

## NOTICE TO READER

Current Water Technologies Inc. has refiled the condensed statement of financial position of Current Water Technologies Inc. as at June 30, 2020 with revisions to the *Condensed Statement of Changes in Equity* (page 5) to include the proper comparative data. All other information remains unchanged.



SECOND QUARTER 2020  
Revised October 15, 2020

## UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND NOTES

(Expressed in Canadian Dollars)

Prepared without audit – See Notice to Reader

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## CONTENTS

	Page
Notice to reader.....	3
Condensed statement of financial position.....	4
Condensed statement of changes in equity .....	5
Condensed statements of earnings and comprehensive loss .....	6
Condensed statements of cash flows.....	7
Summarized notes to the condensed financial statements .....	8

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## **Notice to reader**

The Company has compiled the condensed statement of financial position of Current Water Technologies Inc. as at June 30, 2020 and the condensed statements of earnings 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.

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## CONDENSED STATEMENT OF FINANCIAL POSITION

Expressed in Canadian Dollars	As at June 30 2020	As at December 31 2019
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents (note 2)	195,654	72,264
Accounts receivable	314,829	60,681
Inventories	397,558	397,558
Prepaid	-	2,751
Current total	908,041	533,254
<b>RIGHT-TO-USE ASSET</b> (note 3)	425,175	488,951
<b>PROPERTY, PLANT AND EQUIPMENT</b> (note 5)	109,517	121,912
<b>INTANGIBLE ASSETS</b> (Patents) (note 6)	2,520	2,598
	1,445,253	1,146,715
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	254,681	436,466
Deferred revenue	708,688	544,562
Lease Liability (note 3)	431,551	489,880
Loans Payable (note 10)	100,985	28,920
	1,495,905	1,499,828
<b>SHAREHOLDERS' DEFICIT</b>		
<b>CAPITAL STOCK</b> (note 7)	19,826,341	19,588,211
<b>Warrants</b> (note 7)	289,979	583,918
<b>Contributed surplus</b>	7,134,738	6,538,800
	27,251,057	26,710,929
<b>DEFICIT</b>	(27,301,709)	(27,064,042)
	(50,652)	(353,113)
	1,445,253	1,146,715
<b>APPROVED ON BEHALF OF THE BOARD:</b>		
<i>"Gene Shelp"</i> Gene Shelp, Director	<i>"Alex Kaszuba"</i> Alex Kaszuba, Director	

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

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## CONDENSED STATEMENT OF CHANGES IN EQUITY

	Common shares		To be issued	Warrants	Contributed Surplus	Deficit	Total
	Number	Amount					
<b>Balance – January 1, 2019</b>	<b>150,629,538</b>	<b>\$ 19,588,211</b>	-	<b>\$ 656,039</b>	<b>\$ 6,352,822</b>	<b>\$(27,084,009)</b>	<b>\$ (486,937)</b>
Net income for the year	-	-	-	-	-	234,318	\$ 234,318
Share based payments	-	-	-	-	10,801	-	\$ 10,801
Expiration of warrants	-	-	-	(25,573)	25,573	-	\$ -
<b>Balance – June 30, 2019</b>	<b>150,629,538</b>	<b>\$ 19,588,211</b>	-	<b>\$ 630,466</b>	<b>\$ 6,389,196</b>	<b>\$(26,849,691)</b>	<b>\$ (241,818)</b>
Net loss/income	-	-	-	-	-	(214,351)	\$ (214,351)
Share based payments	-	-	-	-	103,056	-	\$ 103,056
Expiration of warrants	-	-	-	(46,548)	46,548	-	\$ -
<b>Balance – December 31, 2019</b>	<b>150,629,538</b>	<b>\$ 19,588,211</b>	-	<b>\$ 583,918</b>	<b>\$ 6,538,800</b>	<b>\$(27,064,042)</b>	<b>\$ (353,113)</b>
Net loss/income						(237,667)	\$ (237,667)
Share-based payments					50,928		\$ 50,928
Share issue cost		(10,800)					\$ (10,800)
Private Placement	25,000,000	500,000	-				\$ 500,000
Warrants		(251,070)		251,070			\$ -
Expiration of warrants				(545,009)	545,009		\$ -
<b>Balance – June 30, 2020</b>	<b>175,629,538</b>	<b>\$ 19,826,341</b>	-	<b>\$ 289,979</b>	<b>\$ 7,134,737</b>	<b>\$(27,301,709)</b>	<b>\$ (50,652)</b>

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

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## CONDENSED STATEMENTS OF EARNINGS AND COMPREHENSIVE LOSS FOR THE SIX MONTHS ENDED JUNE 30, 2020

Expressed in Canadian Dollars	Six months Ended June 30		Three months Ended June 30	
	2020	2019	2020	2019
<b>REVENUE - sales</b>	\$ 671,417	\$ 1,403,489	\$ 463,512	\$ 860,833
<b>EXPENSES</b>				
Direct operating expenses	\$ 355,742	\$ 669,076	\$ 221,654	\$ 525,150
General and administrative expenses	248,860	449,073	89,026	184,681
Interest expense - long term	13,183	-	6,414	
Depreciation and amortization	76,245	40,222	38,120	10,677
Share-based payments	50,928	10,800	17,713	5,400
	<u>744,958</u>	<u>1,169,171</u>	<u>372,927</u>	<u>725,908</u>
<b>NET EARNINGS (COMPREHENSIVE LOSS) FOR THE PERIOD</b>	<u>\$ (73,541)</u>	<u>\$ 234,318</u>	<u>\$ 90,585</u>	<u>\$ 134,925</u>
<b>Basic and diluted earnings (loss) per share</b>	<u>0.000</u>	<u>0.002</u>	<u>(0.001)</u>	<u>0.001</u>
<b>Weighted average number of shares outstanding – basic and diluted</b>	<u>160,751,760</u>	<u>150,629,538</u>	<u>151,485,094</u>	<u>150,629,538</u>

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

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## CONDENSED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2020

Expressed in Canadian dollars	Six months Ended June 30	
	2020	2019
<b>Operating activities</b>		
Net earnings (loss) for the period	\$ (73,541)	\$ 234,318
Add: Items not involving an outlay of cash		
Depreciation and amortization	76,245	40,222
Share-based payments	50,928	10,800
	\$ 53,633	\$ 285,340
Changes in non-cash working capital		
Decrease (Increase) in accounts receivable	(254,147)	
Decrease (Increase) in inventories	-	(21,909)
Decrease (Increase) in prepaid expenses	2,751	(15,811)
Increase (Decrease) in accounts payable and accrued liabilities	(181,784)	(98,538)
	\$ (379,547)	\$ 181,587
Cash flow from operating activities		
<b>Financing activities</b>		
Common Shares issued for cash (net share issue costs)	489,200	-
Assumption of loans payable	72,066	(7,930)
Reduction of Lease liability	(58,329)	-
Cash flow from financing activities	\$ 502,937	\$ (7,930)
<b>Net change in cash and cash equivalents during the period</b>	123,390	173,657
<b>Cash and cash equivalents, beginning of period</b>	72,264	97,687
<b>Cash and cash equivalents, end of period</b>	\$ 195,654	\$ 279,274

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

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## **SUMMARIZED NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020 (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 Corporations Act and is a publicly traded company whose common shares are listed under the symbol "WATR" on the TSX 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. 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 August 25, 2020. 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, 2019.

The policies applied in these interim consolidated financial statements are based on IFRS's issued and outstanding as of June 30, 2020. Any subsequent changes to IFRS, which may give effect to the Company's annual financial statements for the year ending December 31, 2019, 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 had net losses during the three month period in the amount of \$73,541 (2019: \$234,318), resulting in an accumulated deficit of \$27,301,709 (2019: deficit of \$26,849,691) and generated a negative cash flow from operations in the amount of \$379,547 (2019: \$181,587). 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.

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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, 2019.

### **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.

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 \$195,654 has been invested in bank deposits.

## **3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Effective January 1, 2019, the Company adopted IFRS 16 - Leases (IFRS 16), which supersedes IAS 17 - Leases (IAS 17) and its interpretive guidance.

IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases for both parties to a lease. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. Right-of-use assets and lease liabilities will be amortized with a different pattern of expense being recognized in the statement of earnings (loss).

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate of 5.95% as of January 1, 2019.

The associated right-of-use asset was measured at an amount equal to the lease liability. There were no onerous lease contracts requiring an adjustment to the right-of-use-asset at the date of initial application.

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The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

Right-of-use asset - increased by \$202,837

Lease liability - increased by \$202,837

#### 4. 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 \$2,266,168. 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.

#### 5. PROPERTY, PLANT AND EQUIPMENT

	Cost January 1, 2020	Accumulated Amortization January 1, 2020	Additions (disposal)	Depreciation	Impairment loss	Net June 30, 2020
Office furniture and fixtures	\$ 72,060	\$ 60,240	\$ -	\$ 1,182	\$ -	\$ 10,638
Equipment	149,764	95,112	-	5,465	-	49,187
Computer hardware	96,545	92,540	-	601	-	3,404
Automotive	91,849	40,414	-	5,146	-	46,289
Leasehold improvements	313,298	313,298	-	-	-	-
Demonstration units	50,872	50,872	-	-	-	-
	<u>\$ 774,388</u>	<u>\$ 652,476</u>	<u>\$ -</u>	<u>\$ 12,393</u>	<u>\$ -</u>	<u>\$ 109,517</u>

	Cost January 1, 2019	Accumulated Amortization January 1, 2019	Additions (disposal)	Depreciation	Impairment loss	Net January 1, 2020
Office furniture and fixtures	\$ 72,060	\$ 60,240	\$ -		\$ -	11,820
Equipment	149,762	95,112	-		-	54,652
Computer hardware	96,545	92,540	-		-	4,005
Automotive	91,849	40,414	-		-	51,435
Leasehold improvements	313,298	313,298	-	-	-	-
Demonstration units	50,872	50,872	-	-	-	-
	<u>\$ 774,385</u>	<u>\$ 640,152</u>	<u>\$ -</u>	<u>\$ 8,312</u>	<u>\$ -</u>	<u>\$ 121,912</u>

#### 6. PATENTS AND RIGHTS TO TECHNOLOGY

	Cost January 1, 2020	Accumulated Amortization January 1, 2020	Additions Disposals	Amortization	Impairment Loss	Net June 30, 2020
Patents	\$ 545,983	\$ 545,983	\$ -	\$ -	\$ -	\$ -
Right to technology	10,000	7,402	-	78	-	2,520
	<u>\$ 555,983</u>	<u>\$ 553,385</u>	<u>\$ -</u>	<u>\$ 78</u>	<u>\$ -</u>	<u>\$ 2,520</u>

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**Patents and Rights to Technology cont'd**

	Cost January 1, 2019	Accumulated Amortization January 1, 2019	Additions Disposals	Amortization	Impairment Loss	Net December 31, 2019
Patents	\$ 545,983	\$ 534,845	\$ -	\$ 11,138	\$ -	\$ -
Right to technology	10,000	7,236	-	166	-	2,598
	<u>\$ 555,983</u>	<u>\$ 542,081</u>	<u>\$ -</u>	<u>\$ 11,304</u>	<u>\$ -</u>	<u>\$ 2,598</u>

**7. CAPITAL STOCK**

- (a) Capital stock consists of 175,629,538 common shares. An unlimited number of common shares and an unlimited number of 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 March 24, 2020 the Company closed the first tranche of a private placement (“Private Placement”) by issuing 11,000,000 units at \$0.02 per unit for gross proceeds of \$220,000. Each Unit is comprised of one Common Share in the capital stock of the Company and one Share Purchase Warrant (“Warrant”). Each Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.05 per Share, which is exercisable for a period of five (5) years from the date of closing. Of the total private placement 11,000,000 units for a total of \$220,000 were issued to insiders of the Company. The Private Placement was made pursuant to the grant of a ‘discretionary waiver’ of the TSX Venture Exchange minimum \$0.05 pricing requirement and is subject to acceptance by the TSX Venture Exchange. All securities issued pursuant to the Private Placement will be subject to a four month and one day hold period, in accordance with applicable securities laws.
  - ii) On April 24, 2020 the Company closed the second tranche of a private placement (“Private Placement”) by issuing 9,500,000 units at \$0.02 per unit for gross proceeds of \$190,000. Each Unit is comprised of one Common Share in the capital stock of the Company and one Share Purchase Warrant (“Warrant”). Each Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.05 per Share, which is exercisable for a period of five (5) years from the date of closing. Of the total private placement 9,500,000 units for a total of \$100,000 were issued to insiders of the Company, \$5,400 was paid in finder’s fees and 270,000 in Share Purchase Warrants issued. The Private Placement was made pursuant to the grant of a ‘discretionary waiver’ of the TSX Venture Exchange minimum \$0.05 pricing requirement and is subject to acceptance by the TSX Venture Exchange. All securities issued pursuant to the Private Placement will be subject to a four month and one day hold period, in accordance with applicable securities laws.
  - iii) On May 15, 2020 the Company closed the first tranche of a private placement (“Private Placement”) by issuing 4,500,00 units at \$0.02 per unit for gross proceeds of \$90,000. Each Unit is comprised of one Common Share in the capital stock of the Company and one Share Purchase Warrant (“Warrant”). Each Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.05 per Share, which is exercisable for a period of five (5) years from the date of closing. \$5,400 was paid in finder’s fees and 270,000 in Share Purchase Warrants issued. The Private Placement was made pursuant to the grant of a ‘discretionary waiver’ of the TSX Venture Exchange minimum \$0.05 pricing requirement and is subject to acceptance by the TSX Venture Exchange. All securities issued pursuant to the Private Placement will be subject to a four month and one day hold period, in accordance with applicable securities laws.
  - iv) 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

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common share purchase options and warrants outstanding as at June 30, 2020 and 2019 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:

The following table summarized information about the options outstanding at June 30, 2020:

	Options	Weighted average exercise price
Outstanding, January 1, 2019	11,775,000	0.11
Expired, January 15, 2019	(2,775,000)	0.10
Expired, July 11, 2019	(1,050,000)	0.14
Granted, September 6, 2019	5,200,000	0.05
Expired, September 18, 2019	(250,000)	0.10
Expired, September 19, 2019	(75,000)	0.10
Cancelled, September 30, 2019	(250,000)	0.15
Outstanding, December 31, 2019	12,575,000	0.08
Outstanding, June 30, 2020	12,575,000	0.08

	Options outstanding	Remaining contractual life in years	Weighted average exercise price
\$0.05	5,200,000	9.19	
\$0.10	7,125,000	4.44	
\$0.15	250,000	2.82	
	12,575,000	6.37	\$0.08

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 82.16% (2019: 108%), risk-free interest rate of 0.36% (2019: 2.27%) and expected life of 10 years (2019: 2 to 10 years).

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(c) Warrants

The following table summarizes information about common share purchase warrants outstanding at June 30, 2020:

	Warrants outstanding	Weighted average exercise price	Weighted average remaining contractual life in years
Outstanding January 1, 2018	8,672,334	0.140	0.72
Issued - private placements	11,625,447	0.220	
Expired	(5,333,334)	0.135	
Outstanding December 31, 2018	14,964,447	0.140	1.35
Expired	(3,339,000)	0.150	
Outstanding December 31, 2019	11,625,447	0.230	0.18
Expired	(10,022,804)	0.250	
Issued - private placements	11,000,000	0.050	
Outstanding March 31, 2020	12,602,643	0.060	4.44
Issued - private placements	14,540,000	0.050	
Outstanding June 30, 2020	27,142,643	0.050	4.65

## 8. CONTINGENT LIABILITIES

Upon commercialization of the Acid Mine Drainage Technology ("AmdEL Technology"), 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, 2019, management did not consider the AmdEL Technology to be commercialized.

## 9. GEOGRAPHIC INFORMATION

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

On January 8, 2018, the Company acquired Pumptronics Inc. to realize operational efficiencies and as a result, the Company now has two operating segments. Key measures used by the CODM in assessing performance and in making resource allocation decisions include revenues, gross profit and net loss.

The Company's operating results are divided into two reportable operating segments. The two reportable operating segments are Current Water and Pumptronics. Included in Current Water is corporate activity.

**Current Water segment, ("Current Water")** operates in treating water and engineering, manufacturing and sales of advanced water systems.

**Pumptronics segment, ("Pumptronics")** engages in developing hydraulic fluid systems to move water and other liquids.

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## 10. 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 June 30, 2020, 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 June 30, 2020, the Company had cash and cash equivalent balances of \$195,654 (2019: \$271,344) to settle current liabilities of \$1,495,905 (2019: \$1,249,202). Of the amount outstanding, \$254,681 (2019 - \$574,973) 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 and in April 2020 the Company obtained bank loans financing totaling \$80,000 under the terms of the Canada Emergency Business Account. The loan is government guaranteed, non-interest bearing up to December 31, 2022. If 75% of the loan is repaid by December 31, 2022 the remaining 25% balance will be forgiven. If still outstanding on December 31, 2022 the loan will bear interest at an annual rate of 5% and will be due in full by December 31, 2025. 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.

### 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 June 30, 2020. 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 June 30, 2020 the Company's financial instruments are cash and cash equivalents, considered to be Level 1 as the market value is readily available. The company does not have any financial assets or liabilities recorded at fair value or reoccurring basis.

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## 11. 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 2020. 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 June 30, 2020 compared to the year ended December 31, 2019. The Company does not have any covenants respecting its capital ratios.

## 12. COVID 19 UPDATE

The outbreak of the novel strain of coronavirus, specifically identified as "COVID 19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID 19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiary in future periods.

In keeping with government recommended protective measures for businesses and the general public, the Company implemented a shut down on March 20th and returned to regular business as of May 11th, 2020.

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