



A Company Specializing in Environmental Protection and Remediation Technologies

THIRD QUARTER 2018
UNAUDITED CONDENSED INTERIM FINANCIAL
STATEMENTS AND NOTES

(Expressed in Canadian Dollars)

The auditor of ENPAR Technologies Inc. has not performed a review of the unaudited condensed interim statements for the period ended September 30, 2018 and September 30, 2017.

CONTENTS

	Page
Notice to reader	1
Condensed statement of financial position	4
Condensed statement of changes in equity	5
Condensed statement of loss and comprehensive loss	6
Condensed statement of cash flows	7
Summarized Notes to the condensed financial statements	8 - 13

NOTICE TO READER

On the basis of information provided by management, we have compiled the condensed statement of financial position of Current Water Technologies Inc. as at September 30, 2018 and the condensed statements of loss and comprehensive loss, changes in equity and cash flows for the period then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

Guelph, Ontario
November 29, 2018



Tonin & Co. LLP
Chartered Professional Accountants
Licensed Public Accountants

CURRENT WATER TECHNOLOGIES INC.
CONDENSED STATEMENT OF FINANCIAL POSITION

Expressed in Canadian Dollars	As at September 30, 2018	As at December 31, 2017
ASSETS		
CURRENT		
Cash and cash equivalents (note 2)	\$ 239,565	\$ 124,480
Accounts receivable	322,993	28,686
Inventories	527,569	82,511
Prepaid expenses	<u>74,980</u>	<u>5,940</u>
	1,165,107	241,617
PROPERTY, PLANT AND EQUIPMENT (note 4)	136,173	34,057
PATENTS AND RIGHTS TO TECHNOLOGY (note 5)	17,089	26,649
GOODWILL - PUMPTRONICS INCORPORATED (note 3)	<u>2,866,337</u>	<u>100,000</u>
	<u><u>\$ 4,184,706</u></u>	<u><u>\$ 402,323</u></u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 602,837	\$ 199,791
Deferred revenue	<u>-</u>	<u>230,352</u>
	602,837	430,143
LOANS PAYABLE	<u>48,654</u>	<u>-</u>
	<u>651,491</u>	<u>430,143</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 6)	20,332,784	16,222,878
SHARES TO BE ISSUED (note 6)	-	80,000
WARRANTS (note 6)	421,469	267,321
CONTRIBUTED SURPLUS (page 3)	5,981,498	5,694,918
DEFICIT (page 3)	<u>(23,202,536)</u>	<u>(22,292,937)</u>
	<u>3,533,215</u>	<u>(27,820)</u>
	<u><u>\$ 4,184,706</u></u>	<u><u>\$ 402,323</u></u>
APPROVED ON BEHALF OF THE BOARD:		
 "Gene Shelp" Gene Shelp, P.Geo., Director	 "Edward Tsang" Edward Tsang, Director	

(The accompanying summarized notes form an integral part of these unaudited condensed interim financial statements)

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CURRENT WATER TECHNOLOGIES INC.
CONDENSED STATEMENT OF CHANGES IN EQUITY

Expressed in Canadian Dollars	Common shares (#)	Common shares Amount	Common shares to be issued	Warrants	Warrants to be issued	Contributed Surplus	Deficit	Total shareholders' equity
Balance - Jan. 1, 2017	110,203,919	\$ 15,706,401	\$ -	\$ 276,066	\$ -	\$ 5,299,532	\$ (20,999,848)	\$ 282,151
Net loss	-	-	-	-	-	-	(376,200)	(376,200)
Share-based payments	-	-	-	-	-	107,544	-	107,544
Private placements	6,150,000	615,000	-	-	-	-	-	615,000
Share issue cost	-	(91,523)	-	65,123	-	-	-	(26,400)
Expiration of warrants	-	-	-	(80,868)	-	80,868	-	-
Balance - Sept. 30, 2017	116,353,919	16,229,878	-	260,321	-	5,487,944	(21,376,048)	602,095
Net loss	-	-	-	-	-	-	(916,889)	(916,889)
Share-based payments	-	-	-	-	-	206,974	-	206,974
Share issue cost	-	(7,000)	-	7,000	-	-	-	-
Shares to be issued	-	-	80,000	-	-	-	-	80,000
Balance - Dec. 31, 2017	116,353,919	16,222,878	80,000	267,321	-	5,694,918	(22,292,937)	(27,820)
Net loss	-	-	-	-	-	-	(909,599)	(909,599)
Private Placements	17,896,333	2,684,450	(80,000)	-	-	-	-	2,604,450
Share-based payments	-	-	-	-	-	91,380	-	91,380
Share issue cost	-	(161,196)	-	-	-	-	-	(161,196)
Warrants	-	(349,348)	-	349,348	-	-	-	-
Expiration of warrants	-	-	-	(195,200)	-	195,200	-	-
Options exercised	1,350,000	136,000	-	-	-	-	-	136,000
Shares issued upon acquisition of Pumptronics	12,000,000	1,800,000	-	-	-	-	-	1,800,000
Balance - Sept. 30, 2018	147,600,252	\$ 20,332,784	\$ -	\$ 421,469	\$ -	\$ 5,981,498	\$ (23,202,536)	\$ 3,533,215

(The accompanying summarized notes form an integral part of these unaudited condensed interim financial statements)

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CURRENT WATER TECHNOLOGIES INC.
CONDENSED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	nine months ended September 30,		three months ended September 30,	
Expressed in Canadian Dollars	2018	2017	2018	2017
REVENUE	\$ <u>2,313,746</u>	\$ <u>674,298</u>	\$ <u>672,126</u>	\$ <u>188,769</u>
EXPENSES				
Direct operating expenses	\$ 2,466,112	\$ 655,927	\$ 803,061	\$ 216,486
General and administrative expenses	620,232	259,820	168,099	75,959
Depreciation and amortization	45,621	27,207	13,419	9,068
Share-based payments	<u>91,380</u>	<u>107,544</u>	<u>30,460</u>	<u>51,797</u>
	<u>3,223,345</u>	<u>1,050,498</u>	<u>1,015,039</u>	<u>353,310</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ <u>(909,599)</u>	\$ <u>(376,200)</u>	\$ <u>(342,913)</u>	\$ <u>(164,541)</u>
Basic and diluted loss per share	\$ <u>(0.006)</u>	\$ <u>(0.003)</u>	\$ <u>(0.002)</u>	\$ <u>(0.001)</u>
Weighted average number of shares outstanding - basic and diluted	<u>145,465,402</u>	<u>112,456,691</u>	<u>145,465,402</u>	<u>112,456,691</u>

(The accompanying summarized notes form an integral part of these unaudited condensed interim financial statements)

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CURRENT WATER TECHNOLOGIES INC.
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

Expressed in Canadian Dollars

	nine months ended September 30, 2018	nine months ended September 30, 2017
OPERATING ACTIVITIES		
Net earnings (loss) for the period	\$ (909,599)	\$ (376,200)
Add: Item not involving an outlay of cash		
Depreciation and amortization	45,621	27,207
Share-based payments	<u>91,380</u>	<u>107,544</u>
	(772,598)	(241,449)
CHANGES IN NON-CASH WORKING CAPITAL		
(Increase) decrease in accounts receivable	(294,307)	89,043
Increase in inventories	(445,058)	(379,670)
Increase in prepaid expenses	(69,040)	(27,250)
Increase in accounts payable and accrued liabilities	403,045	45,401
(Decrease) increase in deferred revenue	<u>(230,352)</u>	<u>431,250</u>
Cash flow from operating activities	<u>(1,408,310)</u>	<u>(82,675)</u>
INVESTING ACTIVITIES		
Investment in subsidiary	(1,170,720)	-
Acquisition of property, plant and equipment	<u>(13,799)</u>	<u>(4,000)</u>
Cash flow from investing activities	<u>(1,184,519)</u>	<u>(4,000)</u>
FINANCING ACTIVITIES		
Assumption of loans payable	48,655	-
Proceeds from issuance of shares (net of share issue cost)	<u>2,659,259</u>	<u>588,600</u>
Cash from financing activities	<u>2,707,914</u>	<u>588,600</u>
Net change in cash and cash equivalents during the period	115,085	501,925
Cash and cash equivalents, beginning of the period	<u>124,480</u>	<u>46,079</u>
Cash and cash equivalents, end of the period	<u>\$ 239,565</u>	<u>\$ 548,004</u>

(The accompanying summarized notes form an integral part of these unaudited condensed interim financial statements)

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CURRENT WATER TECHNOLOGIES INC.
Summarized Notes to the Condensed Financial Statements
For the nine months ended September 30, 2018
(Canadian dollars, except per share amounts)

1. CORPORATE INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

Corporate information

Current Water Technologies Inc. (the 'Company'), is incorporated under the Ontario Business Corporation Act and is a publically traded company whose common shares are listed under the symbol "WATR" on the Toronto Venture Exchange. Previously the Company's name was Enpar Technologies Inc. under the symbol "ENP" on the TSX Venture Exchange and changed its name effective January 2, 2018. The Company is engaged in the development of environmental technologies. The company currently markets its products throughout the world and in this regard the Company has signed a number of marketing and distribution agreements with various parties granting exclusive rights to these parties for the sale of the Company's various technologies in specific geographic regions. Generally the agreements call for a commission to be paid to the selling agent. The terms of the agreements vary from 18 months to 10 years. The Company's corporate head office and principal place of business is located at 70 Southgate Drive, Unit 4, Guelph, Ontario, Canada N1G 4P5.

Basis of Presentation and statement of compliance

These condensed consolidated interim financial statements ("interim financial statements") of Current Water Technologies Inc. were approved for issuance by the Board of Directors on November 29, 2018. The interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These interim financial statements do not include all disclosures normally provided in consolidated annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended December 31, 2017.

The policies applied in these interim consolidated financial statements are based on IFRS's issued and outstanding as of September 30, 2018. Any subsequent changes to IFRS, which may give effect to the Company's annual financial statements for the year ending December 31, 2017, could result in restatement of these interim financial statements.

These financial statements have been prepared under the assumption that the Company is a going concern. This assumption, among other things, contemplates that the Company will be able to realize on its assets and discharge its liabilities in the normal course of operations. The Company has incurred a loss during the period in the amount of \$909,599 (2017: \$376,200), resulting in an accumulated deficit of \$23,202,536 (2017: \$21,376,048) and generated a negative cash flow from operations in the amount of \$1,408,310 (2017: \$82,675). The Company has been able to fund these operating losses mainly by raising equity; however, there can be no assurance that the Company will be able to do so in the future. Should the going concern assumption be proven to be invalid the carrying amounts of certain assets may have to be restated. Management has estimated that the Company will have adequate funds from existing working capital to meet its corporate, administrative, and other obligations for the coming year.

These interim financial statements are presented in Canadian dollars, which is our presentation and functional currency. These interim financial statements have been prepared using the historical cost basis except for certain financial instruments that have been evaluated at fair value. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

These condensed interim consolidated financial statements incorporate the financial statements of Current Water Technologies Inc. and its subsidiary, Pumptronics Incorporated over which Current Water Technologies Inc. has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee.

Significant accounting policies

The significant accounting policies used in the preparation of these condensed consolidated interim financial statements are consistent with those described in the notes to the Company's annual financial statements for the year ended December 31, 2017.

Key accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates are used when accounting for items such as collectability of receivables, share-based payments, income taxes, fair value of financial assets and liabilities and amounts and likelihood of contingencies. Actual results may differ from these estimates.

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Significant accounting policies - continued

Estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. CASH AND CASH EQUIVALENTS

The cash and cash equivalents balance of \$239,565 has been invested in bank deposits.

3. ACQUISITION OF SUBSIDIARY

On January 8th, 2018, Current Water Technologies acquired 100% of the Class B shares of Pumptronics Inc. for a total purchase price of \$3,000,000. Cash consideration totaling \$1,200,000 included \$700,000 cash paid on the date of closing, \$100,000 by way of credit of the deposit previously paid by the Company to the vendor, and payment of \$400,000 by issuance of a promissory note to the vendor or as the vendor may direct. The balance settled through the issue of 12,000,000 common shares of the Company at a purchase price of \$0.15 per common share issued and delivered on closing. The primary reason for the purchase is expected synergies with both organizations.

4. PROPERTY, PLANT AND EQUIPMENT

	Cost January 1, 2018	Accumulated Amortization January 1, 2018	Additions (disposal)	Depreciation	Impairment loss	Net September 30, 2018
Office furniture and fixtures	\$ 62,199	\$ 54,824	\$ -	\$ 1,107	\$ -	\$ 6,268
Equipment	91,421	69,270	100,974	70,687	-	52,438
Computer hardware	93,546	89,015	2,999	1,245	-	6,285
Automotive	-	-	386,354	315,172	-	71,182
Leasehold improvements	313,298	313,298	-	-	-	-
Demonstration units	50,872	50,872	-	-	-	-
	<u>\$ 611,336</u>	<u>\$ 577,279</u>	<u>\$ 490,327</u>	<u>\$ 388,211</u>	<u>\$ -</u>	<u>\$ 136,173</u>

	Cost January 1, 2017	Accumulated Amortization January 1, 2017	Additions (disposal)	Depreciation	Impairment loss	Net December 31, 2017
Office furniture and fixtures	\$ 62,199	\$ 52,980	\$ -	\$ 1,844	\$ -	\$ 7,375
Equipment	74,433	65,856	16,988	3,414	-	22,151
Computer hardware	93,546	87,073	-	1,942	-	4,531
Leasehold improvements	313,298	313,298	-	-	-	-
Demonstration units	50,872	47,420	-	3,452	-	-
	<u>\$ 594,348</u>	<u>\$ 566,627</u>	<u>\$ 16,988</u>	<u>\$ 10,652</u>	<u>\$ -</u>	<u>\$ 34,057</u>

5. PATENTS AND RIGHTS TO TECHNOLOGY

	Cost January 1, 2018	Accumulated Amortization January 1, 2018	Additions (disposal)	Depreciation	Write offs	Net September 30, 2018
Patents	\$ 545,983	\$ 522,274	\$ -	\$ 9,428	\$ -	\$ 14,281
Rights to technology	10,000	7,060	-	132	-	2,808
	<u>\$ 555,983</u>	<u>\$ 529,334</u>	<u>\$ -</u>	<u>\$ 9,560</u>	<u>\$ -</u>	<u>\$ 17,089</u>

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	Cost January 1, 2017	Accumulated Amortization January 1, 2017	Additions (disposal)	Depreciation	Write offs	Net December 31, 2017
Patents	\$ 545,983	\$ 495,538	\$ -	\$ 26,736	\$ -	\$ 23,709
Rights to technology	10,000	6,872	-	188	-	2,940
	<u>\$ 555,983</u>	<u>\$ 502,410</u>	<u>\$ -</u>	<u>\$ 26,924</u>	<u>\$ -</u>	<u>\$ 26,649</u>

6. CAPITAL STOCK

(a) Capital stock consists of \$21,376,048 common shares. An unlimited number of common shares and an unlimited number preferred shares are authorized. To date the Company has not issued any preferred shares. The following are share issuances and cancellations for the most recently completed financial year up to the most recently completed quarter.

- (i) On September 28, 2017, the Company closed a non-brokered private placement to accredited investors for 3,500,000 units at a price of \$0.10 per unit for gross proceeds of \$350,000. Each Unit consists of one common share and half a share purchase warrant for a total of 1,750,000 warrants. Each warrant entitles the holder to acquire one additional common share for a period of two years from the closing at a price of \$0.15 per common share. The Company paid a commission of \$26,400 on this private placement. A total of \$39,550 is allocated as value of the warrants attached to the units. In addition, 264,000 finders warrants were issued with an exercise price of \$0.15. Each warrant entitles the holder to purchase one common share of the Company for \$0.15 on or before September 28, 2019. The fair value of the finders warrants issued was \$7,000 and has been included in the share issuance costs. The value of the shareholder and finders warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 0%, expected volatility of 72%, risk free interest rate of 1.00% and expected life of 2 years. All securities issued under, or in connection with, the Offering are subject to a four-month hold period under applicable Canadian securities laws.
- (ii) On January 8, 2018 to facilitate the acquisition of Pumptronics Inc., the Company closed an initial tranche non-brokered private placement to accredited investors for 8,834,001 units at a price of \$0.15 per unit for gross proceeds of \$1,325,999. Each Unit consists of one common share and half a share purchase warrant for 4,416,998 units. Each warrant entitles the holder to acquire one additional common share for a period of two years from the closing at a price of \$0.25 per common share. A total of \$69,488 is allocated as value of the warrants attached to the units. The value of the shareholder warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 0%, expected volatility of 80%, risk free interest rate of 1.00% and expected life of 2 years.
- (iii) On February 2, 2018, the Company closed the second tranche of a non-brokered private placement to accredited investors for 6,003,332 units at a price of \$0.15 per unit for gross proceeds of \$900,499. Each Unit consists of one common share and half a share purchase warrant for 3,001,666 units. Each warrant entitles the holder to acquire one additional common share for a period of two years from the closing at a price of \$0.25 per common share. A total of \$157,587 is allocated as value of the warrants attached to the units. The value of the shareholder warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 0%, expected volatility of 80%, risk free interest rate of 1.00% and expected life of 2 years.
- (iv) On February 17, 2018, the Company closed the third and final tranche of a non-brokered private placement to accredited investors for 3,059,000 units at a price of \$0.15 per unit for gross proceeds of \$458,850. Each Unit consists of one common share and half a share purchase warrant for 1,529,500 units. Each warrant entitles the holder to acquire one additional common share for a period of two years from the closing at a price of \$0.25 per common share. A total of \$84,816 is allocated as value of the warrants attached to the units. The value of the shareholder warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 0%, expected volatility of 72%, risk free interest rate of 1.00% and expected life of 2 years.

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6. CAPITAL STOCK - continued

In connection with the three above noted tranches, the Company has paid finder's fees consisting of cash payments equal to 8% of the aggregate proceeds and 8% of granted warrants from subscriptions arranged by the Finders for an aggregate total of \$161,196 cash and 1,074,640 warrants. The value allocated to the finders warrants issued was \$37,457 and has been included in the share issuance costs. The value of the finders warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 0%, expected volatility of 80%, risk free interest rate of 1.00% and expected life of 2 years.

- (v) On January 4, 2018, 550,000 options were exercised at a price of \$0.10 per share for gross proceeds of \$55,000.
- (vi) On March 17, 2018, 800,000 options were exercised at a price of \$0.10125 per share for gross proceeds of \$81,000.
- (vii) Basic income (loss) per share was calculated on the basis of the weighted average number of common shares outstanding for the year. Fully dilutive income (loss) per share has not been disclosed as the exercise of the common share purchase options and warrants outstanding as at September 30, 2018 and 2017 would have anti-dilutive effect.

(b) Stock incentive plan

Approved by the shareholders on July 8, 2008 and pursuant to Policy 4.4 of the TSX Venture Exchange, the Company maintains a Stock Incentive Plan for designated officers, directors, consultants and employees. Each stock option entitles the holder to one common share. Under the terms of the plan the term of the options shall not exceed five years. The Option price of any shares in respect of which an option may be granted under the Plan shall be not less than the closing price of the Company's common shares on the TSX Venture Exchange on the last day of trading immediately preceding the date of the grant less any applicable discount, provided that where the common shares have not traded for a period of twenty days (20) preceding the date of grant, the Option price shall be determined based upon the average between the closing bid and asked prices for the five days (5) immediately preceding the date of grant. A summary of the status of the outstanding and exercisable stock options under the Stock Incentive Plan is presented below:

	Options	Weighted average exercise price
Outstanding, January 1, 2017	12,900,000	\$ 0.11
Granted, April 21, 2017	5,775,000	0.10
Expired	(5,950,000)	0.11
Outstanding, December 31, 2017	12,725,000	\$ 0.10
Exercised, January 4, 2018	(550,000)	0.10
Granted, January 19, 2018	750,000	0.15
Exercised, March 17, 2018	(800,000)	0.10125
Cancelled	(900,000)	0.10
Outstanding, September 30, 2018	11,225,000	\$ 0.11

The following table summarizes information about the options outstanding at September 30, 2018:

Exercise price	Options outstanding	Remaining contractual life in years
\$ 0.10	9,725,000	4.50
\$ 0.15	1,500,000	5.03
	11,225,000	4.57

In determining the expense for the share based payments during the period, the fair value of the options were estimated using a Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 0%, expected volatility of 83% (2017: 83%), risk-free interest rate of 1.46% (2017: 1.46%) and expected life of 2 to 10 years.

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6. CAPITAL STOCK - continued

(c) Warrants

The following table summarizes information about common share purchase warrants outstanding at September 30, 2018:

	Warrants outstanding	Weighted average exercise price	Weighted Average Remaining contractual life in years
Outstanding January 1, 2017	9,020,834	\$ 0.14	0.83
Issued - private placements	3,339,000	0.15	
Expired	(3,687,500)	0.14	
Outstanding December 31, 2017	8,672,334	\$ 0.14	0.72
Issued - private placements	10,022,804	0.25	
Expired	(5,333,334)	0.135	
Outstanding September 30, 2018	13,361,804	\$ 0.24	1.54

7. CONTINGENT LIABILITIES

Upon commercialization of the Acid Mine Drainage Technology ("AmdELTechnology"), payments shall be made annually in an amount equal to the greater of \$20,000 or 25% of the net annual after tax income of the Corporation, as confirmed by audited annual financial statements, until an aggregate amount of \$80,000 is paid to Dofasco Inc. The AmdEL Technology shall be considered to be commercialized when the first contract on commercial terms for its use is received. At September 30, 2018, management did not consider the AmdEL Technology to be commercialized.

8. GEOGRAPHIC INFORMATION

All of the Company's operations and assets are located in Canada.

9. FINANCIAL INSTRUMENTS

Credit Risk

The Company's financial assets include cash and cash equivalents, and accounts receivable. The Company's maximum exposure to credit risk as at September 30, 2018, is the carrying value of its financial assets. The Company manages credit risk by maintaining bank and broker accounts with reputable banks and financial institutions.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2018, the Company had cash and cash equivalent balances of \$239,565 (2017 - \$124,480) to settle current liabilities of \$602,837 (2017 - \$430,143). Of the amount outstanding, \$602,837 (2017 - \$199,791) of the Company's financial liabilities have contractual maturities of less than 30 days, and are subject to normal trade terms.

Interest rate risk

The Company's debt is limited to accounts payable and accrued liabilities. The company therefore has limited exposure to interest rate risk.

Foreign currency rate risk

The Company has bank balances, accounts receivable, and accounts payable that are in US dollars and therefore subject to foreign currency rate risk.

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9. FINANCIAL INSTRUMENTS - continued

Fair value of financial instruments and Hierarchy

The book value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, other liabilities, and loans payable all approximate their fair values as at September 30, 2018. The Company did not hold any FVTPL financial instruments during the current year.

For disclosure purposes, the Company categorizes its financial assets and liabilities measured at the fair value into one of three different levels depending on the observation of the inputs used in the measurement.

The three levels are defined as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Fair value is based on inputs other than quoted prices included within Level 1 that are not observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs.

As at September 30, 2018 the Company's financial instruments are cash and cash equivalents, considered to be Level 1 as the market value is readily available.

10. CAPITAL MANAGEMENT

The Company manages its capital (debt, including accounts payable and loans payable and equity, including capital stock and contributed surplus) to ensure that the Company will be able to continue as a going concern while attempting to maximize the return to shareholders through the optimization of a reasonable equity balance commensurate with current operating requirements. The strategy remains unchanged from 2017. The Company raises capital, as necessary, to meet its needs and to take advantage of perceived opportunities and therefore, does not have a numeric target for its capital structure. There were no changes to the Company's approach to capital management during the period ended September 30, 2018 compared to the year ended December 31, 2017. The Company does not have any covenants respecting its capital ratios.