

Condensed Consolidated Interim Financial Statements

ScreenPro Security Inc.

For the period ended June 30, 2021

(Unaudited)

(Expressed in Canadian dollars)

Notice to Reader

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ScreenPro Security Inc.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	As at June 30, 2021 \$	As at November 30, 2020 \$
ASSETS		
CURRENT		
Cash	963,124	446,077
Accounts receivable <i>[note 6]</i>	100,721	60,232
Harmonized sales tax recoverable	6,473	81,703
Inventory <i>[notes 4 and 6]</i>	395,006	660,574
Share subscription receivable	—	25,000
Prepaid expenses	163,500	1,482
	1,628,824	1,275,068
PROPERTY AND EQUIPMENT <i>[notes 5 and 6]</i>	837,997	427,020
INTANGIBLE ASSETS <i>[note 10]</i>	4,400,000	—
Total assets	6,866,821	1,702,088
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities <i>[note 6]</i>	1,981,583	801,301
Government remittances payable	18,103	6,326
	1,999,686	807,627
SHAREHOLDERS' EQUITY		
Share capital <i>[note 7]</i>	10,247,570	1,915,117
Warrants reserve	72,820	19,575
Accumulated deficit	(5,453,255)	(1,040,231)
Total shareholders' equity	4,867,135	894,461
Total liabilities and shareholders' equity	6,866,821	1,702,088

Subsequent event *[note 11]*

Approved on behalf of the Board

“Andrew Ryu”

Director (Signed)

“Jamie Hyland”

Director (Signed)

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

ScreenPro Security Inc.
**Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive
Income (Loss)**
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended June 30, 2021	For the seven months ended June 30, 2021	For the period from May 6, 2020 to November 30, 2020
	\$	\$	\$
SALES - ScreenPro	5,479,623	12,359,948	581,643
SALES - GoStop	17,818	17,818	—
COST OF SALES	(4,206,962)	(10,669,068)	(478,520)
GROSS PROFIT	1,290,479	1,708,698	103,123
EXPENSES			
Impairment of accounts receivable	—	—	3,155
Depreciation <i>[note 5]</i>	63,422	136,426	45,769
General and administrative	233,777	771,289	63,614
Marketing	455	203,270	63,676
Professional services	580,742	1,473,103	324,113
Research and development	44,835	44,835	—
Salaries <i>[note 6]</i>	226,763	481,710	54,876
Share based compensation	—	—	548,500
	1,149,994	3,110,633	1,103,703
LOSS BEFORE OTHR ITEMS	140,485	(1,401,935)	(1,000,580)
Gain on settlement of liabilities	—	143,936	—
Impairment of loan receivable	—	—	(39,651)
Listing expense <i>[note 10]</i>	—	(3,155,025)	—
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	140,485	(4,413,024)	(1,040,231)
Basic and diluted earnings per share	0.00	(0.02)	(0.03)
Weighted average number of common shares - basic and diluted	380,091,043	263,028,278	34,594,258

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

ScreenPro Security Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Number of shares	Share capital \$	Warrants reserve \$	Accumulated deficit \$	Total \$
Balance, May 6, 2020	—	—	—	—	—
Issurance of common shares	29,650,000	1,414,992	—	—	1,414,992
Share issue costs	—	(48,375)	19,575	—	(28,800)
Share based compensation	23,125,000	548,500	—	—	548,500
Accumulated deficit for the period	—	—	—	(1,040,231)	(1,040,231)
Balance, November 30, 2020	52,775,000	1,915,117	19,575	(1,040,231)	894,461
Issurance of common shares	7,166,994	1,050,049	—	—	1,050,049
Recapitalization [notes 7 and 10]	(10,959,910)	—	—	—	—
Shares issued for reverse takeover [notes 7 and 10]	290,615,719	2,976,486	—	—	2,976,486
Shares issued for acquisition [notes 7 and 10]	40,000,000	4,400,000	—	—	4,400,000
Shares issued for warrant exercises	632,181	17,840	—	—	17,840
Share issue costs	—	(111,922)	53,245	—	(58,677)
Accumulated deficit for the period	—	—	—	(4,413,024)	(4,413,024)
Balance, June 30, 2021	380,229,984	10,247,570	72,820	(5,453,255)	4,867,135

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

ScreenPro Security Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	For the seven months ended June 30, 2021	For the period from May 6, 2020 to November 30, 2020
	\$	\$
OPERATING ACTIVITIES		
Net loss	(4,413,024)	(1,040,231)
Items not affecting cash:		
Impairment of accounts receivable	—	3,155
Depreciation	136,426	45,769
Gain on settlement of liabilities	(143,936)	—
Impairment of loan receivable	—	39,651
Listing expense	3,155,025	—
Share based compensation	—	548,500
Changes in non-cash working capital balances:		
Accounts receivable	(40,489)	(63,387)
Harmonized sales tax recoverable	75,230	(63,612)
Inventory	265,568	(660,574)
Prepaid expenses	(162,018)	(1,482)
Accounts payable and accrued liabilities	1,145,649	449,497
Government remittances payable	11,777	6,326
Cash used in operating activities	30,208	(736,388)
INVESTING ACTIVITIES		
Cash acquired	30	—
Purchase of property and equipment	(547,403)	(139,076)
Loan advanced	—	(39,651)
Cash used in investing activities	(547,373)	(178,727)
FINANCING ACTIVITIES		
Shares issued for cash, net of share issue cost:	1,009,212	1,361,192
Share subscription received	25,000	—
Cash provided by financing activities	1,034,212	1,361,192
INCREASE IN CASH	517,047	446,077
CASH - BEGINNING OF PERIOD	446,077	—
CASH - END OF PERIOD	963,124	446,077
Supplementary cash flow information		
Interest income	—	—
Income tax paid	—	—

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

ScreenPro Security Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the seven months ended June 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE OF BUSINESS

ScreenPro Security Inc. (the "Company") is incorporated under the laws of the Province of Ontario. The Company's common shares are listed on the Canadian Securities Exchange under the trading symbol "SCRN".

On February 28, 2021, the Company entered into a definitive agreement with ScreenPro Security Ltd. ("ScreenPro") related to a proposed reverse-takeover transaction ("RTO"). Pursuant to the definitive agreement, the parties completed a three-cornered amalgamation whereby a newly incorporated subsidiary of the Company amalgamated with ScreenPro, and the Company acquired all the issued and outstanding ScreePro shares. The shareholders of ScreenPro received common shares in the Company in exchange for their ScreenPro shares, resulting in a reverse takeover of the Company by ScreenPro shareholders. In March 2021, the Company completed the RTO (note 10).

While these financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business, there are material uncertainties related to adverse conditions and events that cast significant doubt on the Company's ability to continue as a going concern.

During the seven months ended June 30, 2021, the Company incurred a loss of \$4,413,024 and, as of that date, the Company had accumulated deficit of \$5,453,255 and a working capital deficit of \$370,862. The Company's continuing operations as intended are dependent upon its the ability to raise additional funds, investor sentiment and financial market conditions, all of which may be impacted by the uncertainties arising from the COVID-19 pandemic. Should the Company be unable to secure additional financing, the Company may be unable to discharge its net liabilities. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The office address of the Company is 246 - 970 Burrard Street, Vancouver, British Columbia V6Z 2R4.

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses. The Company's business began as a result of this disruption. It is not possible for the Company to predict the duration or magnitude of the results of the outbreak and its effects on the Company's business or results of operations at this time.

ScreenPro Security Inc.

Notes to Condensed Consolidated Interim Financial Statements

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(Unaudited)

2. BASIS OF PRESENTATION

2.1 Basis of presentation and statement of compliance

These condensed consolidated interim financial statements for the Company for the seven months ended June 30, 2021 have been prepared in accordance with International Accounting Standards (“IAS”) 34 – Interim Financial Reporting of the International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in the notes to the Company’s financial statements for the period ended November 30, 2020. These condensed consolidated interim financial statements should be read in conjunction with the Company’s financial statements for the period ended November 30, 2020.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Company’s Board of Directors on August 26, 2021. These condensed interim financial statements are presented in Canadian dollars which is also the Company’s functional currency. The accounting policies have been applied consistently in these financial statements, unless otherwise indicated.

2.2 Principles of consolidation

These condensed consolidated interim financial statements are the continuation of the accounting acquirer (note 10), ScreenPro, with the exception of share capital structure, which represents the Company’s equity structure, and the financial accounts and results of the Company from March 5, 2021, being the effective date of the RTO. All inter-company transactions have been eliminated upon consolidation.

2.3 Basis of measurement

These financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained. The financial statements are presented in Canadian dollars which is the presentation and functional currency of the Company.

ScreenPro Security Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the seven months ended June 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant accounting judgments and estimates

The application of the Company's accounting policies require management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive income (loss), assets and liabilities recognized and disclosures made in the financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following areas require management's critical estimates and judgments:

a) Valuation of deferred tax assets and liabilities

To determine the extent to which deferred tax assets can be recognized, management estimates the amount of probable future taxable profits that will be available against which deductible temporary differences and unused tax losses can be utilized. Such estimates are made as part of the budget process on an undiscounted basis and are reviewed on a quarterly basis. Management exercises judgment to determine the extent to which realization of future taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized.

b) Income taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

ScreenPro Security Inc.

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The income tax provision is based on estimates of full-period earnings by jurisdiction. The average annual effective income tax rates are re-estimated at the end of each reporting period. To the extent that forecasts differ from actual results, adjustments are recorded in subsequent periods.

c) Estimated useful lives and depreciation of property and equipment

Depreciation and depreciation of property and equipment are dependent upon estimates of useful lives, which are determined through the exercise of judgements. 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) Inventory

In calculating the value of the inventory, management is required to make a number of estimates, including estimating the selling costs, average or expected selling prices and list prices and other conversion factors. In calculating final inventory values, management compares the inventory costs to estimated net realizable value. Provisions are made for slow moving inventory. The Company assesses inventory provisions on the basis of volumes of product on hand, competing products and market trends in conjunction with sales forecasts.

3.2 Changes in accounting standard

The Company has evaluated all recent accounting pronouncements up to the date of issuance of these financial statements, and conclude that these pronouncements are not expected to have any significant impact on the Company's financial statements.

4. INVENTORY

	As at June 30, 2021	As at November 30, 2020
	\$	\$
Covid-19 test kits under laboratory testing	395,006	660,574
	395,006	660,574

The cost of inventory included in the cost of sales was \$6,432,097 (November 30, 2020 - \$318,971).

ScreenPro Security Inc.

Notes to Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited)

5. PROPERTY AND EQUIPMENT

	Equipment	Vehicles	Total
	\$	\$	\$
Cost:			
As at May 6, 2020	—	—	—
Additions	446,602	26,187	472,789
As at November 30, 2020	446,602	26,187	472,789
Additions	375,441	171,962	547,403
As at June 30, 2021	822,043	198,149	1,020,192
Accumulated depreciation:			
As at May 6, 2020	—	—	—
Depreciation	43,420	2,349	45,769
As at November 30, 2020	43,420	2,349	45,769
Depreciation	123,340	13,086	136,426
As at June 30, 2021	166,760	15,435	182,195
Net book value:			
As at November 30, 2020	403,182	23,838	427,020
As at June 30, 2021	655,283	182,714	837,997

ScreenPro Security Inc.

Notes to Condensed Consolidated Interim Financial Statements

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(Unaudited)

6. RELATED PARTY TRANSACTIONS

Related parties are defined as management and principal shareholders of the Company and/or members of their immediate family and/or other companies and/or entities in which a principal shareholder, director or senior officer is a principal owner or senior executive.

Related party transactions, with entity with common management and shareholders, are as follows:

	For the seven months ended June 30, 2021	For the period from May 6, 2020 to November 30, 2020
	\$	\$
Salary paid to officers and directors	179,645	29,866
Share-based compensation	-	250,000

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors, advisory board members, officers of the Company.

7. SHARE CAPITAL

a) Authorized:

Unlimited number of common shares, one votes per share, without par value

b) Issued:

On March 5, 2021, the Company completed the RTO and issued 289,834,294 common shares to acquire ScreenPro (note 10).

On March 26, 2021, the Company acquired GoStop and issued 40,000,00,00 common shares valued at \$4,400,000 (note 10).

On April 20, 2021, the Company issued 632,181 common shares of the Company upon exercise of share purchase warrants for total proceeds of \$17,840.

ScreenPro Security Inc.

Notes to Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited)

Warrants

The changes in the Company's warrants for the period ended June 30, 2021 is as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2021	-	-
RTO transaction	1,836,397	\$0.03
RTO transaction	1,012,734	\$0.02
GoStop acquisition	20,000,000	\$0.15
Exercised	(632,181)	\$0.03
Balance, June 30, 2021	22,216,950	\$0.14

As at June 30, 2021, the Company had the following warrants outstanding and exercisable:

Number of warrants	Exercise price	Expiry date
1,316,742	\$0.03	February 26, 2023
900,208	\$0.02	November 23, 2022
20,000,000	\$0.15	September 26, 2022

8. FINANCIAL RISK FACTORS

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs.

ScreenPro Security Inc.

Notes to Condensed Consolidated Interim Financial Statements

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All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The following table summarizes the fair values of recognized financial instruments. Unless otherwise noted, the carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximates fair value for each financial instrument.

Financial Risk Management

The Company is exposed to credit risk and liquidity risk. The Company's management oversees the management of these risks. The Company's management is supported by the Board that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and the Company risk appetite.

(a) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash, accounts receivable, share subscriptions receivable and loan receivable. The cash consists of money held in a reputable Canadian bank. In order to reduce its credit risk from its loan receivable balances, the Company keeps a close connection with the third party. To reduce its credit risk from its accounts receivable and share subscriptions receivable balances, the Company reviews a new client and share subscriber's credit history before extending credit.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligation associated with financial liabilities. The Company is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its shareholders.

ScreenPro Security Inc.

Notes to Condensed Consolidated Interim Financial Statements

For the seven months ended June 30, 2021

(Expressed in Canadian Dollars)

(Unaudited)

9. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain future development of the business. The capital of the Company consists of equity.

The Company manages its capital structure and makes adjustments in light of the changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the Company's capital requirements, the Company has in place planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. There were no externally imposed capital requirements to which the Company is subject as at June 30, 2021.

10. BUSINESS ACQUISITIONS

ScreenPro Security Ltd.

On February 28, 2021, the Company entered into a definitive agreement with ScreenPro related to a proposed RTO. In March 2021, the RTO with ScreenPro was completed (note 1).

The Transaction resulted in an issuance of 290,615,719 common shares of the Company to ScreenPro shareholders and issuance of 2,849,131 share purchase warrants to the ScreenPro warrant-holders. A total of 1,836,397 warrants were exercisable at \$0.03 per share with an expiry date of February 26, 2023 and a total of 1,012,734 warrants were exercisable at \$0.02 per share with an expiry date of November 23, 2022.

The substance of the transaction was a reverse takeover of the non-operating company and the transaction does not constitute a business combination as the Company does not meet the definition of a business under IFRS 3. As a result, the transaction was recorded by the Company as a reverse takeover that was not a business combination with a recognition of a listing expense which represented the difference between the fair value of consideration ScreenPro paid and the fair value of the Company's net assets.

ScreenPro, the legal subsidiary, has been identified as the accounting acquirer and the Company, the legal parent, has been identified as the accounting acquiree. As ScreenPro was deemed to be the acquirer for accounting purposes, its assets, liabilities, and operations since incorporation are included in these consolidated financial statements at their historical carrying value. The Company's results of operations have been included from March 5, 2021, the date of the completion of the RTO.

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(Expressed in Canadian Dollars)

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The listing expense related to the RTO was calculated as follows:

	Amount
	\$
Consideration	
Common shares	2,976,486
Total consideration	<u>2,976,486</u>
Identifiable assets acquired (liabilities assumed)	
Cash	30
Accounts payable and accrued liabilities	<u>(178,569)</u>
Total net liability assumed	<u>(178,539)</u>
Listing expense	<u>3,155,025</u>

GoStop Inc.

On March 26, 2021, the Company completed the acquisition of GoStop Inc. (“GoStop”), a private COVID-19 digital passport services company, by way of a share exchange agreement (“Share Exchange Agreement”) between the Company, GoStop and GoStop shareholders. Pursuant to the terms of the Share Exchange Agreement:

The Company acquired all the issued and outstanding common shares of GoStop from the GoStop shareholders by issuing 40,000,000 units of the Company valued at \$4,400,000. Each unit consists of one common share of the Company and one-half of one warrant. Each warrant is exercisable to purchase one common share at a price of \$0.15 per share until September 26, 2022.

The acquisition of GoStop was accounted for as an asset acquisition consistent with IFRS 2 – Shares based payments, as it did not meet the definition of a business under IFRS 3 – Business combination. During the period ended March 31, 2021, the Company recognized an intangible asset related to the software development, technology, brands, industry knowledge and expertise.

ScreenPro Security Inc.

Notes to Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited)

11. SUBSEQUENT EVENT

On May 21, 2021, the Company issued 159,412 common shares of the Company upon exercise of share purchase warrants for total proceeds of \$3,188.