

**YNVISIBLE INTERACTIVE INC.**  
(formerly Network Exploration Ltd.)

**MANAGEMENT DISCUSSION AND ANALYSIS**

**NINE MONTHS ENDED SEPTEMBER 30, 2019**

**Date of Report: November 29, 2019**

The following management discussion and analysis (“MD&A”) of the financial position and results of operations for Ynvisible Interactive Inc. (the “Company” or “Ynvisible”) (formerly Network Exploration Ltd.) should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto for the years ended December 31, 2018 and 2017 and the condensed interim consolidated financial statements for the three and nine months ended September 30, 2019 and 2018. Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**Overall Performance**

Ynvisible Interactive Inc. is a public company listed on the TSX Venture Exchange under the trading symbol “YNV”. On January 11, 2018, the Company changed its name from Network Exploration Ltd. to Ynvisible Interactive Inc. and on January 19, 2018 (see news release dated January 19, 2018) the Company completed its reverse take-over transaction (“RTO”) with YD Ynvisible, S.A. (“YD Ynvisible”), whereby it acquired 94.19% of its issued and outstanding common shares. The Company’s condensed interim consolidated financial statements for the three and nine months ended September 30, 2019 have been prepared on a continuity of interest basis that present the comparative results of YD Ynvisible prior to the RTO.

Ynvisible aims to be a leading company in the emerging printed electronics sector. Printed electronics use new materials with electronic properties that are processable into inks and can be printed into thin layers (using conventional print house equipment) onto flexible materials, such as plastic and paper.

Ynvisible's proprietary electrochromic displays can be the face of smart labels and other smart printable surfaces. Ynvisible's displays use almost no power. They are ultra-low weight, microscopically thin, flexible, yet robust. When combined with various sensors, they bring functionality and life to smart products. Given the cost and power consumption advantages over conventional electronics, printed electronics are a key enabler of mass adoption of the Internet of Things (IoT). Electrochromics-based smart labels offer simple, non-obtrusive human interfaces to smart IoT objects.

Ynvisible's mix of services, materials, and technology is a unique combination, which is gaining traction among brand owners developing their IoT products for a huge market in its infancy. Since Ynvisible's displays are printed, product designers can easily adapt electrochromics to the desired product design and required user experience.

The address of the Company’s head office and principal place of business is 830 – 1100 Melville Street, Vancouver, British Columbia, Canada, V6E 4A6, and the registered and records office is located at 1500 – 1005 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7. The Company maintains a website at [www.ynvisible.com](http://www.ynvisible.com).

The Company’s ability to continue as a going concern, to fund its technology and market development and to ensure adequate working capital is dependent upon achieving profitable operations or upon obtaining sufficient additional financing. These factors may cast significant doubt on the Company’s ability to continue as a going concern. While the Company is expanding its best efforts in this regard, the outcome of these matters cannot be predicted at this time.

## Corporate Activities

In January 2019, the Company closed a non-brokered private placement of 3,339,200 units of the Company at \$0.30 per unit for gross proceeds of \$1,001,760 (the "January 2019 Offering"). Each unit consists of one common share in the capital of the Company and one-half of a share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share in the capital of the Company at a price of \$0.60 per warrant for a period of three years from the closing of the January 2019 Offering.

If at any time commencing 4 months from the date the warrants are issued, if for the preceding 7 consecutive trading days, the daily volume weighted average trading price of the Company's shares is greater than \$0.75, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire on the 30th calendar day after the date of such notice ("Accelerated Expiry").

In May 2019, the Company granted 1,675,000 stock options to various directors, officers, and consultants of the Company at an exercise price of \$0.37 per share for a period of five years, vested as follows: 1/3rd on four months from the date of grant, 1/3rd on eight months from the date of grant and 1/3rd on twelve months from the date of grant.

In May 2019, the Company cancelled a total of 200,000 stock options held by a director.

In June 2019, the Company closed a non-brokered private placement of 12,571,429 units of the Company at \$0.35 per unit for gross proceeds of \$4,400,000 (the "June 2019 Offering"). Each unit consists of one common share in the capital of the Company and one-half of a share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share in the capital of the Company at a price of \$0.60 per warrant for a period of three years from the closing of the June 2019 Offering. The warrants are subject to the Accelerated Expiry.

In August 2019, Ynvisible announced that it had acquired 100% of the common shares of Ynvisible Production AB ("Ynvisible Production" and formerly Consensum Production AB). See "Business Highlights and Third Quarter 2019 – Acquisition of Ynvisible Production AB" below for further details regarding the acquisition.

In August 2019, the Company appointed Petteri Strömberg as Head of Product Management of the Company.

In September 2019, the Company appointed Tommy Höglund as Vice President of Sales & Marketing of the Company.

In September 2019, the Company implemented a squeeze-out transaction, as per the applicable Portuguese law, pursuant to the RTO transaction, whereby the Company acquired the remaining 499,369 shares of YD Ynvisible, on a one-for-one basis for the Class A common shares of the Company, held by certain Minority Shareholders of YD Ynvisible. Accordingly, the Company recorded an obligation to issue 499,639 Class A common shares with a fair value of \$172,282, which has been reported as RTO transaction costs. As a result of the squeeze-out transaction, the Company now owns 100% of YD Ynvisible.

In October 2019, the Company granted 535,000 stock options to various consultants and employees of the Company at an exercise price of \$0.30 per share for a period of five years, of which 460,000 stock options are vesting as follows: 1/3rd on four months from the date of grant, 1/3rd on eight months from the date of grant and 1/3rd on twelve months from the date of grant and the remaining of 75,000 stock options are vesting as follows: 1/4th on four months from the date of grant, 1/4th on eight months from the date of grant and 1/2 on twelve months from the date of grant.

## **Business Highlights and Third Quarter 2019**

### ***Acquisition of Ynvisible Production AB***

On August 21, 2019, Ynvisible announced that it had acquired 100% of the common shares of Ynvisible Production.

Pursuant to the terms of the Definitive Agreement and in consideration of the Acquisition, Ynvisible issued to the former Ynvisible Production shareholders an aggregate of 3,564,474 common shares of the Company (the "Payment Shares") at a deemed price of \$0.474 per Payment Share. The Payment Shares will be subject to a statutory hold period expiring December 21, 2019 as well as a voluntary hold period until February 20, 2020 for 25% of the Payment Shares and August 20, 2020 on an additional 25% of the Payment Shares.

At the end of Q3 the integration of Ynvisible Production into Ynvisible was on-going, and the company's operations and official name were being rebranded to Ynvisible Production AB.

Ynvisible Production is a contract manufacturer of printed electronics and hybrid systems. Ynvisible Production is located in Sweden in the city of Linköping and has active collaborations with partners in the neighboring city Norrköping. The Twin-city region has been a leading hub in printed and paper-based electronics for over 25 years. Linköping University and applied research institute RISE (formerly Acreo) have a long history of research and development in printable electrochromics dating back to the 1980's. Ynvisible Production's team and owners are tightly connected to this ecosystem. The team has accumulated over a decade of experience in roll-to-roll printing of different electronic components, including displays. The company operates a full-scale roll-to-roll production line and processes required for manufacturing, converting and testing of printed electronics components and systems. Until now the focus has been that of a contract manufacturer of printed electronics and hybrid systems, and Ynvisible has been one of Ynvisible Production's clients.

The Acquisition is intended to position Ynvisible as a leading provider of electrochromic printed display solutions for high volume applications. The combined entity will leverage Ynvisible's technical expertise, customer base and experienced management team, will establish high volume roll-to-roll printing of electrochromic displays, and will further expand its production and system integration capabilities of other printed electronic components and systems. The team in Linköping has unique expertise in technology transfer and designing of production quality control systems for printed electronics. Ynvisible's aims to utilize these capabilities when licensing and rolling out Ynvisible's proprietary solutions to outside production locations. The added in-house roll-to-roll manufacturing capabilities allows Ynvisible to also sell its production up-scaling expertise to other companies in the field of printed electronics, who are looking to introduce their technologies from lab scale to first commercial production.

### ***Marketing***

In September 2019, Ynvisible announced the appointment of Tommy Höglund to the position of Vice President of Sales & Marketing. Mr. Höglund has nearly 10 years of experience in business development and sales in the printed electronics space. Mr. Höglund joined the Company from RISE (Acreo Swedish ICT), a pioneering printed electronics applied research institute. At RISE he held the position of Business Development Manager for the Swedish Innovation Cluster – Printed Electronics Arena and as business developer at RISE Acreo focused on business development, networking activities, sales and marketing in the field of Printed Electronics in Sweden and Internationally. Mr. Höglund joined the Company and its management team on November 4, 2019.

During the first three quarters of 2019 the Company continued to refine and build its sales, marketing, and customer support processes to more effectively handle the increasing number of client requests and accelerate time to market. In addition to systematically qualifying and processing in-bound client prospects, the Company aims to boost its outbound marketing and sales efforts in select lead market sectors. In Q1 2019 the Company identified three lead business arenas with strong interest and proven market pull for ynvisible branded interactive printed graphics:

- Premium consumer products
- Logistics & retail (smart labels)
- Health & wellness

A central theme of Ynvisible's marketing in 2019 is to build visibility and awareness of its interactive printed graphics solutions beyond the printed and flexible electronics sector. Brand owner clients with smart product initiatives targeting product launches in 2020 are a priority for Ynvisible's team. During the year the Company has aimed to sell a growing number of prototyping and production projects within the lead business arenas. As a next step to these projects, Ynvisible's further aim is to sell first volume production of electrochromic displays from its sheet-based production line in Charneca de Caparica, Portugal and its roll-to-roll manufacturing line in Linköping, Sweden.

In parallel to producing electronic displays for customer orders, the Charneca De Caparica facility is used to train outside design and production houses to work with the Company's proprietary technologies. First technology transfer cases to outside production houses are currently being developed aiming at first deliveries by external print houses utilizing Ynvisible's proprietary technologies in fiscal 2020.

The acquisition of Consensum Production AB – which was rebranded to Ynvisible Production AB – and the addition of roll-to-roll manufacturing capabilities into the group expands Ynvisible's capabilities to offer manufacturing scale-up services to other companies in the field of flexible and printed electronics. These diverse roll-to-roll capabilities were communicated strongly to Ynvisible's existing base of clients as well as to partnership networks like the Organic Electronics Association, PrintoCent, Intelliflex, and Printed Electronics Arena.

On July 9, 2019, Jani-Mikael Kuusisto, CEO, appeared on the USA nationally and internationally broadcast Big Biz Show. The interview is available for viewing via Ynvisible's web-site. With the acquisition of Ynvisible Production, Ynvisible increased its visibility within major printed electronics industry media.

### **Sales**

Ynvisible targets its marketing and sales efforts to leading brand owners in its focus business arenas, and also builds partnerships with established and highly innovative design and production companies serving these value chains. All major on-going client developments continue to be covered by confidentiality agreements and are focused on product initiatives driven by end clients.

In Q3 2019, the Company's new sales were from prototyping activity in the Logistics & Retail (smart labels) arena. The addition of Ynvisible Production to the group brought sales to production contract manufacturing services. Deliveries of ynvisible Ink Kits and display demonstrator kits also began contributing to sales.

On September 18, 2019, the Company announced the delivery of a first commercial production run of prototypes to a globally leading healthcare and diagnostics company. The client case involves the use of Ynvisible's printed one time activated electrochromic displays. The display is intended as a replacement to the electronic display currently in use in the client's globally recognized consumer product. The client name and contract details in this case were withheld due to reasons of client confidentiality. Ynvisible aims for further deliveries to the client and the healthcare sector in general. Ynvisible further announced that it is now offering its one time activated irreversible electrochromic displays (branded ynvisible ivi™) to a range of end products.

### **Technology & Products**

In addition to the production scale up and roll out of the current generation of Ynvisible's proprietary electrochromic solutions, the Company works actively to enhance the performance of its technologies and products to build market leadership.

In addition to its services business (design, prototyping and production of electronic displays and other printed electronic components and systems), Ynvisible is building and is now offering a portfolio of products. During Q2 2019 the Company developed an “ynvisible Ink Kit” aimed at industrial and academic R&D groups, as well as professional designers, who are interested in hands on learning about electrochromics and demonstrating application possibilities. The first version of the kits was made available for purchase via the Company’s website ([www.ynvisible.com/ec-kit](http://www.ynvisible.com/ec-kit)) for shipments into the EU and North America. In order to accelerate future product introductions for maximum market impact, in Q3 the Company appointed Petteri Strömberg as Head of Product Management of the Company. With over 15 years of experience in the RFID / smart labels industry, where he has strategically developed and managed product portfolios, including responsibilities for new product launches, roll-out and customer support, Mr. Strömberg brings extensive product management experience to the Company.

In its technological development, Ynvisible builds partnerships designed to accelerate the development and ultimate market introduction of next generation functionalities for electrochromics.

In the EU co-funded project DecoChrom ([www.decochrom.eu](http://www.decochrom.eu)), the aim is to elevate printed graphics products to the age of interactivity, and empower the creative industries with the tools and innovative advanced material sets to design and build aesthetically pleasing practical human interfaces to smart consumer goods and environments. In Q1 2019 DecoChrom partners Aalborg University and University of Lapland, with support from Ynvisible, began offering hands-on electrochromics workshops and courses. Project partners have also active in producing prototypes and designing examples using materials and know-how from Ynvisible. Workshops and electrochromics related seminars have continued throughout the year.

In Q3 Ynvisible continued its active developments in the INNPAPER, an EU co-funded project developing a paper-based electronic platform for future use in applications such as food security and point of care applications in the medical sector.

## **Subsequent Events**

### ***Customer Sales Contract Announcements***

On October 19, 2019 Ynvisible announced a partnership with Invisense AB, a world technological leader for passive humidity sensors. The agreement between the companies establishes Ynvisible as the preferred manufacturing partner for Invisense's growing range of humidity sensor products.

On November 7, 2019 the Company announced a partnership with Epishine AB, a world technological leader for organic photovoltaic (OPV) solar energy harvesting devices. Epishine is purchasing roll to roll manufacturing services from Ynvisible Production AB in Linköping Sweden. The companies are also partnering to combine Epishine's solar cells with Ynvisible's printed electronic displays for use in high volume producible ecological and economically sustainable Internet of Things (IoT) devices and everyday smart objects. Ynvisible further announced that Invisense AB had placed a new (second) production order at Ynvisible Production. The new order concerns the production of Invisense's new moisture sensor for concrete casting.

### ***Ynvisible Interactive and Electroninks Bring Electrochromics to Educational Consumer Electronics***

On October 22, 2019 Ynvisible announced a partnership with Electroninks and their consumer product line, Circuit Scribe, a market leader in educational consumer electronics and electronic inks. The collaboration creates a unique opportunity to integrate electrochromics into the Electronink's Circuit Scribe Kits aimed at consumer markets. Electroninks Circuit Scribe brand will begin offering 7-segment modular electrochromic displays as a component of their pen-on-paper prototyping kits. The partners are also exploring further electrochromic product concepts.

### ***Ynvisible Strengthens Board***

On November 21, 2019 Ynvisible announced changes to its Board of Directors. Michael Robinson and Leif Ljungqvist were appointed as new independent members. Mr. Robinson is currently Director of Open Innovation & Business Development for Packaging Innovation at L'Oréal USA, and has earlier experience from Hasbro Toys, Bliss World LLC, and Colgate-Palmolive. An Industrial Designer by training, Mr. Robinson graduated from Rochester Institute of Technology and holds multiple US and EU patents. Mr. Ljungqvist has extensive executive and senior management leadership experience, as well as governance and executive compensation expertise. He has particular expertise in strategy and operations in printed electronics. Prior to Ynvisible's acquisition, Leif was Chairman of Ynvisible Production. Previously, he has been the CEO of Acreo Swedish ICT AB which is now a part of RISE (Research Institute of Sweden) and the manager of the ICT division at RISE with approximately 500 employees. He has held several other executive and Board positions in start-ups and large organizations, including but not limited to manager for the distribution of Schwarzkopf Sweden, Photonic Sweden, Strand Interconnect, and DP Patterning.

Martin Burian and Dr. Inês Henriques have stepped down from the board. Dr. Henriques continues in the executive management team of Ynvisible focusing on her role as COO.

### **Selected Quarterly Information**

All financial information in this MD&A has been prepared in accordance with IFRS.

The following financial data is derived from the condensed interim consolidated financial statements:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Gross profit	68,360	-	119,070	8,425
Operating expenses	1,085,678	694,477	2,864,212	3,403,536
Other items	(77,775)	27,698	163,498	(1,077,870)
Net loss	(1,096,405)	(668,504)	(2,582,956)	(4,477,000)
Total comprehensive loss	(1,067,274)	(654,456)	(2,523,214)	(4,520,415)
Loss per share (basic and diluted)	(0.02)	(0.01)	(0.04)	(0.09)

	As at	
	September 30,	September 30,
	2019	2018
	\$	\$
Working capital (deficit)	1,887,441	769,940
Total assets	7,418,298	2,805,794
Total liabilities	2,336,439	1,795,714

## Operations

The following table sets forth selected financial information regarding the Company's operating and administrative expenses for the three and nine months ended September 30, 2019 and 2018:

Expenses	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Depreciation (recovery)	77,226	(4,295)	162,159	10,114
Compensation and consulting	486,085	488,386	1,252,122	1,454,143
Development and production	46,015	24,751	252,974	169,483
Interest and bank charges	4,965	84	13,313	17,342
Marketing and promotion	64,647	23,264	108,033	93,934
Office facilities and services	71,707	36,307	163,019	93,235
Professional fees	63,711	20,342	247,895	476,373
Share-based compensation	201,218	28,133	457,228	821,733
Transfer and listing fees	15,593	26,557	35,980	106,117
Travel and project investigation	54,511	50,948	171,489	161,062
Total operating expenses	1,085,678	694,477	2,864,212	3,403,536

## Results of Operations for the three and nine months ended September 30, 2019

### General and Administrative Expenses

Net loss for the nine month period ended September 30, 2019 decreased to \$2,582,956 compared to \$4,477,000 during the nine months ended September 30, 2018. Key contributors to the decrease in net loss are as follows:

- Sales increased by \$119,355 to \$127,780 (nine months ended September 30, 2018 - \$8,425) due to the acquisition of Ynvisible Production and its sales revenue.
- Compensation and Consulting decreased by \$202,021 to \$1,252,122 (nine months ended September 30, 2018 - \$1,454,143) due to the Company using additional consultants in connection with the RTO transaction in the prior period.
- Development and production increased by \$83,491 to \$252,947 (nine months ended September 30, 2018 - \$169,483) due to the Company working towards developing products to bring to market.
- Professional fees decreased by \$228,478 to \$247,895 (nine months ended September 30, 2018 - \$476,373) as the Company paid more legal costs associated with the RTO transaction in the prior period.
- Share-based compensation recognized in the current period was \$457,228 for vesting of options granted, compared to \$821,733 in the prior period. The stock options were fair-valued using the Black-Scholes option pricing model.
- Transfer and listing fees decreased by \$70,137 to \$35,980 (nine months ended September 30, 2018 - \$106,117). The Company paid more transfer and listing fees associated with the RTO transaction in the prior period.
- The Company expensed an additional \$178,862 in transaction costs in the current period relating to the RTO. The Company expensed \$1,199,141 in transaction costs relating to the RTO in the prior period, of which \$402,264 was the fair value assigned to 1,340,881 finder's fees shares issued in connection with the transaction, \$719,332 was a non-cash purchase price allocation, and \$77,545 was for related expenses.

Net loss for the three month period ended September 30, 2019 increased to \$1,096,405 compared to \$668,504 during the three months September 30, 2018 (“Q3 2018”). Key contributors to the increase in operating costs are as follows:

- Sales increased by \$77,070 to \$77,070 (Q3 2018 - \$nil) due to no sales in the prior period.
- Share-based compensation recognized in the current period was \$201,218 for vesting of options granted, while 150,000 options were granted and \$28,133 were partially vested in the prior period. The stock options were fair-valued using the Black-Scholes option pricing model.
- The Company expensed an additional \$178,862 in transaction costs in the current period relating to the RTO.

Other than items disclosed within this MD&A, there are no trends, commitments, events or uncertainties presently known to management that are reasonably expected to have a material effect on the Company’s business, financial condition or results of operation, other than uncertainty as to the speculative nature of the business, and the uncertainty of fundraising activities.

### Summary of Quarterly Results

Three months ended	Sales	EU Co-Funded Project Grants	Net Loss	Loss Per Share (Basic and Diluted)
	\$	\$	\$	\$
September 30, 2019	77,070	100,850	(1,096,405)	(0.02)
June 30, 2019	26,744	106,621	(842,021)	(0.01)
March 31, 2019	23,966	137,657	(644,530)	(0.01)
December 31, 2018	8,524	160,243	(941,514)	(0.02)
September 30, 2018	-	51,403	(668,504)	(0.01)
June 30, 2018	-	85,586	(619,814)	(0.01)
March 31, 2018	8,425	78,037	(3,188,682)	(0.07)
December 31, 2017	27,697	12,143	(511,874)	(0.10)

Variances quarter over quarter can be explained as follows:

- In the quarter ended September 30, 2019, sales of \$77,070 includes prototyping project revenue and sales from Ynvisible Production after its acquisition and net loss includes \$178,862 in non-cash RTO transaction fees and \$201,218 in non-cash share-based compensation.
- In the quarter ended March 31, 2018, net loss includes \$1,199,141 in mostly non-cash RTO transaction fees and \$793,600 in non-cash share-based compensation.
- The 2017 results are those of YD Ynvisible alone following the continuity of interest principle and were converted from European Euros to Canadian dollars.

## Liquidity

In management's view, given the nature of the Company's operations, the Company does not expect to receive significant income from any of its projects in the near term. The Company has financed its operations to date primarily through the issuance of common shares and the exercise of stock options or warrants. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. These factors may cast significant doubt on the Company's ability to continue as a going concern. While the Company is expanding its best efforts in this regard, the outcome of these matters cannot be predicted at this time. The condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

## Capital Resources

The Company's liquidity and capital resources are as follows:

	September 30, 2019	December 31, 2018
	\$	\$
Cash	2,790,026	957,078
Amounts receivable	546,889	637,128
Prepaid expenses	68,398	10,699
Total current assets	3,405,313	1,604,905
Accounts payables and accrued liabilities	678,124	637,047
Current portion of lease liabilities	315,483	-
Deferred project grants	524,265	1,028,534
Working capital (deficit)	1,887,441	(60,676)

During the first quarter of 2019, the Company closed a non-brokered private placement of 3,339,200 units of the Company at \$0.30 per unit for gross proceeds of \$1,001,760. The proceeds of the financing will be used for general working capital. During the second quarter of 2019, the Company closed a non-brokered private placement of 12,571,429 units of the Company at \$0.35 per unit for gross proceeds of \$4,400,000. The proceeds of the financing will be used for general corporate and working capital, development, marketing, and increasing production capacity.

The net proceeds from the financings are included in the Company's working capital of \$1,887,441 as at September 30, 2019 (December 31, 2018 – deficit of \$60,676).

## Common Share Exchange

On October 26, 2018, the Company issued 925,479 common shares at a deemed price of \$0.30 per share to the minority shareholders in exchange for 925,479 common shares of YD Ynvisible. On July 2, 2019, the Company issued an additional 14,000 common shares with a value of \$6,580 to the minority shareholders in exchange for 14,000 common shares of YD Ynvisible. The remaining minority shareholders, who have not signed a voluntary share exchange agreement with the Company, are subject to a compulsory share exchange or "squeeze-out" of their shares in YD Ynvisible on a one-for-one basis for the Class A common shares of the Company.

On September 4, 2019, the Company implemented a squeeze-out transaction, as per the applicable Portuguese law, pursuant to the RTO transaction, whereby the Company acquired the remaining 499,369 shares of Ynvisible, S.A., on a one-for-one basis for the Class A common shares of the Company, held by certain Minority Shareholders of Ynvisible, S.A. Accordingly, the Company recorded an obligation to issue 499,639 Class A common shares with a fair value of \$172,282, which has been reported as RTO transaction costs. As a result of the squeeze-out transaction, the Company now owns 100% of Ynvisible, S.A.

## Cash Flows

Net cash used in operating activities for the nine months ended September 30, 2019 was \$2,658,506 (2018 - \$2,996,888). The cash used consisted primarily of general and administrative expenses, net of non-cash expenditures and a net change in non-cash working capital, detailed in the statement of cash flows. The prior period saw increased activity highlighted by the reverse takeover transaction.

During the nine months ended September 30, 2019, cash used in investing activities was \$606,630 (2018 - \$407,814) for the purchase of fixed and intangible assets and from the acquisition of Ynvisible Production.

During the nine months ended September 30, 2019, cash provided from financing activities was \$5,038,342 (2018 - \$5,133,844). In the current period, the Company closed a private placement for gross proceeds of \$1,001,760 with \$20,628 in share issuance costs in January 2019 and closed a private placement for gross proceeds of \$4,400,000 with \$148,869 in share issuance costs in June 2019. In the prior period, the Company completed a prospectus offering for gross proceeds of \$4,600,000 and incurred share issuance costs of \$102,803. The Company repaid \$949,251 in loans in the prior period. In the current period, the Company repaid long term debt of \$117,366 (2018 - \$106,080). As a result of the RTO, the Company acquired \$1,691,978 in cash in the prior period.

The Company's cash increased by \$1,832,948 from \$957,078 at December 31, 2018 to \$2,790,026 at September 30, 2019.

## Proposed Transactions

There are no proposed transactions that will materially affect the performance of the Company other than those disclosed elsewhere in this MD&A.

## Off Balance Sheet Arrangements

At September 30, 2019 and as of the date of this report, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## Transactions with Related Parties

As of September 30, 2019 and the date of this report, the Company had the following directors and officers:

Jani-Mikael Kuusisto – Chief Executive Officer and Director  
Inês Henriques, PhD – Chief Operating Officer and Director (resigned as director on November 21, 2019)  
Alexander Helmelt – Director  
Duarte Mineiro – Director  
Martin Burian – Director (resigned on November 21, 2019)  
Benjamin Leboe – Director  
Michael Robinson – Director (appointed on November 21, 2019)  
Leif Ljungqvist – Director (appointed on November 21, 2019)  
Carlos Pinheiro Baptista, PhD – Chief Technology Officer  
Darren Urquhart, CPA, CA – Chief Financial Officer

The Company has incurred charges during the nine months ended September 30, 2019 and 2018 from directors and officers, or companies controlled by them, for management and consulting fees and share-based compensation as follows:

	Nine months ended September 30	
	2019	2018
	\$	\$
Jani-Mikael Kuusisto – Salary	114,026	117,658
Jani-Mikael Kuusisto – Share based compensation	32,474	101,189
Inês Henriques – Salary	70,338	72,678
Inês Henriques – Share based compensation	32,474	67,459
Alexander Helmelt – Consulting fees	22,500	20,000
Alexander Helmelt – Share based compensation	21,649	44,973
Duarte Mineiro – Share based compensation	-	44,973
Martin Burian – Consulting fees	9,000	8,000
Martin Burian – Share based compensation	21,649	22,486
Carlos Pinheiro Baptista – Salary	73,817	76,131
Carlos Pinheiro Baptista – Share based compensation	-	84,324
Benjamin Leboe – Consulting fees	9,000	4,000
Benjamin Leboe – Share based compensation	32,538	7,502
Darren Urquhart – Consulting fees	22,500	22,500
Darren Urquhart – Share based compensation	10,825	22,486
Total cash consulting and management fees	321,181	320,967
Total share-based compensation	151,609	395,392
Total compensation for officers and directors	472,790	716,359

Note: Share based compensation is a non-cash expense for valuing stock option grants that is computed using the Black-Scholes Valuation Model.

As at September 30, 2019, accounts payable and accrued liabilities include \$125,200 (December 31, 2018 - \$122,252) due to officers and directors. Accounts payable and accrued liabilities due to related parties are unsecured and have no specified terms of repayment.

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

#### Disclosure of Data for Outstanding Common Shares, Stock Options, and Warrants

The following table summarizes the outstanding common shares, stock options, and warrants of the Company:

	As at September 30, 2019	Date of this MD&A
Common shares	73,293,008	73,293,008
Stock options	4,290,000	4,825,000
Warrants	8,978,478	8,978,478
Fully Diluted	86,561,486	87,096,486

Details of the outstanding stock options as at the date of this MD&A:

Expiry Date	Weighted Exercise Price \$	Number of Options Outstanding	Number of Options Vested and Exercisable
January 19, 2023	0.30	1,925,000	1,925,000
February 21, 2023	0.40	275,000	275,000
May 25, 2023	0.30	300,000	300,000
September 25, 2023	0.31	150,000	150,000
May 1, 2024	0.37	1,640,000	546,667
October 2, 2024	0.30	535,000	-
	<b>0.33</b>	<b>4,825,000</b>	<b>3,196,667</b>

Details of the outstanding warrants as at the date of this MD&A:

Expiry Date	Weighted Exercise Price \$	Number of Warrants Outstanding
January 9, 2022	0.60	1,752,876
June 5, 2022	0.60	7,225,602
	<b>0.60</b>	<b>8,978,478</b>

## Controls and Procedures

Disclosure controls and procedures ('DC&P') are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ('ICFR') are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

TSX Venture listed companies are not required to provide representations in filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument MI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## Forward-Looking Statements

All statements made in this MD&A, other than statements of historical facts, are forward-looking statements. The Company's actual results may differ significantly from those anticipated in the forward-looking statements and readers are cautioned not to place undue reliance on these forward-looking statements. Except as required by securities regulations, the Company undertakes no obligation to publicly release the results of any revisions to forward-looking statements that may be made to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events. Forward-looking statements include, but are not limited to, statements with respect to the development of products, sales growth and global expansion, the impact of the Company's products and services on customers and marketplaces, future financial or operating performance of the Company, the ability to capitalize on future opportunities and estimates regarding the size and scope of target markets and their potential for growth.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to the integration of acquisitions; future costs of materials and labor; speed of technology adoption in target markets and emergence of competing technologies, and other risks of the printed electronics and technology industries; and delays in obtaining financing.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

## Accounting Policies Adopted During the Period

### *IFRS 16 Leases*

On January 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease liabilities related to its lease commitments for its office leases. The lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate as at January 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount, plus prepaid lease payments made by the Company. The Company has implemented the following accounting policies permitted under the new standard:

- leases of low dollar value will continue to be expensed as incurred; and
- the Company will not apply any grandfathering practical expedients.

As at January 1, 2019, the Company recognized \$314,186 in right-of-use assets and \$314,186 in lease liabilities as summarized below.

	<b>\$</b>
Minimum lease payments under operating leases as of December 31, 2018	337,431
Effect from discounting at the incremental borrowing rate as of January 1, 2019	<u>(23,245)</u>
<b>Right-of-use assets and lease liabilities recognized as of January 1, 2019</b>	<b><u>314,186</u></b>

The lease liabilities were discounted at a discount rate of 1% per annum for the European lease and 12% per annum for the Canadian lease as at January 1, 2019

The following is the accounting policy for leases as of January 1, 2019 upon adoption of IFRS 16:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

**Goodwill**

Goodwill is deemed to have indefinite life and is not amortized but is subject to, at a minimum, annual impairment tests. The Company assesses the impairment of goodwill on an annual basis or whenever events or changes in circumstances indicate that the fair value is less than its carrying value. Impairment is tested at the cost center level by comparing the fair value of a cost center with its carrying amount including goodwill. If the carrying amount of the cost center exceeds its fair value, goodwill of the cost center is considered impaired and the second step of the test is performed to determine the amount of impairment loss, if any.

**Business Combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value. Acquisition costs incurred are expensed.

**Revenue Recognition**

Revenue is recognized when the earnings process is complete, as evidenced by an agreement between the customer and the Company, when delivery has occurred, when the fee is fixed or determinable and when collection is reasonably assured. Amounts received from customers in advance of revenue recognition are deferred as deferred revenue liabilities. The Company presents revenues net of taxes collected from customers at the time of sale to be remitted to governmental authorities, including sales taxes. No element of financing is deemed present as the sales are made with credit terms standard for the market.

**Critical Judgments and Accounting Estimates**

When preparing the financial statements in conformity with IFRS, management undertakes a number of judgments, estimates and assumptions about the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management.

Significant areas of estimation uncertainty considered by management in preparing the financial statements are as follows:

- a. The amounts disclosed related to fair values of stock options and warrants issued and the resulting effects on profit or loss are based on estimates of future volatility of the Company's share price, expected lives of the options and expected dividends.
- b. The valuation of deferred income tax assets is based on estimates of the probability of the Company utilizing certain tax pools and assets and on the impact of future changes in legislation, tax rates and interpretations by taxation authorities.
- c. The application of IFRS 16 requires the Company to make judgments that affect the valuation of the right-of-use assets and the valuation of lease liabilities. These include: determining agreements in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows. The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. The present value of the lease payment is determined using a discount rate representing the rate of a commercial mortgage rate, observed in the period when the lease agreement commences or is modified.

## **Risks and Uncertainties**

The Company is subject to a number of risks and uncertainties due to the nature of its business. The Company's activities expose the Company to various operational and financial risks that could have a significant impact on its level of operating cash flows in the future. Readers are advised to study and consider risk factors stressed below. The following are identified as main risk factors that could cause actual results to differ materially from those stated in any forward-looking statements made by, or on behalf of, the Company.

### ***Operational Risks***

The Company is subject to operational risk from such factors as personnel and/or environmental accidents at production facilities; fire; patent disputes; changes in supplier pricing; non-performance of obligations under existing agreements; technical difficulties including plant and equipment breakdown; loss of significant customers; problems with product transportation and logistics; legal action from persons or entities adversely impacted by the Company's business; and the ability to obtain financing to maintain operations.

### ***Governmental Regulation***

Regulatory standards continue to change, making the review process longer, more complex and therefore more expensive. Electrochromic display production on the Company's facilities is affected by government regulations relating to such matters as environmental protection, health, safety and labour, restrictions on production, price control, and tax increases. There is no assurance that future changes in such regulations couldn't result in additional expenses and capital expenditures, decreasing availability of capital, increased competition, reserve uncertainty, title risks, and delays in operations. The Company relies on the expertise and commitment of its management team, advisors, employees and contractors to ensure compliance with current laws.

### ***Customer Demand***

The Company is subject to risk from falling customer demand for its products. Global, regional and seasonal economic, political and military events including recessions and wars; competition including pricing and availability of similar products from competitors; changes in technology; and changes in laws and regulations affecting the Company's customers.

### ***Financial Risks***

The Company is exposed to financial risks arising from its financial assets and liabilities. The Company manages its exposure to financial risks by operating in a manner that minimizes its exposure to the extent practical. The main financial risks affecting the Company are:

#### ***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 cash is exposed to minimal credit risk. The credit risk on cash is low because the counterparties are highly rated banks.

#### ***Interest Rate Risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is exposed to minimal interest rate risk as the Company invests cash at floating rates of interest in highly liquid instruments, when applicable.

**Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company ensures that it has sufficient capital to meet short term financial obligations after taking into account its cash on hand.

**Foreign Currency Risk**

The Company's functional currency is the Canadian dollar. The Company funds the operations of Ynvisible, S.A. in Portugal, Ynvisible, GmbH in Germany, and Ynvisible Production in Sweden by using Euros and Swedish krona, respectively, converted from its Canadian dollar bank accounts. Based on the Company's Euro and Swedish krona denominated financial instruments at September 30, 2019, a 10% change in exchange rates between the Canadian dollar and the Euro and Swedish krona, respectively, would result in an approximately \$56,500 and \$63,000, respectively, change in foreign exchange gain or loss

**Other MD&A Requirements**

This MD&A is intended to assist the reader's understanding of Ynvisible and its operations, business, strategies, performance and future outlook from the perspective of management.

This MD&A may contain management estimates of anticipated future trends, activities, or results; these are not a guarantee of future performance, since actual results may vary based on factors and variables outside of management's control. Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible to ensure that information disclosed externally, including the financial statements and MD&A, is complete and reliable. Ynvisible's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's Audit Committee meets with management to review the financial statement results, including the MD&A, and to discuss other financial, operating and internal control matters. The Audit Committee is free to meet with the independent auditors at any time.

**Approval**

A copy of this MD&A will be provided to anyone who requests it and can be located, along with additional information, on the SEDAR website at [www.sedar.com](http://www.sedar.com) including, not but limited to:

- the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2019 and 2018; and
- the Company's audited consolidated financial statements for the years ended December 31, 2018 and 2017.

The Board of Directors of Ynvisible has approved the disclosure contained in this MD&A as of the date of this report.