



**THIRD QUARTER 2021
UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS AND NOTES**

(Expressed in Canadian Dollars)

The auditor of Current Water Technologies Inc. has not performed a review of the unaudited condensed interim statement for the periods ended September 30, 2021 and September 30, 2020.

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NOTICE TO READER

The Company has compiled the condensed statement of financial position of Current Water Technologies Inc. as at September 30, 2021 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.

CONDENSED STATEMENT OF FINANCIAL POSITION

Expressed in Canadian Dollars	As at September 30 2021	As at December 31 2020
CURRENT ASSETS		
Cash and cash equivalents (note 2)	697,296	132,533
Accounts receivable	150,384	154,789
Inventories	585,258	585,258
Prepaid	-	2,174
Current total	1,432,938	874,754
RIGHT-TO-USE ASSET (note 3)	265,734	361,398
PROPERTY, PLANT AND EQUIPMENT (note 5)	173,810	97,126
INTANGIBLE ASSETS (Patents) (note 6)	2,332	2,442
	1,874,814	1,335,720
CURRENT LIABILITIES		
Current		
Accounts payable and accrued liabilities	192,175	351,870
Deferred revenue	544,562	544,562
Lease Liability (note 3)	278,080	371,507
Loans Payable (note 10)	126,104	131,987
	1,140,921	1,399,926
SHAREHOLDERS' DEFICIT		
CAPITAL STOCK (note 7)	20,022,724	19,724,565
Warrants (note 7)	1,790,712	352,846
Contributed surplus	7,301,110	7,230,248
	29,114,545	27,307,658
DEFICIT	(28,380,652)	(27,371,864)
	733,893	(64,206)
	\$ 1,874,814	\$ 1,335,720

APPROVED ON BEHALF OF THE BOARD:

"Gene Shelp"
Gene Shelp, Director

"Alex Kaszuba"
Alex Kaszuba, Director

(The accompanying summarized notes form an integral part of these unaudited condensed interim financial statements)
Prepared without audit – see Notice to Reader

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Common shares		Warrants	Contributed Surplus	Deficit	Total
	Number	Amount				
Balance – January 1, 2020	150,629,538	\$ 19,588,211	\$ 583,918	\$6,538,800	\$ (27,064,042)	\$ (353,113)
Net loss/income					(109,250)	\$ (109,250)
Share-based payments				65,503		\$ 65,503
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		\$ -
Balance – September 30, 2020	175,629,538	19,826,341	289,979	7,149,312	(27,173,292)	92,340
Net loss/income					(198,572)	\$ (198,572)
Share-based payments				42,026		\$ 42,026
Share issue cost						\$ -
Private Placement	-	-				\$ -
Warrants		(101,776)	62,867			\$ (38,909)
Expiration of warrants			-	38,909		\$ 38,909
Balance – December 31, 2020	175,629,538	19,724,565	352,846	7,230,247	(27,371,864)	(64,206)
Balance – January 1, 2021	175,629,538	\$ 19,724,565	\$ 352,846	\$7,230,247	\$ (27,371,864)	\$ (64,206)
Net loss/income		-			(1,008,788)	\$ (1,008,788)
Share-based payments		-		70,862		\$ 70,862
Share issue cost		(96,250)				\$ (96,250)
Private Placement	33,165,500	1,658,275				\$ 1,658,275
Warrants exercised	3,480,000	174,000				\$ 174,000
Warrants		(1,437,866)	1,437,866			\$ -
Expiration of warrants		-				\$ -
Balance – September 30, 2021	212,275,038	\$ 20,022,724	\$1,790,712	\$7,301,110	\$ (28,380,652)	\$ 733,893

(The accompanying summarized notes form an integral part of these unaudited condensed interim financial statements)
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CONDENSED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Expressed in Canadian Dollars	Nine months ended September 30		Three months Ended September 30	
	2021	2020	2021	2020
REVENUE - sales	\$ 1,019,691	\$ 1,090,753	\$ 160,171	\$ 419,336
EXPENSES				
Direct operating expenses	\$ 1,320,913	\$ 660,898	\$ 425,331	\$ 305,156
General and administrative expenses	510,509	340,069	\$ 160,387	91,209
Interest expense - long term	13,841	19,165	\$ 4,193	5,982
Depreciation and amortization	112,354	114,368	\$ 37,451	38,123
Share-based payments	70,862	65,503	\$ 13,225	14,575
	\$ 2,028,479	1,200,003	640,588	455,045
NET EARNINGS (COMPREHENSIVE LOSS) FOR THE PERIOD	\$ (1,008,788)	\$ (109,250)	\$ (480,417)	\$ (35,709)
Basic and diluted earnings (loss) per share	(0.006)	0.000	(0.003)	(0.001)
Weighted average number of shares outstanding – basic and diluted	163,386,181	122,623,458	163,386,181	122,623,458

(The accompanying summarized notes form an integral part of these unaudited condensed interim financial statements)
Prepared without audit – see Notice to Reader

CONDENSED STATEMENTS OF CASH FLOWS

Expressed in Canadian dollars	Nine months Ended September 30	
	2021	2020
Operating activities		
Net earnings (loss) for the period	\$ (1,008,788)	\$ (109,250)
Add: Items not involving an outlay of cash		
Depreciation and amortization	112,354	114,368
Share-based payments	70,862	65,503
	\$ (825,572)	\$ 70,622
Changes in non-cash working capital		
Decrease (Increase) in accounts receivable	4,404	(186,294)
Increase (Decrease) in inventories	-	-
Increase (Decrease) in prepaid expenses	2,174	2,751
Decrease (Increase) in accounts payable and accrued liabilities	(159,695)	(304,199)
Cash flow from operating activities	\$ (978,689)	\$ (417,120)
Investing Activities		
Purchase of capital assets	(93,261)	-
Cash flow from investing activities	\$ (93,261)	\$ -
Financing activities		
Common Shares issued for cash (net share issue costs)	1,736,025	489,200
Repayment of loans payable	(5,884)	67,995
Reduction of Lease liability	(93,428)	(88,103)
Cash flow from financing activities	\$ 1,636,713	\$ 469,092
Net change in cash and cash equivalents during the period	564,763	51,972
Cash and cash equivalents, beginning of period	132,533	\$ 72,264
Cash and cash equivalents, end of period	\$ 697,295	124,236
Non-cash investing and financing activities		
Interest paid in cash	\$ 21,316	\$ 15,381

(The accompanying summarized notes form an integral part of these unaudited condensed interim financial statements)
Prepared without audit – see Notice to Reader

SUMMARIZED NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDING SEPTEMBER 30, 2021 (CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

1. DESCRIPTION OF BUSINESS

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 November 23, 2021. 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, 2020.

The policies applied in these interim consolidated financial statements are based on IFRS's issued and outstanding as of September 30, 2019. Any subsequent changes to IFRS, which may give effect to the Company's annual financial statements for the year ending December 31, 2020, 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 nine months period in the amount of \$1,008,788 (2020: loss of \$109,250), resulting in an accumulated deficit of \$28,380,652 (2020: deficit of \$27,173,292) and generated a negative cash flow from operations in the amount of \$978,689 (2020: negative \$417,120). 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, Pumprtronics 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. The Company owns 100% of Pumprtronics.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these condensed interim financial statements are consistent with those described in the notes to the Company's annual financial statements for the year ended December 31, 2020.

(a) 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 share-based payments and warrants, impairment of long-lived assets, percentage of completion on contracts, onerous contracts, collectability of receivables, inventory obsolescence and business combinations. 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.

(b) CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid and having an initial term of less than 90 days. The cash and cash equivalents balance of \$697,296 has been invested in bank deposits.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost January 1, 2021	Accumulated Amortization January 1, 2021	Additions (disposal)	Depreciation	Impairment loss	Net September 30, 2021
Office furniture and fixtures	\$ 72,060	\$ 62,604	\$ 15,478	\$ 1,478	\$ -	\$ 23,455
Equipment	154,521	105,091	52,060	\$ 6,701	-	\$ 94,789
Computer hardware	96,545	93,741	31,723	\$ 2,372	-	\$ 32,155
Automotive	87,092	51,652	(6,000)	\$ 6,030	-	\$ 23,410
Leasehold improvements	313,298	313,298	-	-	-	-
Demonstration units	50,872	50,872	-	-	-	-
	<u>\$ 774,388</u>	<u>\$ 677,258</u>	<u>\$ 93,261</u>	<u>\$ 16,580</u>	<u>\$ -</u>	<u>\$ 173,810</u>

	Cost January 1, 2020	Accumulated Amortization January 1, 2020	Additions (disposal)	Depreciation	Impairment loss	Net December 31, 2020
Office furniture and fixtures	\$ 72,060	\$ 60,240	\$ -	\$ 2,364	\$ -	9,455
Equipment	154,521	95,112	-	9,979	-	49,428
Computer hardware	96,545	92,540	-	1,201	-	2,803
Automotive	87,092	40,414	-	11,238	-	35,440
Leasehold improvements	313,298	313,298	-	-	-	-
Demonstration units	50,872	50,872	-	-	-	-
	<u>\$ 774,388</u>	<u>\$ 652,476</u>	<u>\$ -</u>	<u>\$ 24,782</u>	<u>\$ -</u>	<u>\$ 97,126</u>

4. INTANGIBLE ASSETS

	Cost January 1, 2020	Accumulated Amortization January 1, 2020	Additions Disposals	Amortization	Impairment Loss	Net September 30, 2021
Patents	\$ 545,983	\$ 545,983	\$ -	\$ -	\$ -	\$ -
Right to technology	10,000	7,402	-	110	-	2,488
	<u>\$ 555,983</u>	<u>\$ 553,385</u>	<u>\$ -</u>	<u>\$ 110</u>	<u>\$ -</u>	<u>\$ 2,488</u>

	Cost January 1, 2020	Accumulated Amortization January 1, 2019	Additions Disposals	Amortization	Impairment Loss	Net December 31, 2020
Patents	\$ 545,983	\$ 545,983	\$ -	\$ -	\$ -	\$ -
Right to technology	10,000	7,402	-	156	-	2,442
	<u>\$ 555,983</u>	<u>\$ 553,385</u>	<u>\$ -</u>	<u>\$ 156</u>	<u>\$ -</u>	<u>\$ 2,442</u>

5. RIGHT OF USE ASSET

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

Right-of-use asset - increase by \$616,503

Lease liability - increase by \$604,584
 Prepaid rent deposit – decrease by \$11,919

Right to Use Asset will be depreciated on straight line basis over the remaining term of the lease.

	Cost January 1, 2021	Accumulated Amortization January 1, 2021	Additions Disposals	Amortization	Impairment Loss	Net September 30, 2021
Right to Use Asset	\$ 616,503	\$ 255,105		\$ 95,664		\$ 265,734

	Cost January 1, 2020	Accumulated Amortization January 1, 2020	Additions Disposals	Amortization	Impairment Loss	Net December 31, 2020
Right to Use Asset	\$ 616,503	\$ 127,552		\$ 127,553		\$ 361,398

6. BANK LOANS

During 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The outbreak of coronavirus has impacted the company's business resulting in reduction of sales revenue for the current year. As a result of the outbreak the Company applied and obtained in April 2020 bank loans financing totaling \$120,000 under the terms of the Canada Emergency Business Account ('CEBA'). The loans are government guaranteed, non-interest bearing loans until December 31, 2022. If 75% of the loan is repaid by December 31, 2022 the remaining 25% balance will be forgiven. If the loans are not repaid by December 31, 2022 the loans will bear interest at an annual rate of 5% per annum and will be due in full by December 31, 2025. The company therefore has limited exposure to interest rate risk.

During 2020 the Company had also applied for the Canada Emergency Wage Subsidy ("CEWS") and received in total \$103,767 in wage subsidy which was reduced against wages expense included in direct operating expenses. Of this total \$ 73,951 was received subsequent to the year end and is included in Accounts Receivable.

7. CAPITAL STOCK

- (a) Capital stock consists of 212,275,038 common shares outstanding as at September 30, 2021. 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.
- i) On March 5, 2021 the Company closed the first tranche of a private placement ("Private Placement") by issuing 24,820,000 units at \$0.05 per unit for gross proceeds of \$1,241,000. 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 \$0.07 per Share, which is exercisable for a period of three (3) years from the date of closing. \$16,975 cash were paid in finder's fees and 339,500 Share Purchase Warrants were issued.
 - ii) On March 10, 2021 the Company closed the second tranche of a private placement ("Private Placement") by issuing 7,180,000 units at \$0.05 per unit for gross proceeds of \$359,000. 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 \$0.07 per Share, which is exercisable for a period of three (3) years from the date of closing. \$21,000 cash, 1,165,500 shares and 2,751,500 Share Purchase Warrants were issued in finder's fees related to both Tranche 1 (March 5, 2021) and Tranche 2 (March 10, 2021).

- iii) On March 24 and March 29, 2021, warrants were exercised in the respective amounts of \$124,000 and \$50,000. The company issued 3,480,000 common shares at \$0.05 per common share.
- 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 common share purchase options and warrants outstanding as at September 30, 2021 and 2020 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 September 30, 2021:

	Options	Weighted average exercise price
Outstanding, December 31, 2019	12,575,000	\$ 0.08
Cancelled, October 1, 2020	(1,000,000)	0.05
Cancelled, October 1, 2020	(1,050,000)	0.10
Expired, November 14, 2020	(800,000)	0.10
Expired, October 15, 2020	(2,500,000)	0.08
Granted, October 15, 2020	7,250,000	0.05
Outstanding, December 31, 2020	14,475,000	\$ 0.06
Granted, May 31, 2021	500,000	\$ 0.06
Outstanding September 30, 2021	14,975,000	\$ 0.06

The following table summarizes information about the options outstanding at September 30, 2021:

	Options outstanding	Remaining contractual life in years	Weighted average exercise price
\$0.05	10,450,000	8.91	
\$0.06	500,000	9.64	
\$0.10	3,775,000	5.81	
\$0.15	250,000	1.82	
	14,975,000	7.79	\$0.06

(c) Warrants

The following table summarizes information about common share purchase warrants outstanding at September 30, 2021:

	Warrants outstanding	Weighted average exercise price	Weighted average remaining contractual life in years
Outstanding January 1, 2020	11,625,447	\$ 0.23	
Expired	(11,625,447)	0.25	
Issued - private placements	25,540,000	0.05	
Outstanding December 31, 2020	25,540,000.00	0.05	3.27
Issued - private placements	35,090,500.00	0.07	2.68
Exercised	(3,480,000.00)	0.05	
Outstanding September 30, 2021	57,150,500.00	0.06	2.86

In determining the value of the warrants issued related to the private placements during the current year, the fair value of the warrants was 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 ranging from 161.7% to 161.98%, risk-free interest rate of 0.50% and expected life of 3 years.

9. 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, 2021, management did not consider the AmdEL Technology to be commercialized.

10. 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.

11. 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, 2021, 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, 2021, the Company had cash and cash equivalent balances of \$697,296 (2020: \$132,533) to settle current liabilities of \$1,140,921 (2020: \$1,399,926). Of the current liabilities outstanding, \$192,175 (2020: \$351,870) of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Of the long-term liabilities outstanding, contractual maturities range from December 2021 to October 2023.

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 \$120,000 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.

Covid 19 Risk

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, which may negatively impact the Company's business and financial condition.

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, 2021. 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, 2021 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.

12. 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 2021. 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, 2021 compared to the year ended December 31, 2020. The Company does not have any covenants respecting its capital ratios.