vet-eye

VET-EYE S.A.

Consolidated financial statements

For the years ended December 31, 2020 and 2019

(Expressed in U.S. dollars)

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INDEPENDENT AUDITOR'S REPORT

Independent auditor's report

To the Board of Directors and Shareholders of Vet-Eye S.A.

Opinion

We have audited the consolidated financial statements of Vet-Eye S.A. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020, and December 31, 2019 and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years 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, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with 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, 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.

INDEPENDENT AUDITOR'S REPORT

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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 or otherwise 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. 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 (IFRSs), 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.

The engagement partner on the audit resulting in this independent auditor's report is Albert Lis.

VET-EYE S.A.

Consolidated statements of financial position

As at December 31, 2020 and 2019

EXPRESSED IN U.S. DOLLARS	DECEMBER 31, 2020	DECEMBER 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	**$ 2,827,882**	$ 2,425,468
Trade and other receivables	**2,531,208**	1,578,371
Inventory	**891,331**	778,939
Prepaid expenses and deposits	**476,633**	433,272
	6,727,054	**5,216,050**
Non-current assets		
Property and equipment	**63,395**	152,497
Intangible assets	**6,785,187**	7,620,287
Goodwill	**1,868,130**	1,868,130
Total assets	**$ 15,443,766**	**$ 14,856,964**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade payables and accrued liabilities	**$ 2,042,424**	$ 2,191,815
Deferred revenue	**899,701**	892,570
Debentures	**2,558,248**	2,152,841
Deferred consideration on acquisition	**450,000**	1,200,000
	5,950,373	**6,437,226**
Non-current liabilities		
Debentures	**–**	3,718,452
Preferred shares	**2,504,044**	–
Derivative preferred share liability	**2,901,787**	–
Warrants	**155**	1,372,122
Lease liability	**–**	61,011
Deferred consideration on acquisition	**–**	450,000
Total liabilities	**11,356,359**	**12,038,811**
Shareholders' equity		
Share capital	**$ 50,944,234**	50,944,234
Stock-based payment reserve	**3,139,368**	2,799,476
Warrants reserve	**494,287**	381,374
Accumulated other comprehensive income	**474,458**	474,458
Deficit	**(50,964,940)**	(51,781,389)
Total shareholders' equity	**4,087,407**	**2,818,153**
Total liabilities and shareholders' equity	**$ 15,443,766**	**14,856,964**

VET-EYE S.A.

Consolidated statements of operations and comprehensive loss

For the years ended December 31, 2020 and 2019

EXPRESSED IN U.S. DOLLARS	DECEMBER 31, 2020	DECEMBER 31, 2019
Revenues	**$ 16,215,812**	**$ 12,688,752**
Cost of goods sold	**5,495,839**	5,520,050
	10,719,973	**7,168,702**
Expenses		
Sales and marketing	**4,935,183**	4,855,988
Research and development	**1,162,872**	1,039,827
Administration	**2,522,741**	2,861,091
Stock-based compensation	**339,892**	628,280
Depreciation and amortization	**903,384**	841,588
	9,864,072	**10,226,774**
Operating loss	**865,001**	**(3,058,072)**
Other expenses/(earnings)		
Change in fair value of Polish zloty denominated warrants	**(1,371,967)**	(1,593,244)
Change in fair value of derivative preferred share liability	**(1,248,281)**	–
Foreign exchange (gain) loss	**(463,411)**	439,145
Other non-operating expenses	**60,673**	–
Interest	**1,062,437**	591,042
	(1,960,549)	**(563,057)**
Net income (loss) and comprehensive income (loss) before income taxes	**2,816,450**	**(2,495,015)**
Income tax expense	**–**	–
Net income (loss) and comprehensive income (loss) for the year	**$ 2,816,450**	**$ (2,495,015)**
Income (loss) per share – basic	**$ 0.08**	$ 0.08
Weighted average number of shares outstanding – basic	**37,915,820**	31,668,318
Income (loss) per share – diluted	**$ 0.08**	$ 0.08
Weighted average number of shares outstanding – diluted	**44,485,873**	31,668,318