



YNVISIBLE INTERACTIVE INC.

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

Ynvisible Interactive Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ynvisible Interactive Inc.:

Opinion

We have audited the consolidated financial statements of Ynvisible Interactive Inc. and its subsidiaries (together the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive loss, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, would be of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters would be addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we would not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our auditor's report.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2022.

Baker Tilly WM LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Anna C. Moreton.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
May 1, 2023



YNVISIBLE INTERACTIVE INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	As at	
	December 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash	\$ 11,844,266	\$ 16,107,403
Amounts receivable	769,184	1,067,968
Inventories	61,271	73,522
Prepaid expenses	117,418	189,860
Total current assets	12,792,139	17,438,753
Non-current assets		
Deposits	5,830	5,566
Right-of-use assets (Note 5)	307,429	371,981
Fixed assets (Note 7)	1,659,428	1,975,569
Intangible assets (Note 8)	315,512	387,455
Total non-current assets	2,288,199	2,740,571
Total assets	\$ 15,080,338	\$ 20,179,324
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	\$ 946,067	\$ 1,100,268
Current portion of lease liabilities (Note 5)	308,271	298,757
Deferred project grants (Note 6)	209,716	603,639
Total current liabilities	1,464,054	2,002,664
Non-current liabilities		
Lease liabilities (Note 5)	9,310	72,608
Total liabilities	1,473,364	2,075,272
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	37,532,180	37,530,455
Reserves (Note 10)	3,084,335	2,886,382
Obligation to issue shares (Note 10)	46,084	47,809
Deficit	(26,979,750)	(22,388,865)
Accumulated other comprehensive income (loss)	(75,875)	28,271
Total shareholders' equity	13,606,974	18,104,052
Total liabilities and shareholders' equity	\$ 15,080,338	\$ 20,179,324

Note 1 – Corporate Information

Note 8 – Commitments

Note 15 – Subsequent Event

Approved and authorized for issue on behalf of the Board of Directors on May 1, 2023:

"Alexander Helmel"

Director

"Jani-Mikael Kuusisto"

Director

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



YNVISIBLE INTERACTIVE INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Years Ended December 31,	
	2022	2021
Revenue		
Sales	\$ 686,315	\$ 1,377,727
Cost of sales	(285,104)	(1,011,728)
Gross profit	401,211	365,999
Expenses		
Bad debt	-	39,222
Compensation and consulting (Note 9)	2,877,362	3,010,647
Depreciation (Notes 5, 7, and 8)	604,708	570,162
Development and production	786,877	292,877
Interest and bank charges	11,241	15,204
Marketing and promotion	201,343	728,867
Office facilities and services	477,107	414,757
Professional fees	452,145	860,461
Share-based compensation (Notes 9 and 10)	716,192	1,166,814
Transfer and listing fees	86,005	150,623
Travel and project investigation	182,011	88,206
Total operating expenses before other items	6,394,991	7,337,840
Loss before other items	(5,993,780)	(6,971,841)
Other items		
Rental income	256,537	300,331
Interest income and other	284,026	165,243
Foreign exchange and other expenses and losses	(72,716)	(59,612)
Project grants (Note 6)	420,690	681,192
Total other items	888,537	1,087,154
Loss before income taxes	(5,105,243)	(5,884,687)
Income tax expense (Note 14)	(3,881)	(1,424)
Net loss for the year	(5,109,124)	(5,886,111)
Other comprehensive loss		
Foreign currency translation adjustment	(104,146)	(420,528)
Comprehensive loss for the year	\$ (5,213,270)	\$ (6,306,639)
Basic and diluted loss per common share	\$ (0.04)	\$ (0.05)
Weighted average number of common shares outstanding	124,670,312	116,087,901

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



YNVISIBLE INTERACTIVE INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital		Reserves	Share subscriptions received	Obligation to issue shares	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
	Number	Amount						
	#	\$						
Balance, December 31, 2020	82,891,680	17,565,296	1,597,619	459,130	114,409	(16,614,794)	448,799	3,570,459
Shares issued by private placement	32,849,145	16,695,122	-	(459,130)	-	-	-	16,235,992
Finders' shares issued for private placement	452,280	158,298	-	-	-	-	-	158,298
Finders' warrants issued for private placement	-	(571,092)	571,092	-	-	-	-	-
Share issue costs	-	(1,424,261)	-	-	-	-	-	(1,424,261)
Share issue costs by shares issuance	-	(158,298)	-	-	-	-	-	(158,298)
Stock options exercised	470,000	280,917	(127,917)	-	-	-	-	153,000
Stock options cancelled	-	-	(112,040)	-	-	112,040	-	-
Share-based compensation	-	-	1,166,814	-	-	-	-	1,166,814
Warrants exercised	8,003,810	4,964,913	(189,626)	-	(66,600)	-	-	4,708,687
Net loss for the year	-	-	-	-	-	(5,886,111)	-	(5,886,111)
Other comprehensive loss	-	-	-	-	-	-	(420,528)	(420,528)
Balance, December 31, 2021	124,666,915	37,530,455	2,886,382	-	47,809	(22,388,865)	28,271	18,104,052
Shares issued in exchange for Ynvisible, S.A. shares (Note 10)	5,000	1,725	-	-	(1,725)	-	-	-
Share-based compensation	-	-	716,192	-	-	-	-	716,192
Stock options cancelled	-	-	(448,460)	-	-	518,239	-	69,779
Warrants expired	-	-	(69,779)	-	-	-	-	(69,779)
Net loss for the year	-	-	-	-	-	(5,109,124)	-	(5,109,124)
Other comprehensive loss	-	-	-	-	-	-	(104,146)	(104,146)
Balance, December 31, 2022	124,671,915	37,532,180	3,084,335	-	46,084	(26,979,750)	(75,875)	13,606,974

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



YNVISIBLE INTERACTIVE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Years Ended December 31,	
	2022	2021
Operating activities		
Net loss for the year	\$ (5,109,124)	\$ (5,886,111)
<i>Items not involving the use of cash:</i>		
Depreciation	604,708	570,162
Depreciation included in cost of sales	22,674	132,466
Share-based compensation	716,192	1,166,814
Write off of intangible assets	-	30,537
Income tax expense	3,881	1,424
<i>Changes in working capital items:</i>		
Amounts receivable	298,784	(601,676)
Inventories	12,251	(73,522)
Prepaid expenses	72,442	(30,061)
Accounts payable and accrued liabilities	(158,082)	(93,721)
Deferred project grants	(393,923)	177,183
Cash used in operating activities	(3,930,197)	(4,606,505)
Investing activities		
Purchase of fixed assets	(61,726)	(171,165)
Purchase of intangible assets	(5,049)	(115,902)
Deposits	(264)	12,027
Cash used in investing activities	(67,039)	(275,040)
Financing activities		
Proceeds on issuance of shares	-	16,235,992
Share issue costs	-	(1,424,261)
Stock options exercised	-	153,000
Warrants exercised	-	4,708,687
Repayment of lease liabilities	(271,236)	(329,674)
Cash (used in) provided by financing activities	(271,236)	19,343,744
Effect of foreign exchange	5,335	(164,433)
Net change in cash	(4,263,137)	14,297,766
Cash, beginning of year	16,107,403	1,809,637
Cash, end of year	\$ 11,844,266	\$ 16,107,403
Non-cash transactions		
Reclassification of stock options exercised	\$ -	\$ 127,917
Reclassification of stock options cancelled	\$ 448,460	\$ 112,040
Reclassification of warrants exercised	\$ -	\$ 189,626
Reclassification of warrants expired	\$ 69,779	\$ 19,560
Finders' shares issued for private placement	\$ -	\$ 158,298
Value of finders' warrants issued in private placement	\$ -	\$ 571,092

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

YNVISIBLE INTERACTIVE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars Unless Otherwise Noted)

1. CORPORATE INFORMATION

Ynvisible Interactive Inc. (the “Company”) was incorporated on September 2, 1983, under the laws of British Columbia, Canada. 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 – 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

The Company’s principal business activity is the development and sale of electrochromic displays (“ECDs”). The Company’s shares are listed on the TSX Venture Exchange (“TSXV”) under the symbol “YNV”, and are quoted on the OTCQB under the symbol “YNVYF”, and on the FSE under the symbol “1XNA”.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company’s. This outbreak could decrease spending, adversely affect demand for the Company’s product and harm business and results of operations. It is not possible to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and related interpretations of the IFRS Interpretations Committee (“IFRIC”) as issued by the International Accounting Standards Board (“IASB”).

Basis of Consolidation

These consolidated financial statements include the accounts of the Company, its 100% owned subsidiary YD Ynvisible, S.A., Portugal (“Ynvisible SA”), Ynvisible GmbH, Germany, which is 100% owned by Ynvisible SA, and Ynvisible Production AB (“Ynvisible Production”), Sweden, which is 100% owned by the Company. All intercompany transactions and balances were eliminated on consolidation.

Basis of Measurement and Presentation

The Company’s consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value.

The consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates and the exercise of management’s judgment in applying the Company’s accounting policies. Areas involving a high degree of judgment or complexity and areas where assumptions and estimates are significant to the Company’s consolidated financial statements are discussed in Note 4.

YNVISIBLE INTERACTIVE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars Unless Otherwise Noted)

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation

These consolidated financial statements are expressed in Canadian Dollars.

Management has determined the functional currency of Ynvisible Interactive Inc. is the Canadian Dollar; the European Euro for Ynvisible SA and Ynvisible GmbH; and the Swedish krona for Ynvisible Production. Transactions in currencies other than the functional currency of the entity are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates, the financial statements for all periods presented have been translated to the presentation currency as follows:

All assets and liabilities have been translated from their functional currency into the Canadian dollar presentation currency using the closing exchange rate at the date of each statement of financial position;

Revenue, income and expenses for each statement of comprehensive loss presented have been retranslated at average exchange rates prevailing during each reporting period or at exchange rates prevailing on the dates of the transactions;

Equity balances have been retrospectively translated at historical rates prevailing during the period incurred; and,

All resulting exchange differences have been recognized in equity as accumulated other comprehensive income (loss).

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventory includes cost of purchase (purchase price, import duties, transport, handling, and other costs directly attributable to the acquisition of inventories), and other costs incurred in bringing the inventories to their present location and condition. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in profit or loss in the period for any difference between carrying value and net realizable value. The Company reverses write-downs in the event that there is a subsequent increase in net realizable value.

YNVISIBLE INTERACTIVE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars Unless Otherwise Noted)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets

Fixed assets are initially recorded at the cost of acquisition or production, which includes the purchase cost, any costs directly attributable to the activities required to put the assets in the necessary location and condition to operate in the manner intended and, when applicable, the initial estimated decommissioning costs and assets removal and the restoring of the respective location of installation/operation in which the Company expects to incur.

Depreciation is calculated after the asset is available for use, according to the straight-line method, except for some basic equipment assets for which the declining balance method is used, in accordance with the estimated useful lives for each group of assets.

The straight-line depreciation rates used correspond to the following estimated useful lives:

Equipment	3 – 8 years
Manufacturing equipment	10 years
Leasehold building improvements	Term of the lease
Office equipment	3 – 8 years
Laboratory	8 - 10 years

The useful lives and depreciation methods for the various assets are reviewed annually. The effect of any changes to these estimates is recognized prospectively in profit or loss. Maintenance and repair expenses (subsequent expenditure) that are unlikely to generate additional economic benefits in the future are recorded as expenses in the period they are incurred. The gain (or loss) resulting from the abandonment or disposal of fixed assets is determined as the difference between the fair value of the amount received or receivable in the transaction, and the carrying amounts of the asset, and is recognized in profit or loss in the period in which the disposal or abandonment occurs.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term, highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. As at December 31, 2022, the company has cash of \$11,844,266 (2021 - \$16,107,403) and has no cash equivalents.

Leases

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.

YNVISIBLE INTERACTIVE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars Unless Otherwise Noted)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. 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 twelve 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.

Where the Company is the intermediate lessor of a sublease arrangement, the Company determines whether it is a finance or operating lease by assessing: i) if the terms of sublease transfers substantially all the risks and rewards to the sublessee; and ii) the present value of the sublease payments in relation to the right of use asset. For finance subleases, the Company derecognizes the right of use assets and recognizes a corresponding lease receivable within lease obligations. Sublease income from operating leases is recognized in profit or loss.

Intangible Assets

Intangible assets are comprised of patents and software, a customer list, intellectual property (“IP”) rights and a license with finite use lives and are depreciated over the life of the asset. Intangible assets are recorded at the cost of acquisition less depreciation and any accumulated impairment losses. Intangible assets are only recognized if it is probable that attributable future economic benefits to the asset flow to the Company, and that they are controllable, and their cost can be measured with reliability. The assets are amortized on a straight-line basis over their estimated useful lives.

The straight-line depreciation rates used correspond to the following estimated useful lives:

Patents and Software	3 – 10 years
Customer List	5 years
IP Rights	5 - 15 years
License	10 years

YNVISIBLE INTERACTIVE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars Unless Otherwise Noted)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share Capital

Common shares, options and warrants are classified as equity. Incremental costs directly attributable to the issuance of common shares and warrants are recognized as a deduction from equity, net of any tax effects.

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount of consideration received along with any respective amount included in reserves at original issuance. Share capital issued for non-monetary consideration is valued at the closing quoted market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares when issued and any residual value is allocated to reserves. Amounts in reserves for expired and cancelled options and warrants are transferred to deficit.

Share-Based Compensation

The Company has a stock option plan under which it grants stock options to officers, directors, employees and consultants.

Share-based compensation to employees is measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and is recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black-Scholes option pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized in reserves is transferred to deficit. As the options are exercised, the consideration paid, together with the amount previously recognized in reserves, is recorded as an increase in share capital.

Goodwill

Goodwill has an indefinite life and is not amortized but is subject to an impairment assessment whenever events or changes in circumstances indicate that the fair value is less than its carrying value, but not less than annually. Impairment is tested at the CGU level by comparing its recoverable amount with its carrying amount including goodwill. If the carrying amount exceeds recoverable amount, an impairment loss is recognized in profit or loss.

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 and is allocated to the fair value of assets acquired and liabilities assumed. Acquisition costs incurred are expensed.

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their fair values. Asset acquisitions do not give rise to goodwill.

YNVISIBLE INTERACTIVE INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars Unless Otherwise Noted)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Revenue is recognized at the point in time that control of goods is transferred to the customer. Amounts received from customers in advance of revenue recognition are recognized as deferred revenue. 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 present as the sales are made with credit terms standard for the market. The following criteria is used to determine the contract/agreement:

- (a) the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- (b) the Company can identify each party's rights regarding the goods or services to be transferred;
- (c) the Company can identify the payment terms for the goods or services to be transferred;
- (d) the contract has commercial substance (ie the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract); and
- (e) it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the Company will be entitled may be less than the price stated in the contract if the consideration is variable because the Company may offer the customer a price concession.

Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss).

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences, and the carry forward of non-capital losses, can be utilized.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rate that is expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax (continued)

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future profit will be available against which the deductible temporary differences can be utilized.

Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing the earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share reflects the potential dilution of outstanding stock options and warrants that could share in the earnings of the Company. In a loss period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

Government Assistance

The Company is eligible for various European Union (“EU”) co-funded grants.

A government grant is not recognized until there is reasonable assurance that the Company will comply with the conditions attached to the grant and the grant is received. Government grants are recognized as other income on a systematic basis over the periods in which the Company recognizes expenses for which the grants are intended to compensate.

Financial Instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification:

Financial assets/liabilities	classification
Cash	Amortized cost
Amounts receivable	Amortized cost
Deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments – (continued)

Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Interest income is recognized according to the effective interest method.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Impairment of non- financial assets

At each reporting date, the Company assesses its non-financial assets to determine whether an indication of impairment exists. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and risks specific to the asset.

Intangible assets with an indefinite useful life are not amortized and a formal estimate of recoverable amount is made annually and whenever there is an indication that the intangible asset may be impaired. The useful life of an indefinite life intangible asset is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment.

When an impairment loss is subsequently reversed the carrying amount of the asset is increased to the revised estimate of its recoverable amount such that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment losses been recognized for the asset in prior years. The reversal of an impairment loss is recognized in profit or loss.

Development and Production Expenses

The Company expenses all research costs as they are incurred. Development costs are also expensed unless they meet all of the specific capitalization criteria established in IAS 38, Intangible Assets. Capitalized development costs are stated at cost, net of investment tax credits and government assistance, and net of accumulated amortization and accumulated impairment losses, if any.

Upcoming Accounting Standards and Interpretations

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after January 1, 2023 or later periods. The new and amended standards are not expected to have a material impact on the Company's consolidated financial statements.

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4. CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

When preparing the consolidated 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, revenue, losses and expenses. The actual results may differ from the judgments, estimates and assumptions made by management.

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

ACCOUNTING ESTIMATES

- a. The amounts disclosed related to fair values of stock options and warrants issued are based on estimates of future volatility of the Company's share price, expected lives of the options and expected dividends.
- b. The application of IFRS 16 requires the Company to make judgments that affect the measurement of the right-of-use assets and 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 incremental borrowing rate, observed in the period when the lease agreement commences or is modified.
- c. Depreciation of tangible and intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.
- d. The amounts receivable balance is recorded at the estimated recoverable amount, which involves the estimate of uncollectible accounts.

CRITICAL JUDGMENTS

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets consisting of fixed assets, intangible assets, and goodwill to determine whether there is any indication that the carrying amount is not recoverable. The determination of whether any such indication exists requires significant management judgment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When an individual asset does not generate independent cash flows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

		Leases
Cost:		
At December 31, 2020	\$	1,279,853
Foreign exchange adjustment		(96,537)
At December 31, 2021		1,183,316
Lease modification		234,595
Foreign exchange adjustment		(171,181)
At December 31, 2022	\$	1,246,730
Depreciation:		
At December 31, 2020	\$	525,864
Charge for the year		331,327
Foreign exchange adjustment		(45,856)
At December 31, 2021		811,335
Charge for the year		276,636
Foreign exchange adjustment		(148,670)
At December 31, 2022	\$	939,301
Carrying amount:		
At December 31, 2021	\$	371,981
At December 31, 2022	\$	307,429

Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease term.

During the year, the Company extended its lease for a period of 11 months ending December 31, 2023.

Lease Liabilities

		2022	2021
Beginning balance	\$	371,365	751,802
Lease payments made		(276,850)	(337,237)
Interest expense on lease liabilities		5,614	7,563
Lease modification		234,595	-
Foreign exchange adjustment		(17,143)	(50,763)
Year end balance		317,581	371,365
Less: current portion		(308,271)	(298,757)
Non-Current Portion	\$	9,310	72,608

The lease liabilities were measured by discounting the lease payments using an incremental borrowing rate of 12%. Interest expense of \$5,614 (2021 - \$7,563) is included in interest and bank charges.

The remaining minimum future lease payments, excluding estimated operating costs, for the term of the lease including assumed renewal periods are as follows:

Fiscal 2023	\$	308,271
Fiscal 2024		9,310
Total	\$	317,581

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6. DEFERRED PROJECT GRANTS

During the year ended December 31, 2022, the Company recognized \$420,690 (2021 - \$681,192) as other income as qualifying expenditures were incurred. The balance deferred until qualifying expenditures are incurred was \$209,716 (2021 - \$603,639).

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7. FIXED ASSETS

	Equipment	Manufacturing Equipment	Leasehold Building Improvements	Office Equipment	Other	Total
Costs						
Balance, December 31, 2020	\$ 540,196	\$ 2,120,390	\$ 42,668	\$ 106,825	\$ 73,971	\$ 2,884,050
Additions	106,923	-	-	54,509	9,733	171,165
Disposal	(22,749)	-	-	(9,692)	-	(32,441)
Transfer	(30,845)	-	-	27,540	3,305	-
Foreign exchange adjustment	(6,686)	(201,611)	(2,983)	(26,197)	(21,078)	(258,555)
Balance, December 31, 2021	586,839	1,918,779	39,685	152,985	65,931	2,764,219
Additions	31,576	-	-	27,315	2,835	61,726
Disposal	-	-	-	(1,321)	(2,359)	(3,680)
Foreign exchange adjustment	(27,700)	(79,670)	31,694	(8,438)	14,683	(69,430)
Balance, December 31, 2022	\$ 590,715	\$ 1,839,109	\$ 71,379	\$ 170,541	\$ 81,090	\$ 2,752,835
Accumulated Depreciation						
Balance, December 31, 2020	\$ 185,981	\$ 277,262	\$ 13,531	\$ 33,004	\$ 43,023	\$ 552,801
Charge for the year	61,378	212,944	6,377	20,339	11,761	312,799
Disposal	(22,749)	-	-	(9,692)	-	(32,441)
Foreign exchange adjustment	(10,957)	(27,962)	(1,101)	10,381	(14,870)	(44,509)
Balance, December 31, 2021	213,653	462,244	18,807	54,032	39,914	788,650
Charge for the year	62,715	167,061	8,389	23,603	4,971	266,739
Foreign exchange adjustment	7,545	26,629	617	(11,403)	14,630	38,018
Balance, December 31, 2022	\$ 283,913	\$ 655,934	\$ 27,813	\$ 66,232	\$ 59,515	\$ 1,093,407
Carrying Value						
Balance, December 31, 2021	\$ 373,186	\$ 1,456,535	\$ 20,878	\$ 98,953	\$ 26,017	\$ 1,975,569
Balance, December 31, 2022	\$ 306,802	\$ 1,183,175	\$ 43,566	\$ 104,309	\$ 21,575	\$ 1,659,428

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8. INTANGIBLE ASSETS

Costs	Patents and Software		Customer List*		IP Rights*		License		Goodwill		Total	
Balance, December 31, 2020	\$	111,239	\$	195,222	\$	65,074	\$	128,971	\$	71,253	\$	571,759
Additions		11,585		11,417		-		-		-		23,002
Write off		-		(22,903)		(7,634)		-		-		(30,537)
Foreign exchange adjustment		(8,225)		(19,387)		(6,304)		11,129		-		(22,787)
Balance, December 31, 2021		114,599		164,349		51,136		140,100		71,253		541,437
Additions		-		5,049		-		-		-		5,049
Foreign exchange adjustment		2,613		(7,096)		(1,779)		(24,001)		-		(30,263)
Balance, December 31, 2022	\$	117,212	\$	162,302	\$	49,357	\$	116,099	\$	71,253	\$	516,223

Accumulated Depreciation												
Balance, December 31, 2020	\$	35,233	\$	14,114	\$	4,704	\$	22,083	\$	-	\$	76,134
Charge for the year		11,108		29,441		9,758		14,620		-		64,927
Foreign exchange adjustment		(2,284)		(2,497)		(829)		18,531		-		12,921
Balance, December 31, 2021		44,057		41,058		13,633		55,234		-		153,982
Charge for the year		9,025		28,228		8,612		12,900		-		58,765
Foreign exchange adjustment		2,784		2,663		883		(18,366)		-		(12,036)
Balance, December 31, 2022	\$	55,866	\$	71,949	\$	23,128	\$	49,768	\$	-	\$	200,711

Carrying Value												
Balance, December 31, 2021	\$	70,542	\$	123,291	\$	37,503	\$	84,866	\$	71,253	\$	387,455
Balance, December 31, 2022	\$	61,346	\$	90,353	\$	26,229	\$	66,331	\$	71,253	\$	315,512

* In May 2020, the Company entered into a business transfer agreement with rdot AB ("rdot") to acquire customer lists and IP rights in the amount of \$175,080 (Swedish krona 1,200,000) ("Fixed Purchase Price") to be paid in four equal instalments on May 18, 2020 ("Closing Date") (paid), August 1, 2020 (paid), November 1, 2020 (paid) and February 1, 2021 (paid). In addition, rdot is entitled to a contingent consideration ("Success Fees") based on the Company's revenue generated from rdot customers during the period May 18, 2020 – May 17, 2023, as follows:

Time period from closing date	Percentage on invoiced sales for rdot customer	Percentage on invoiced sales for Shared customer
Month 1-12	15%	7.5%
Month 13-24	12%	6%
Month 25-36	5%	2.5%

If sales related to rdot or a shared customer were ordered or earned in one of the time periods, but invoiced at a later time period, the Success Fees percentage is calculated using the formula: (year booked percentage + year invoiced percentage)/2. Each instalment of the Success Fees shall be paid within 30 days after the closing of each fiscal quarter. During the year ended December 31, 2022, \$5,049 (2021 - \$11,417) of contingent consideration was capitalized to Customer List.

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9. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

Key Management Compensation

	Years Ended December 31,	
	2022	2021
Compensation and consulting	\$ 681,643	\$ 818,067
Share-based compensation	202,794	248,086
	\$ 884,437	\$ 1,066,153

As at December 31, 2022, accounts payable and accrued liabilities include \$11,611 (2021 - \$37,225) due to officers and directors. Accounts payable and accrued liabilities due to related parties are unsecured, non-interest bearing and have no specified terms of repayment. During the year ended December 31, 2022, the Company received \$nil (2021 - \$39,714) in rent payments from a company controlled by a director of the Company.

10. SHARE CAPITAL AND RESERVES

Authorized

Unlimited number of Class A common shares without par value.

Unlimited number of Class B non-voting convertible common shares without par value, convertible to Class A common shares on a one-for-one basis.

Issued

There are no Class B non-voting convertible common shares issued.

Class A common shares

For the year ended December 31, 2022:

In April 2022, the Company issued 5,000 Class A common shares to the SEA Minority Shareholders (defined below) in exchange for 5,000 common shares of Ynvisible SA.

For the year ended December 31, 2021:

In January 2021, the Company closed a private placement and issued 12,857,142 units of the Company at \$0.35 per unit for gross proceeds of \$4,500,000 (the "January 2021 Offering"), whereby each unit consists of one Class A common share and one-third of a share purchase warrant of the Company. Each whole warrant, subject to acceleration provision, will be exercisable into an additional Class A common share at an exercise price of \$0.50 for a period of 18 months from the date of issuance. In connection with the offering, the Company paid share issuance costs totalling \$196,622 in cash and issued 452,280 finders' units, of which 452,280 finders' Class A common shares were valued at \$158,298 and 150,760 finders' warrants were valued at \$69,779, to eligible finders. The fair value of the finder warrants was calculated using the Black-Scholes option pricing model with the following assumptions: expected life of warrants – 18 months, expected volatility – 122.24%, expected dividend yield – 0%, and risk-free rate – 0.16%. The finders' units will bear the same terms and conditions of the units issued with the January 2021 offering.

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10. SHARE CAPITAL AND RESERVES (continued)

Issued (continued)

In May 2021, the Company closed a private placement and issued 19,992,003 units of the Company at \$0.61 per unit for gross proceeds of \$12,195,122 (the “May 2021 Offering”), whereby each unit consists of one Class A common share and one share purchase warrant of the Company. Each warrant will be exercisable into an additional Class A common share at an exercise price of \$0.76 for a period of three years from the date of issuance. In connection with the offering, the Company paid share issuance costs totalling \$1,151,040 in cash and issued 999,600 finders’ warrants valued at \$501,313 using the Black-Scholes option pricing model to the finder agents with the following assumptions: expected life of warrants – 3 years, expected volatility – 117.72%, expected dividend yield – 0%, and risk-free rate – 0.49%. The finders’ warrants will be exercisable into a Class A common share at an exercise price of \$0.61 for a period of three years from the date of issuance.

During the year ended December 31, 2021, the Company issued 470,000 Class A common shares in connection with the exercise of 470,000 stock options with a weighted average exercise price of \$0.33 for total proceeds of \$153,000. In addition, the Company issued 8,003,810 Class A common shares in connection with the exercise of 8,003,810 warrants with a weighted average exercise price of \$0.60 for total proceeds of \$4,775,286. The Company incurred additional general share issuance costs totalling \$76,599 in cash.

Obligation to Issue Shares

On November 9, 2018, the Board of Directors approved the issuance of up to 1,032,496 Class A common shares (the “SEA Shares”) to certain Ynvisible SA minority shareholders (the “SEA Minority Shareholders”) pursuant to the terms of share exchange agreements (the “Post-RTO Share Exchange Agreements”) between the Company and the SEA Minority Shareholders. The Board of Directors corrected the number of SEA Shares being issued to the SEA Minority Shareholders to 1,022,496 on September 4, 2019.

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 SA, on a one-for-one basis for the Class A common shares of the Company, held by certain minority shareholders of Ynvisible SA (the “Squeeze-Out Minority Shareholders”). Accordingly, the Company recorded an obligation to issue 499,369 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 SA. As at December 31, 2022, the Company recorded \$46,084 (2021 - \$47,809) for an obligation to issue 133,577 outstanding shares (2021- \$138,577).

Stock Options

The Company has a rolling stock option plan, which follows the policies of the TSXV regarding stock option awards granted to employees, directors and consultants. According to the plan, the Company may grant incentive stock options up to a total of 10% of the Company’s issued and outstanding common shares issued.

In March 2021, the Company granted 265,000 stock options to various employees and consultants of the Company at an exercise price of \$1.29 per share for a period of five years, 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. The options were valued at \$278,814 using the Black-Scholes option pricing model.

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10. SHARE CAPITAL AND RESERVES (continued)

Stock Options (continued)

In June 2021, the Company granted 100,000 stock options to a director of the Company at an exercise price of \$0.63 per share for a period of five years, 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. The options were valued at \$48,929 using the Black-Scholes option pricing model. In addition, the Company granted 250,000 stock options to a consultant at an exercise price of \$0.63 per share for a period of five years, vesting as follows: 1/3rd on nine months from the date of grant, 1/3rd on twenty-one months from the date of grant and 1/3rd on thirty-three months from the date of grant. The options were valued at \$122,323 using the Black-Scholes option pricing model.

In July 2021, the Company granted 2,465,000 stock options to an officer, a director, various consultants and employees at an exercise price of \$0.75 per share for a period of five years, vesting as follows: 1/3rd at nine months from the date of grant, 1/3rd at twenty-one months from the date of grant and 1/3 at thirty-three months from the date of grant. The options were valued at \$1,441,052 using the Black-Scholes option pricing model. In addition, the Company granted 80,000 stock options to a consultant at an exercise price of \$0.62 per share for a period of five years, vesting as follows: 1/3rd at nine months from the date of grant, 1/3rd at twenty-one months from the date of grant, and 1/3 at thirty-three months from the date of grant. The options were valued at \$36,587 using the Black-Scholes option pricing model.

In August 2021, the Company granted 250,000 stock options to a director of the Company at an exercise price of \$0.55 per share for a period of five years, vesting as follows: 1/3rd at four months from the date of grant, 1/3rd at eight months from the date of grant, and 1/3rd at twelve months from the date of grant. The options were valued at \$107,829 using the Black-Scholes option pricing model.

In October 2021, the Company granted 640,000 stock options to an officer and director, a director, a consultant and various employees at an exercise price of \$0.44 per share for a period of five years, vesting as follows: 1/3rd at nine months from the date of grant, 1/3rd at twenty-one months from the date of grant, and 1/3 at thirty-three months from the date of grant. The options were valued at \$222,650 using the Black-Scholes option pricing model.

In December 2021, the Company granted 500,000 stock options to various consultants at an exercise price of \$0.32 per share for a period of five years, vesting as follows: 1/3rd at nine months from the date of grant, 1/3rd at twenty-one months from the date of grant, and 1/3 at thirty-three months from the date of grant. The options were valued at \$131,909 using the Black-Scholes option pricing model.

In April 2022, the Company granted 20,000 stock options to an employee at an exercise price of \$0.225 per share for a period of five years, vesting as follows: 1/3rd at twelve months from the date of grant, 1/3rd at twenty-four months from the date of grant, and 1/3 at thirty-six months from the date of grant. The options were valued at \$3,797 using the Black-Scholes option pricing model.

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10. SHARE CAPITAL AND RESERVES (continued)

Stock Options (continued)

In July 2022, the Company granted 2,680,000 stock options to various directors, officers, consultants, and employees at an exercise price of \$0.20 per share for a period of five years, vesting as follows: 1/4th at the date of grant, 1/4th at four months from the date of grant, 1/4th at eight months from the date of grant, and 1/4th at twelve months from the date of grant. The options were valued at \$254,910 using the Black-Scholes option pricing model. In addition, the Company granted 25,000 stock options to a provider of investor relations services at an exercise price of \$0.20 per share for a period of five years, vesting as follows: 1/4th at three months from the date of grant, 1/4th at six months from the date of grant, 1/4th at nine months from the date of grant, and 1/4th at twelve months from the date of grant. The options were valued at \$2,378 using the Black-Scholes option pricing model.

In September 2022, the Company granted 55,000 stock options to various consultants at an exercise price of \$0.20 per share for a period of five years, vesting as follows: 1/4th at the date of grant, 1/4th at four months from the date of grant, 1/4th at eight months from the date of grant, and 1/4th at twelve months from the date of grant. The options were valued at \$6,308 using the Black-Scholes option pricing model.

Share-based compensation recognized during the year ended December 31, 2022 was \$716,192 (2021 - \$1,166,814) from vesting of options.

The Company's valuation of share purchase options granted during the period was estimated using the Black-Scholes option pricing model based on the Company's historical stock price with the following weighted average assumptions:

	For the years ended December 31,	
	2022	2021
Risk-free interest rate	3.15%	0.97%
Expected dividend yield and forfeiture	0%	0%
Expected stock price volatility	115%	110%
Expected option life in years	5	5
Exercise price	0.20	0.63
Spot price	0.12	0.63

During the year ended December 31, 2022, 2,260,000 stock options were cancelled, and the fair value of \$448,460 attributable to these stock options was transferred from reserves to deficit.

During the year ended December 31, 2021, the Company issued 470,000 Class A common shares in relation to the exercise of 470,000 stock options for total proceeds of \$153,000 and the fair value of \$127,917 attributable to these stock options was transferred from reserves to share capital. The average share price on the date of options exercised was \$1.48 per share. Additionally, 790,000 stock options were cancelled, and the fair value of \$112,040 attributable to these stock options was transferred from reserves to deficit.

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10. SHARE CAPITAL AND RESERVES (continued)

Stock Options (continued)

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

	Year Ended December 31, 2022		Year Ended December 31, 2021	
	Number of Options #	Weighted Average Exercise Price \$	Number of Options #	Weighted Average Exercise Price \$
Outstanding, beginning	8,952,500	0.47	5,125,000	0.33
Granted	2,780,000	0.20	4,550,000	0.67
Exercised	-	-	(470,000)	0.33
Cancelled/Forfeited	(2,260,000)	0.47	(790,000)	0.58
Outstanding, ending	9,472,500	0.39	8,952,500	0.47

As at December 31, 2022, the following options were granted and vested:

Expiry Date	Weighted Exercise Price (\$)	Number of Options Outstanding	Number of Options Exercisable	Weighted Remaining Contractual Life (years)
January 19, 2023 *	0.30	1,425,000	1,425,000	0.05
February 21, 2023 *	0.40	175,000	175,000	0.14
May 25, 2023	0.30	100,000	100,000	0.40
May 1, 2024	0.37	1,110,000	1,110,000	1.33
October 2, 2024	0.30	252,500	252,500	1.76
May 20, 2025	0.33	195,000	195,000	2.39
September 16, 2025	0.25	215,000	215,000	2.71
November 11, 2025	0.29	125,000	125,000	2.87
March 17, 2026	1.29	60,000	60,000	3.21
June 3, 2026	0.63	100,000	100,000	3.42
July 1, 2026	0.75	1,735,000	578,332	3.50
July 22, 2026	0.62	80,000	26,667	3.56
August 26, 2026	0.55	250,000	250,000	3.65
October 20, 2026	0.44	370,000	123,333	3.81
December 7, 2026	0.32	500,000	166,666	3.94
April 13, 2027	0.23	20,000	-	4.28
July 20, 2027	0.20	2,705,000	1,346,250	4.55
September 22, 2027	0.20	55,000	13,750	4.73
	0.39	9,472,500	6,262,498	2.88

*Options expired, unexercised post year end.

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10. SHARE CAPITAL AND RESERVES (continued)

Warrants

During the year ended December 31, 2022, 4,006,454 warrants expired, and the fair value of \$69,779 attributable to these warrants was transferred from reserves to share capital.

During the year ended December 31, 2021, the Company issued the following warrants:

- In connection with the January 2021 Offering, 4,436,451 whole warrants, including 150,760 finders' warrants with an exercise price of \$0.50 per warrant.
- In connection with the May 2021 Offering, 19,992,003 warrants with an exercise price of \$0.76 per warrant and 999,600 finder warrants with an exercise price of \$0.61 per warrant.

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

	Year Ended December 31, 2022		Year Ended December 31, 2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
	#	\$	#	\$
Outstanding, beginning	24,898,057	0.71	7,980,973	0.60
Issued	-	-	25,428,054	0.71
Exercised	-	-	*(8,003,810)	0.60
Expired	(4,006,454)	0.50	(507,160)	0.60
Outstanding, end	20,891,603	0.75	24,898,057	0.71

*For the year ended December 31, 2021, the weighted average market share price on the date of warrants exercised was \$1.55 (2020 - \$0.79) per share.

As at December 31, 2022, the following warrants were outstanding:

Expiry Date	Weighted Exercise Price (\$)	Number of Warrants Outstanding	Weighted Remaining Contractual Life (years)
May 18, 2024	0.76	19,892,003	1.38
May 18, 2024	0.61	999,600	1.38
	0.75	20,891,603	1.38

11. FAIR VALUES AND RISK MANAGEMENT

The Company's financial instruments consist of cash, amounts receivable, deposits, and accounts payable and accrued liabilities. The fair value of amounts receivable, deposits, and accounts payable and accrued liabilities, approximate their carrying values because of their short-term nature.

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:

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11. FAIR VALUES AND RISK MANAGEMENT (continued)

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. Receivables are comprised primarily of amounts due from various customers. The Company is exposed to credit risk through accounts receivable from customers. At December 31, 2022, trade receivables from five customers accounted for 76%, 7%, 4%, 2%, and 2% respectively of the Company's trade receivable for a total 91% in aggregate. At December 31, 2021, trade receivables from five customers accounted for 41%, 19%, 13%, 7%, and 5% respectively.

Cash and amounts receivable are subject to the impairment requirements of IFRS 9; however, impairment was not identified for the year ended December 31, 2022. The carrying amount of cash, amounts receivable and deposits represents the maximum credit exposure.

The Company's management of credit risk has not changed materially from that of the prior year.

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. The Company's management of liquidity risk has not changed materially from that of the prior year.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises: currency risk, interest rate risk and other price risk. The Company's management of market risk has not changed materially from that of the prior year and the Company's financial instruments aren't subject to other price risk.

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.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar. The Company funds the operations of Ynvisible SA 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 December 31, 2022, a 10% change in exchange rates between the Canadian dollar and the Euro and Swedish krona, would result in an approximately \$79,347 and \$626, respectively, change in foreign exchange gain or loss.

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12. CAPITAL MANAGEMENT

Management determines the Company's capital structure and makes adjustments to it based on funds available to the Company, in order to support its business operations, at December 31, 2022 management considered equity to be capital managed \$13,606,974 (2021 - \$18,104,052). The Board of Directors has not established quantitative return on capital criteria for capital management but rather relies upon the expertise of the management team to sustain the future development of the business. As the Company does not generate significant revenue, the Company is dependent upon external financing to fund technology and business development as well as its administrative costs. The Company will spend existing working capital and raise additional amounts as needed. The Company will continue to assess new business verticals for its technology and know-how and may seek to acquire an interest in supporting business opportunities, if management feels there is sufficient economic potential, provided it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that its approach, given the relative size of the Company, is reasonable. There have been no changes in the Company's approach to capital management during the year ended December 31, 2022. The Company is not subject to externally imposed capital requirements. Management includes its net working capital in its capital calculations. As at December 31, 2022, working capital was \$11,328,085 (2021 - \$15,436,089).

13. SEGMENTED DISCLOSURE

The Company has one operating segment, being the development and sale of ECDs in Europe. At December 31, 2022, the Company's revenues, assets, liabilities and comprehensive loss are geographically located as follows:

	Europe	Canada	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 917,957	\$ 10,926,309	\$ 11,844,266
Amounts receivable	732,019	37,165	769,184
Inventories	61,271	-	61,271
Prepaid expenses	73,622	43,796	117,418
Total current assets	1,784,869	11,007,270	12,792,139
Non-current assets			
Deposits	5,830	-	5,830
Right-of-use assets	307,429	-	307,429
Fixed assets	1,659,428	-	1,659,428
Intangible assets	244,259	71,253	315,512
Total non-current assets	2,216,946	71,253	2,288,199
Total assets	\$ 4,001,815	\$ 11,078,523	\$ 15,080,338
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 723,230	\$ 222,837	\$ 946,067
Current portion of lease liabilities	308,271	-	308,271
Deferred project grants	209,716	-	209,716
Total current liabilities	1,241,217	222,837	1,464,054
Non-current liabilities			
Lease liabilities	9,310	-	9,310
Total non-current liabilities	9,310	-	9,310
Total liabilities	\$ 1,250,527	\$ 222,837	\$ 1,473,364
Comprehensive loss for the year ended			
December 31, 2022	\$ 3,891,652	\$ 1,321,618	\$ 5,213,270

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13. SEGMENTED DISCLOSURE (continued)

At December 31, 2021, the Company's assets, liabilities and comprehensive loss were geographically located as follows:

	Europe	Canada	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,323,175	\$ 14,784,228	\$ 16,107,403
Amounts receivable	1,047,970	19,998	1,067,968
Inventories	73,522	-	73,522
Prepaid expenses	138,620	51,240	189,860
Total current assets	2,583,287	14,855,466	17,438,753
Non-current assets			
Deposits	5,566	-	5,566
Right-of-use assets	371,981	-	371,981
Fixed assets	1,975,569	-	1,975,569
Intangible assets	316,202	71,253	387,455
Total non-current assets	2,669,318	71,253	2,740,571
Total assets	\$ 5,252,605	\$ 14,926,719	\$ 20,179,324
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 746,407	\$ 353,861	\$ 1,100,268
Current portion of lease liabilities	298,757	-	298,757
Deferred project grants	603,639	-	603,639
Total current liabilities	1,648,803	353,861	2,002,664
Non-current liabilities			
Lease liabilities	72,608	-	72,608
Total non-current liabilities	72,608	-	72,608
Total liabilities	\$ 1,721,411	\$ 353,861	\$ 2,075,272
Comprehensive loss for the year ended December 31, 2021	\$ 3,743,277	\$ 2,563,362	\$ 6,306,639

Revenue	Portugal	Germany	Sweden	Canada	Total
2022	\$ 86,348	\$ 275,807	\$ 324,159	\$ -	\$ 686,315
2021	\$ 202,440	\$ 226,173	\$ 949,114	\$ -	\$ 1,377,727

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14. INCOME TAXES

The Company is subject to income taxes on its profit or loss in Canada and Europe. The statutory income tax rates were approximately 27% (2021 - 27%) in Canada and 21% (2021 - 21%) in Europe.

A reconciliation of the expected income tax expense (benefit) to the actual income tax expense (benefit) is as follows:

	2022	2021
Loss before income taxes	\$ (5,109,124)	\$ (5,884,687)
Recovery at statutory rate	\$ (1,379,000)	\$ (684,000)
Non-deductible items	242,000	307,000
Change in estimate and other	607,881	(847,000)
Change in tax benefits not recognized	533,000	1,225,424
Income tax expense (recovery)	\$ 3,881	\$ 1,424

The components of deferred taxes are:

	2022	2021
Share issue costs	\$ 248,000	\$ 371,000
Fixed assets	305,000	316,000
Non-capital losses	5,274,000	4,607,000
Tax benefits not recognized	(5,827,000)	(5,294,000)
Net deferred tax assets (liabilities)	\$ -	\$ -

The realization of tax benefits related to these deferred potential tax deductions is not probable. Accordingly, no deferred tax assets have been recognized for accounting purposes. The Company has non-capital losses carried forward of approximately \$22,402,000 (2021 - \$18,750,000) that may be available for tax purposes. The losses expire as follows:

Expiry date	Amount
2026	\$ 247,000
2027	420,000
2028	694,000
2029	682,000
2030	759,000
2031	522,000
2032	477,000
2033	1,638,000
2034	707,000
2035	387,000
2036	475,000
2037	604,000
2038	1,678,000
2039	1,917,000
2040	3,593,000
2041	3,950,000
2042	3,652,000
Total	\$ 22,402,000

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15. SUBSEQUENT EVENT

Stock Options granted

In February 2023, the Company granted 2,452,500 stock options to officers, directors, employees, and consultants at an exercise price of \$0.20 per share for a period of five years.

A total of 2,427,500 options vest as 1/4th on February 24, 2023 (the "Grant date"), 1/4th at four months from the date of grant, and 1/4th at eight months from the date of grant and final 1/4th at the twelve months from the date of grant.

The remaining 25,000 options are vested as 1/4th at three months from the date of grant, 1/4th at six months from the date of grant, and 1/4th at the nine months from the date of grant and final 1/4th at the twelve months from the date of grant.

Stock Options expired

In January and February 2023 1,425,000 options with an exercise price of \$0.30 and 175,000 options with an exercise price of \$0.40 expired unexercised.