



**CONSOLIDATED INTERIM CONDENSED  
FINANCIAL STATEMENTS**

FOR THE THREE MONTHS AND NINE  
MONTHS ENDED

SEPTEMBER 30, 2017 AND 2016

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

**Notice to Reader**

The accompanying unaudited condensed interim financial statements of Pool Safe Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

# **POOL SAFE INC.**

## **CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS**

**THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016**

(EXPRESSED IN CANADIAN DOLLARS)

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

AS AT	Note	September 30, 2017 (unaudited)	December 31, 2016
<b>ASSETS</b>			
Current			
Cash and cash equivalents		\$ 136,650	\$ 10,751
Prepays and other receivables	4	121,183	27,669
Inventory	5	103,437	10,933
		361,270	49,353
Patent design and costs	7	184,429	187,847
Equipment	6	152,933	161,942
Revenue share assets	8	142,953	133,579
<b>TOTAL ASSETS</b>		<b>\$ 841,585</b>	<b>\$ 532,721</b>
<b>LIABILITIES AND EQUITY</b>			
Current			
Trade payables and other liabilities	9	\$ 162,438	\$ 247,678
Current portion of long-term debt	10	45,876	56,076
Total current liabilities		208,314	303,754
Long-term debt		-	171,857
Total liabilities		208,314	475,611
Going concern	2(a)		
Guarantee	10		
Commitments and contingencies	13		
<b>Shareholders' Equity</b>			
Share capital	11	2,310,674	980,470
Warrants	11	93,917	-
Reserves		177,767	-
Accumulated deficit		(1,949,087)	(923,360)
Total equity		633,271	57,110
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 841,585</b>	<b>\$ 532,721</b>

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

(Signed) "David Berger"  
Director

The accompanying notes are an integral part of these financial statements

Pool Safe Inc.

**Consolidated Interim Condensed Statements of Operations and Comprehensive Loss**

(Expressed in Canadian Dollars)

(Unaudited)

	Note	Three Months Ended September 30,		Nine Months Ended September 30,	
		2017 \$	2016 \$	2017 \$	2016 \$
<b>Revenue</b>		182,206	15,269	309,022	46,890
<b>Cost of Sales</b>		77,759	6,932	180,926	25,532
<b>Gross Profit</b>		104,447	8,337	128,096	21,358
<b>Expenses</b>					
Selling, general and administrative		152,186	70,451	459,801	262,944
Stock-based compensation		44,868	-	177,402	-
Public listing fee		3,357	-	463,242	-
Professional fees		7,706	33,204	12,856	93,922
Regulatory fees		3,170	-	13,130	-
Advertising and promotion		31,532	8,571	31,891	17,925
Depreciation		477	13,860	1,431	30,730
Foreign exchange		442	-	1,789	(1,353)
Gain on debt repayment		-	-	(17,018)	-
Interest on loan payable		837	1,364	9,299	5,395
		244,575	127,450	1,153,823	409,563
<b>Net loss and comprehensive loss</b>		(140,128)	(119,113)	(1,025,727)	(388,205)
<b>Weighted average shares outstanding, basic</b>	16	54,309,763	39,595,108	48,556,150	39,595,108
<b>Basic loss per share</b>	16	(0.00)	(0.00)	(0.02)	(0.01)
<b>Weighted average shares outstanding, diluted</b>	16	54,309,763	39,595,108	48,556,150	39,595,108
<b>Diluted loss per share</b>	16	(0.00)	(0.00)	(0.02)	(0.01)

The accompanying notes are an integral part of these financial statements

**Pool Safe Inc.**  
**Consolidated Interim Condensed Statements of Changes in Shareholders' Equity**  
(Expressed in Canadian Dollars)  
(Unaudited)

	Note	Number of shares	Share capital	Warrants	Contributed surplus	Accumulated deficit	Total
<b>Balance at June 30, 2015</b>		34,408,724	\$ 605,470	\$ -	\$ -	\$ (299,451)	\$ 306,019
Shares issued via private placement - July 15, 2015		285,684	20,000	-	-	-	20,000
Shares issued via private placement - August 4, 2015.		714,308	50,000	-	-	-	50,000
Shares issued via private placement - October 23, 2015		714,308	50,000	-	-	-	50,000
Net loss		-	-	-	-	(98,723)	(98,723)
<b>Balance at December 31, 2015</b>		36,123,024	725,470	-	-	(398,174)	327,296
Shares issued via private placement - January 15, 2016		714,308	50,000	-	-	-	50,000
Shares issued via private placement - March 31, 2016		1,071,420	75,000	-	-	-	75,000
Shares issued via private placement - June 9, 2016		1,142,848	80,000	-	-	-	80,000
Shares issued via private placement - July 22, 2016		714,308	50,000	-	-	-	50,000
Net loss		-	-	-	-	(388,205)	(388,205)
<b>Balance at September 30, 2016</b>		39,765,908	980,470	-	-	(786,379)	194,091
Net loss		-	-	-	-	(136,981)	(136,981)
<b>Balance at December 31, 2016</b>		39,765,908	980,470	-	-	(923,360)	57,110
Units issued via private placement - April 18, 2017		11,052,040	969,785	93,917	-	-	1,063,702
Shares issued to acquire public listing - April 18, 2017		1,786,923	184,443	-	-	-	184,443
Shares issued to repay debt - April 18, 2017		1,704,892	175,976	-	-	-	175,976
Stock-based compensation		-	-	-	177,767	-	177,767
Net loss		-	-	-	-	(1,025,727)	(1,025,727)
<b>Balance at September 30, 2017</b>		54,309,763	\$ 2,310,674	\$ 93,917	\$ 177,767	\$(1,949,087)	\$ 633,271

The accompanying notes are an integral part of these financial statements

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

	Note	Nine months ended September 30,	
		2017	2016
<b>Operating activities</b>			
Net loss		\$ (1,025,727)	\$ (388,205)
Items not affecting cash:			
Stock-based compensation		177,402	-
Foreign exchange		365	(47)
Gain on debt repayment for shares		17,018	-
Depreciation		45,349	30,730
		(785,593)	(357,522)
Net changes in non-cash working capital:			
Increase (decrease) in prepaids and other receivables		(93,514)	(9,749)
Increase inventory		(92,504)	39,731
Increase (decrease) in trade payables and other liabilities		(85,240)	28,596
Cash flows used in operating activities		(1,056,851)	(298,944)
<b>Investing activities</b>			
Purchase of equipment		(42,296)	(27,649)
Purchase of patent and design costs, net of tax credits	7	-	(7,370)
Cash flows used in investing activities		(42,296)	(35,019)
<b>Financing activities</b>			
Repayment of long-term debt		(182,057)	(74,604)
Proceeds from long-term debt		-	50,000
Proceeds from issuance of share capital		1,407,103	375,000
Cash flows provided by (used in) financing activities		1,225,046	350,396
Net change in cash		125,899	16,433
Cash - beginning of period		10,751	12,226
<b>Cash - end of period</b>		<b>\$ 136,650</b>	<b>\$ 28,659</b>

The accompanying notes are an integral part of these financial statements

## 1. Nature of business

Pool Safe Inc. ("PoolSafe" or the "Company"), was incorporated under the Business Corporations Act (Ontario) on October 27, 2011. PoolSafe is an exclusive product which offers security, convenience and guest services all bundled in one product. PoolSafe's head office located at 401 Magnetic Drive, Unit 14, Toronto, Ontario, M3J 3H9.

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

## 2. Basis of presentation

### (a) Going concern

These financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's ability to continue in the normal course of operations is dependent on its ability to raise equity or debt financing or through the sale of its products to at a profit. Since inception the Company has incurred losses which as of September 30, 2017 totals \$1,949,087 (December 31, 2016 - \$923,360). In addition, the Company has working capital in the amount of \$152,956 (December 31, 2016 – deficiency of \$254,401). There are no assurances that the Company will be successful in achieving these goals. These circumstances cast significant doubt on the Company's ability to continue as going concern and ultimately on the appropriateness of the use of the accounting principles applicable to a going concern. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. These adjustments could be material.

### (b) Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). These consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. The same accounting policies and methods of computation are followed in these consolidated interim condensed financial statements as compared with the most recent annual consolidated financial statements as at and for the period ended December 31, 2016. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2017 could result in restatement of these consolidated interim condensed financial statements.

The policies applied in these unaudited consolidated interim condensed financial statements are based on IFRS issued and outstanding as of November 24, 2017, the date the Board of Directors approved the statements.

### (c) Basis of measurement

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

### (d) Functional and presentation currency

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

### (e) Estimates and critical judgments by management

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

#### (i) Useful lives of equipment

Depreciation of property, plant and equipment is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of the assets.

- (ii) Fair value of financial assets available for sale  
Financial assets available for sale consist of privately held investments. Determination of the fair values of privately held investments requires the Company to make various assumptions about the future prospects of the investees, the economic, legal, and political environment in which the investees operate, and the ability of the investees to obtain financing to support their operations. As a result, any value estimated may not be realized or realizable, and the values may differ from values that would be realized if a ready market existed.

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

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

- (iv) Date of commencement of commercial production  
The date noted as the date of the beginning of commercial production (June 1, 2015) reflects management's best estimate based on facts available.

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

#### **(a) IFRS 9 FINANCIAL INSTRUMENTS**

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

#### **(b) IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS**

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

#### **(c) AMENDMENTS TO IAS 7**

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

#### **(d) IFRS 16 LEASES**

IFRS 16 was issued in January 2016 and replaces the previous guidance on leases. This standard provides a single recognition and measurement model to be applied to leases, with required recognition of assets and liabilities for most leases. This standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if the Company is also applying IFRS 15, Revenue from Contracts with Customers. The Company is currently evaluating the impact of the adoption of this new standard on its financial statements.



#### 4. Prepaids and other receivables

Prepaids and other receivable is comprised of:

	Sept. 30, 2017	Dec. 31, 2016
Trade receivables	\$ 75,975	\$ 15,401
Taxes receivable	44,148	11,208
Prepaids and deposits	1,060	1,060
	<b>\$ 121,183</b>	<b>\$ 27,669</b>

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

	Sept. 30, 2017	Dec. 31, 2016
1 to 60 days	\$ 75,975	\$ 15,300
61 days and older	-	101
	75,975	15,401
Allowance for bad debts	-	-
	<b>\$ 75,975</b>	<b>\$ 15,401</b>

The Company considers all trade receivables to be collectable and has not made any allowance for doubtful accounts as at September 30, 2017 nor December 31, 2016.

#### 5. Inventory

The following comprises inventory:

	Sept. 30, 2017	Dec. 31, 2016
Raw materials	\$ 66,569	\$ 10,933
Finished goods	36,868	-
	<b>\$ 103,437</b>	<b>\$ 10,933</b>

There was no write-down of inventory during the periods ended September 30, 2017 nor December 31, 2016. During the period ended September 30, 2017, \$180,926 (September 30, 2016 - \$25,532, December 31, 2016, \$36,852) of inventory was expensed as cost of sales.

#### 6. Equipment

##### September 30, 2017

Cost	Balance at Dec. 31, 2016	Additions	As at Sept. 30, 2017
Furniture and equipment	\$ 3,096	\$ 1,110	\$ 4,206
Computer equipment	1,367	-	1,367
Manufacturing equipment tooling and moulds	203,788	975	204,763
Leasehold improvement	5,730	8,415	14,145
Equipment	<b>\$ 213,981</b>	<b>\$ 10,500</b>	<b>\$ 224,481</b>
	Balance at Dec. 31, 2016	Additions	As at Sept. 30, 2017
<b>Accumulated depreciation</b>			
Furniture and equipment	\$ 853	\$ 669	\$ 1,522
Computer equipment	325	234	559
Manufacturing equipment tooling and moulds	21,512	10,263	31,776
Leasehold improvement	3,442	2,753	6,195
	<b>\$ 26,132</b>	<b>\$ 13,919</b>	<b>\$ 40,052</b>
<b>Net book value</b>	<b>\$ 187,847</b>		<b>\$ 184,429</b>

Pool Safe Inc.  
Notes to Consolidated Interim Condensed Financial Statements  
Six Months ended June 30, 2017 and 2016  
(Expressed in Canadian Dollars)  
(Unaudited)

**September 30, 2016**

<b>Cost</b>	<b>Balance at Dec. 31, 2015</b>	<b>Additions</b>	<b>As at Sept. 30, 2016</b>
Furniture and equipment	\$ 49,951	\$ 9,949	\$ 59,900
Computer equipment	-	1,367	1,367
Manufacturing equipment tooling and moulds	203,788	-	203,788
Leasehold improvement	5,730	-	5,730
<b>Equipment</b>	<b>\$ 259,469</b>	<b>\$ 11,316</b>	<b>\$ 270,785</b>

  

<b>Accumulated depreciation</b>	<b>Balance at Dec. 31, 2015</b>	<b>Additions</b>	<b>As at Sept. 30, 2016</b>
Furniture and equipment	\$ 6,855	\$ 9,380	\$ 16,235
Computer equipment	-	120	120
Manufacturing equipment tooling and moulds	1,130	15,105	16,235
Leasehold improvement	1,719	1,150	2,869
	<b>\$ 9,704</b>	<b>\$ 25,755</b>	<b>\$ 35,459</b>

  

<b>Net book value</b>	<b>\$ 249,765</b>		<b>\$ 235,326</b>
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**7. Patent and design costs**

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

  

	<b>Balance at Dec. 31, 2015</b>	<b>Additions, net</b>	<b>As at Sept. 30, 2016</b>
Cost	\$ 160,823	\$ 19,380	\$ 180,203
Accumulated amortization	(890)	(12,900)	(12,900)
Carrying value	\$ 159,933	\$ 6,480	\$ 167,303

The Company commenced amortization on June 1, 2015.

**8. Revenue share assets**

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

  

	<b>Balance at Dec. 31, 2015</b>	<b>Additions, net</b>	<b>As at Sept. 30, 2016</b>
Cost	\$ -	\$ -	\$ -
Accumulated amortization	-	-	-
Carrying value	\$ -	\$ -	\$ -

**9. Trade payables and other liabilities**

Trade payables and accrued liabilities are comprised as follows:

	<b>Sept. 30, 2017</b>	<b>Dec. 31, 2016</b>
Trade payables	\$ 65,895	\$ 232,678
Accrued liabilities	96,543	15,000
	<u>\$ 162,438</u>	<u>\$ 247,678</u>

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

	<b>Sept. 30, 2017</b>	<b>Dec. 31, 2016</b>
Current	\$ 65,895	\$ 136,357
>60 days	-	96,321
	<u>\$ 65,895</u>	<u>\$ 232,678</u>

**10. Long-term debt**

Shareholder loans, unsecured, with interest rates between 3% and 10%	\$ -
Bank loan bearing interest at the rate of prime plus 3.0% per annum, repayable in monthly principal repayments of \$4,673 plus interest, secured by a general security agreement over all assets of the Company and a personal guarantee from the majority shareholders amounting to 25% of the original loan balance. The loan matures on July 15, 2018.	45,876
Less: Current portion of long-term debt	<u>(45,876)</u>
	<u>\$ -</u>

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

2017	\$ 42,057
2018	3,819
2019	-
	<u>\$ 45,876</u>

## 11. Share capital

### (a) *Authorized*

An unlimited amount of common shares without par value.

An unlimited number of voting class "A" shares

### (b) *Issued common shares*

	Number	Amount
<b>Balance at July 1, 2014</b>	33,694,024	\$ 555,470
Issuance of shares for cash (i)	714,700	50,000
<b>Balance at June 30, 2015</b>	34,408,724	605,470
Issuance of shares for cash (ii)	285,684	20,000
Issuance of shares for cash (iii)	714,308	50,000
Issuance of shares for cash (iv)	714,308	50,000
Issuance of shares for cash (v)	714,308	50,000
Issuance of shares for cash (vi)	1,071,420	75,000
Issuance of shares for cash (vii)	1,142,848	80,000
Issuance of shares for cash (viii)	714,308	50,000
<b>Balance at September 30, 2016 and December 31, 2016</b>	39,765,908	980,470
Issuance of shares for public company shell (ix)	1,786,923	184,443
Issuance of shares for debt (x)	1,704,892	175,976
Issuance of units for cash (xi)	11,052,040	969,785
<b>Balance at September 30, 2017</b>	54,309,763	\$ 2,310,674

- (i) During October 2014, the Company issued 714,308 common shares for net proceeds of \$50,000.
- (ii) During July 2015, the Company issued 285,684 common shares for net proceeds of \$20,000.
- (iii) During August 2015, the Company issued 714,308 common shares for net proceeds of \$50,000.
- (iv) During October 2015, the Company issued 714,308 common shares for net proceeds of \$50,000.
- (v) During January 2016, the Company issued 714,308 common shares for net proceeds of \$50,000.
- (vi) During March 2016, the Company issued 1,071,420 common shares for net proceeds of \$75,000.
- (vii) During June 2016, the Company issued 1,142,848 common shares for net proceeds of \$80,000.
- (viii) During July 2016, the Company issued 714,308 common shares for net proceeds of \$50,000.
- (ix) During April 2017, the Company issued 1,786,923 common shares in exchange for all the shares of Pounder Venture Capital Corp., a publicly traded company (see Note 14). The shares had a deemed value of \$0.1032 each for a deemed exchange value of \$184,443.
- (x) During April 2017, as a component of the acquisition of Pounder Venture Capital Corp., the Company issued 1,704,892 common shares in exchange for \$192,994 of Pounder Venture Capital Corp. debt assumed (see Note 14). The shares had a deemed value of \$0.1032 each for a deemed exchange value of \$175,976.
- (xi) During April 2017, the Company issued 11,052,040 units for cash proceeds of \$1,251,250 (proceeds net of broker cash fees of \$48,394, and legal and other costs of \$139,154, were \$1,063,702). Each unit was comprised of one common share and one half of one common share purchase warrant. Each whole share warrant can be converted into one common share at an exercise price of approximately \$0.18 for a period until April 18, 2019. The net proceeds were allocated as \$969,785 to common shares and \$93,917 to warrants (Note 11(c)), based on a Black-Scholes valuation of the shares and warrants.

In addition, 427,476 broker units were issued. Each broker unit is exercisable into a unit of the Company at approximately \$0.13 per broker unit. Each broker unit is comprised of one share and one half share warrant. Each whole share warrant can be converted into one common share at an exercise price of approximately \$0.18 for a period until April 18, 2019.

### (b) *Warrants*

Pool Safe Inc.  
Notes to Consolidated Interim Condensed Financial Statements  
Six Months ended June 30, 2017 and 2016  
(Expressed in Canadian Dollars)  
(Unaudited)

At September 30, 2017, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
427,476	\$0.11	April 18, 2019
5,526,020	\$0.18	April 18, 2019

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

	September 30, 2017		Dec. 31, 2016
Balance, beginning of period	-		-
Issued	5,953,496	\$0.17	-
Exercised	—		-
Expired	—		-
Balance, end of period	5,953,496	\$0.17	-

The Company determined that the fair value of the warrant liability at April 18, 2017 related to the 5,526,020 warrants, using the Black-Scholes Options Pricing Mode, was \$93,917. The Company determined that the fair value of the broker warrant liability at April 18, 2017 related to the 427,476 warrants, using the Black-Scholes Options Pricing Mode, was \$13,806.

(b) **Stock options**

On April 19, 2017, the Company approved the 10% rolling stock option plan (the "Plan"). Pursuant to the Plan, the Company is entitled to grant options and reserve for issuance up to 10% of the shares issued and outstanding at the time of grant. The terms and conditions of any options granted, including the number and type of options, the exercise period, the exercise price and vesting provisions, are determined by the Compensation Committee which makes recommendations to the board of directors for their approval. The maximum term of options granted cannot exceed 10 years.

The TSXV's rules require the Plan to be approved annually by shareholders.

At September 30, 2017, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
129,942	\$0.40	April 18, 2018
4,200,000	\$0.11	June 2, 2022
100,000	\$0.11	July 27, 2022

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

	June 30, 2017		December 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	-		-	
Granted	4,429,942	\$ 0.12	-	
Exercised	-		-	
Cancelled/Expired	-		-	
Outstanding, end of period	4,429,942	\$ 0.12	-	
Exercisable, end of period	1,596,609	\$ 0.13	-	

The aggregate intrinsic value for options vested and for total options as of September 30, 2017 is \$nil (December

Pool Safe Inc.  
Notes to Consolidated Interim Condensed Financial Statements  
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31, 2016 - \$nil). The weighted average contractual term of stock options outstanding and exercisable as at September 30, 2017 is 4.6 years (December 31, 2016 - n/a).

The weighted average fair value of stock options granted, vested, and modified during the period ended September 30, 2017 was \$177,767 (year ended December 31, 2016 - n/a) which has been included in general and administrative expense (\$177,402) and Listing expense (\$365).

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

	Sept. 30, 2017	Dec. 31, 2016
Risk-free interest rate	0.5%	-
Expected life	0.8 to 4.0 years	-
Annualized volatility	85%	-
Dividend rate	-	-

## 12. Related party transactions

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

### (a) Key management compensation

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

	Sept. 30, 2017	Sept. 30, 2016
Short-term employee benefits, including salaries and fees	\$ 139,096	\$ 102,290
Stock-based compensation	156,251	-
Sub-contractors	3,150	30,000
	\$ 298,497	\$ 132,290

## 13. Commitments and contingencies

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

2017	\$ 4,810
2018	19,240
2019	16,033
	\$ 40,083

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

## 14. Acquisition of Pounder Venture Capital Corp.

On April 19, 2017 the Company completed the acquisition of 100% ownership in the common shares of Pounder Venture Capital Corp. (Pounder), which provided the Company with a public listing on the TSX Venture Exchange. The Company assumed the net liabilities of Pounder and issued 1,786,923 new common shares at \$0.10 from its treasury to pay for the acquisition of the Pounder common shares, for a total cost of shares issued of \$184,443. This acquisition has been recorded as an expense of acquiring a public listing in the period ended June 30, 2017, as it does not meet the definition of a business combination as defined in IFRS 3.

In connection with this transaction, the Company has incurred one-time transaction costs of \$ 17,083, which has been separately expensed.

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

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Consideration:

Common shares	\$ 184,443
Stock options	365
Total Consideration	<u>184,808</u>

Liabilities Acquired:

Accounts Payable	257,994
Transaction costs	17,083
Total Liabilities Acquired	<u>275,077</u>

Expense of public listing	<u>\$ 459,885</u>
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The Company's consolidated statements of comprehensive income include the result of operations for Pounder from its respective dates of acquisition to September 30, 2017.

**15. Operating segment information**

Management has determined that the Company's operations have similar economic characteristics, and are similar in the nature of products and services, production processes, types and classes of customer, methods of distribution and regulatory environment and as such have aggregated its operating units into a single reportable segment. The Company undertakes its operations in the U.S. and has no significant assets located or revenues generated outside the U.S. Therefore, no segment reporting is included in these financial statements.

**16. Earnings (loss) per share**

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

<b>Numerators</b>	<b>Sept. 30, 2017</b>	<b>Sept.30, 2016</b>
Loss attributable to common shareholders	\$ (1,025,727)	\$ (388,205)
Loss used in the computation of basic and diluted earnings per share	(1,025,727)	(388,205)
<hr/>		
<b>Denominators</b>	<b>Sept.30, 2017</b>	<b>Sept.30, 2016</b>
Weighted average number of common shares for computation of basic and diluted loss per share	48,556,150	39,595,108

**17. Financial instruments**

(a) Financial risks

(i) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to review liquidity resources and ensure that sufficient funds are available to meet financial obligations as they become due. Further, the Company's management is responsible for ensuring funds exist and are readily accessible to support business opportunities as they arise. The Company's funding is provided in the form of capital raised through the issuance of shares and long-term debt.

(ii) Credit risk

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

(iii) Market risk

(1) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments

traded in the market. The company is not exposed to price risk

(2) Concentration risk

Concentration risk is the risk that any single investment or group thereof, has the potential to materially affect the operating results of the Company. The Company is not exposed to this risk.

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

(a) Fair value hierarchy

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

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

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

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

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

Level 1 - cash;

Level 2 - none;

Level 3 - none.

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

## **18. Capital management**

The Company considers its capital to be its equity and debt as disclosed in Note 11. The Company's objectives when managing its capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investors' confidence required to sustain future investments.

## **19. Change in shares outstanding in prior period**

Shares prior to the April 18, 2017 changes, which resulted in a share split of 28:1, were restated to reflect the historical shares outstanding on the same basis.