\$0.05	September 30, 2025
3,705,000	\$0.05	August 31, 2025
1,600,000	\$0.05	December 31, 2023
2,278,571	\$0.07	May 31, 2025
721,429	\$0.08	May 31, 2025
11,970,000	\$0.05	June 1, 2026
19,095,000	\$0.05	June 30, 2026
1,425,000	\$0.05	July 6, 2026

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

	September 30, 2023		December 31, 2022	
Balance, beginning of period	27,542,500	\$0.05	10,920,000	\$0.08
Issued	32,490,000	\$0.05	22,942,500	0.05
Exercised	—		—	
Expired	—		(6,320,000)	0.09
Balance, end of period	60,032,500	\$0.05	27,542,500	\$0.05

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

As related to debt financings in the 2021 year, the Company determined that the fair value of the warrants at April 2021 related to the 1,600,000 warrants, using the Black-Scholes Options Pricing Mode, was \$24,598. The Black-Scholes Options Pricing Model used the following inputs; Dividend yield – Nil, interest rate of 0.52%, volatility of 91% and an expected life of 1.7 years.

As related to debt financings in the 2022 year, the Company determined that the fair value of the warrants at August 2022 related to the 19,237,500 warrants, using the residual value method, was \$94,026, based on the relative value of the warrants. The fair value of the warrants at November 2022 related to the 3,705,000 warrants, using the residual value method, was \$18,109, based on the relative value of the warrants.

As related to debt financings in the 2023 year, the Company determined that the fair value of the warrants at September 2023 related to the 32,490,000 warrants, using the residual value method, was \$204,825, based on the relative value of the warrants.

(d) **Stock Options and Restricted Share Units (RSU)**

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

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10 years. The TSXV's rules require the Plan to be approved annually by shareholders. On December 1, 2021, at the Company's AGSM, shareholders approved the adoption of the Omnibus Plan. The Omnibus Plan was last approved by the shareholders at the Annual General and Special Meeting of Shareholders (the "AGSM") held on February 28, 2023. The Company repealed and replaced its current Plan to adopt the Omnibus Plan. Stock options granted under the previous Plan remained outstanding and were governed by the terms of the Omnibus Plan.

At September 30, 2023, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
4,461,487	\$0.05	September 6, 2032
500,000	\$0.11	December 17, 2023
3,400,000	\$0.05	March 20, 2033

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

	September 30, 2023		December 31, 2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	5,461,487	\$ 0.06	5,100,000	\$ 0.11
Granted	3,400,000	0.05	4,461,487	0.05
Exercised	-	-	-	-
Cancelled/Expired	(500,000)	\$0.11	(4,100,000)	0.11
Outstanding, end of period	8,361,487	\$ 0.05	5,461,487	\$ 0.06
Exercisable, end of period	3,672,291	\$ 0.06	2,487,162	\$ 0.11

The aggregate fair value of the options issued and vested in the current period is \$59,228 (December 31, 2022 - \$55,583). The weighted average contractual term of stock options outstanding and exercisable as at September 30, 2023 is 8.7 years (December 31, 2022 – 8.1 years).

During the period ended September 30, 2023, the Company issued 3,400,000 stock options. The options vest 50% immediately and 50% on the one-year anniversary date. The options were valued at \$128,941 using the Black-Scholes model and the value will be expensed over the vesting term of the options.

During the period ended September 30, 2023, 500,000 (2021 – Nil) stock options expired unexercised.

During the year ended December 31, 2022, the Company issued 4,461,487 stock options. The options have a strike price of \$0.05 per share and a ten-year term. The options vest one third immediately and the remainder on achieving agreed to milestones. The options were valued at \$67,690 using the Black-Scholes model and the value will be expensed over the vesting term of the options.

RSU

At September 30, 2023, the following RSU's were outstanding:

Number of RSU's	Expected Vesting Date
250,000	January 24, 2024
4,400,000	February 28, 2024

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During the period ended September 30, 2023, the Company issued 4,650,000 RSU's. The RSU's vest after one year. The RSU's will be expensed on vesting.

14. Related party transactions

The following is a summary of the Company's related party transactions during the nine-month period ended September 30, 2023:

(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, 2023	September 30, 2022
Short-term employee benefits, including salaries and fees	\$ 146,750	\$ 110,769
Stock-based compensation	65,092	27,758
	<u>\$ 211,842</u>	<u>\$ 138,527</u>

Stock-based compensation of \$65,092 was granted to related parties via the issuance of 3,100,000 options in the period ended September 30, 2023. The Company also granted 4,600,000 RSU's to related parties and these will be expensed when vested.

Balances of \$Nil (December 31, 2022 - \$62,833) were due to related parties at September 30, 2023. Debts of \$22,500 were settled via the issuance of 750,000 common shares in the March 2023 period.

15. Income taxes

This note has not been updated from December 31, 2022.

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 consolidated financial statements.

17. Earnings (loss) per share

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

Numerators	September 30, 2023	September 30, 2022
Loss attributable to common shareholders	\$ (507,627)	\$ (315,063)
Loss used in the computation of basic and diluted earnings per share	\$ (507,627)	\$ (315,063)

Denominators	September 30, 2023	September 30, 2022
Weighted average number of common shares for computation of basic and diluted loss per share	89,433,794	89,229,750

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. As the Company has a large working capital deficiency, liquidity risk is considered high.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risk relates to its accounts receivable. The accounts receivable are due from a few customers and various government bodies. The Company does not anticipate any significant loss for non-collection.

(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 and Interest rate 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 significant concentration risk.

The Company's debt bears fixed rate interest and therefore it is management's opinion that the Company is not subject to significant interest rate risk.

(b) Fair value hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - valuation techniques using the inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In these consolidated financial statements, classification of financial instruments measured at fair value is as follows:

Level 1 - cash;

Level 2 - none;

Level 3 - none.

During the period, there were no transfers of amounts between Level 1 and Level 2 and 3.

19. Capital management

The Company considers its capital to be its equity, and debt as disclosed in Notes 11, 12 and 13. 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.

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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, 2023, the Company is not compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

The Company manages the capital structure and makes appropriate adjustments to it based upon changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company will attempt to issue new shares, issue new debt, acquire or dispose of assets.