

BeWhere Holdings Inc.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Periods Ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

BeWhere Holdings Inc.

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For the Periods Ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

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BeWhere Holdings Inc.

Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	As at September 30, 2020	As at December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalent	\$ 2,595,612	\$ 2,392,265
Trade receivables (Notes 4 and 14)	1,635,408	1,212,494
HST and other receivables	65,099	77,334
Prepaid expenses (Note 5)	54,403	154,302
Inventory (Note 6)	924,093	1,273,199
Total current assets	5,274,615	5,109,594
Intangible assets - net (Note 7)	2,164,229	1,857,241
Property and equipment – net (Note 8)	8,362	22,169
Total assets	\$ 7,447,206	\$ 6,989,004
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 9 and 12)	\$ 1,420,883	\$ 899,834
Loan from Government of Canada (Note 11)	40,000	-
Lease liability	-	9,710
Deferred revenue (Note 14)	37,511	22,209
Total current liabilities	1,498,394	931,753
Long-term Liabilities		
Deferred revenue (Note 14)	53,741	74,376
Total liabilities	1,552,135	1,006,129
SHAREHOLDERS' EQUITY		
Capital stock (Note 13)	10,881,983	10,881,983
Share-based payment reserve (Note 13)	2,323,173	2,312,471
Deficit	(7,310,085)	(7,211,579)
Total shareholders' equity	5,895,071	5,982,875
Total liabilities and shareholders' equity	\$ 7,447,206	\$ 6,989,004

Nature of operations (Note 1)

These financial statements are authorized for issue by the Board of Directors on November 10, 2020.

They are signed on the Company's behalf by:

"Rajiv Khanna"

 Rajiv Khanna, CFO

"Owen Moore"

 Owen Moore, CEO

The accompanying notes form an integral part of these interim consolidated financial statements.

BeWhere Holdings Inc.

Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Revenue (Note 14)	\$ 2,172,029	\$ 1,923,667	\$ 5,197,845	\$ 4,938,073
Cost of sales	1,659,393	1,538,975	3,874,281	4,036,583
Amortization for Internally developed technology (Note 7)	73,855	113,355	221,565	340,065
Gross profit	438,781	271,337	1,101,999	561,425
Expenses:				
Amortization and depreciation (Notes 7 and 8)	15,907	26,745	59,939	75,719
Consulting fees (Note 12)	92,057	83,392	265,913	313,066
General and office expenses	40,524	95,378	126,294	176,082
Insurance	8,860	8,127	24,014	14,314
Bad debts	23,221	6,144	35,062	68,048
Marketing	25,672	61,174	136,147	257,734
Professional fees	4,800	15,175	25,492	39,848
Rent	11,900	-	23,800	-
Salaries and wages (Note 12)	175,730	168,258	499,409	650,978
Share-based payments (Note 13)	269	20,149	10,702	91,373
Travel	197	484	1,677	11,177
	399,137	485,026	1,208,449	1,689,339
Profit (Loss) before income taxes	39,644	(213,689)	(106,450)	(1,136,914)
Other item:				
Foreign exchange gain (loss)	(16,596)	1,264	(7,949)	8,701
Interest	2,760	(352)	15,893	(1,441)
Total comprehensive profit (loss) for the period	\$ 25,808	\$ (212,777)	\$ (98,506)	\$ (1,129,654)
Basic and diluted earnings (loss) per share	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average shares outstanding	87,888,039	87,888,039	87,888,039	84,210,932

The accompanying notes form an integral part of these interim consolidated financial statements.

BeWhere Holdings Inc.

Interim Consolidated Statements of Cash Flow

(Expressed in Canadian Dollars)

	For the nine-month period ended	
	September 30, 2020	September 30, 2019
	\$	\$
Operations		
Comprehensive loss for the period	(98,506)	(1,129,654)
Items not affecting cash:		
Amortization and depreciation	281,504	415,784
Share-based compensation	10,702	91,373
Bad debts	35,062	68,048
Changes in non-cash working capital items:		
Trade and other receivables	(445,741)	(256,989)
Inventory	349,106	238,095
Prepaid expenses	99,899	36,899
Deferred revenue	(5,334)	9,574
Accounts payable and accrued liabilities	521,049	(345,909)
Net cash provided by (used in) operating activities	747,741	(872,779)
Investing		
Purchase of property and equipment	(2,420)	(3,444)
Intangible assets - patents, licenses & trademarks	(7,397)	(100,571)
Intangible assets - development costs	(564,867)	(556,648)
Repayment of lease liability	(9,710)	(31,226)
Net cash used in investing activities	(584,394)	(691,889)
Financing		
Private placement	-	4,025,000
Share issuance costs	-	(432,137)
Loan from Government of Canada	40,000	-
Warrants and options exercised	-	154,235
Net cash provided by financing activities	40,000	3,747,098
Increase in cash and cash equivalents	203,347	2,182,430
Cash and cash equivalents, beginning of year	2,392,265	731,443
Cash and cash equivalents, ending of period	2,595,612	2,913,873
The components of cash and cash equivalents are:		
Cash at the bank	\$	\$ 1,095,612
Cashable GIC, bearing 0.75% (2019: 2%) interest per annum	\$	\$ 1,500,000

The accompanying notes form an integral part of these interim consolidated financial statements.

BeWhere Holdings Inc.

Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Share Capital		Share-based payment reserve	Deficit	Total
	Shares	Amount			
Balance, December 31, 2018	66,086,888	\$ 8,392,663	\$ 950,833	\$ (5,981,634)	\$ 3,361,862
Shares issued on private placement (Note 13)	21,184,210	2,714,408	1,310,592	-	4,025,000
Share issuance cost (Note 13)	-	(432,137)	-	-	(432,137)
Exercise of warrants and options (Note 13)	616,941	207,049	(52,814)	-	154,235
Share-based compensation expense (Note 13)	-	-	91,373	-	91,373
Comprehensive loss for the period	-	-	-	(1,129,654)	(1,129,654)
Balance, September 30, 2019	87,888,039	10,881,983	2,299,984	(7,111,288)	6,070,679
Balance, December 31, 2019	87,888,039	\$ 10,881,983	\$ 2,312,471	\$ (7,211,579)	\$ 5,982,875
Share-based compensation expense (Note 13)	-	-	10,702	-	10,702
Comprehensive loss for the period	-	-	-	(98,506)	(98,506)
Balance, September 30, 2020	87,888,039	\$ 10,881,983	\$ 2,323,173	\$ (7,310,085)	\$ 5,895,071

The accompanying notes form an integral part of these interim consolidated financial statements.

1. Nature of Business and Going Concern

Nature of business

BeWhere Holdings Inc. (the “Company” or “BeWhere Holdings”) was incorporated on October 28, 2003 under the Ontario Business Corporations Act. The Company’s shares are listed on the TSX Venture Exchange. The primary office of the Company is located at 3264 Lakeshore Blvd West Etobicoke, Ontario M8V 1M4.

The Company is an internet provider of real-time information on equipment, tools, and inventory in-transit and at facilities serving the emergency service, construction, utility, and transportation industries. BeWhere Holdings designs and sells beacons and develops mobile applications, middle-ware, and cloud-based solutions enabling a level of operational visibility that was previously unavailable and/or cost prohibitive.

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 operations in future periods.

Going concern assumption

The Company is in an early development stage and is subject to risks and challenges like other companies in comparable operations. These risks include, but are not limited to, dependence on key individuals, and the ability to secure adequate financing to meet the minimum capital required to successfully continue as a going concern. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favorable to the Company.

As of September 30, 2020, the Company has a deficit of \$7,310,085 (December 31, 2019: \$7,211,579). These factors indicate the existence of material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

These interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and presentation that would be necessary should the going concern assumption be inappropriate, and those adjustments could be material.

2. Basis of Presentation and Statement of Compliance

The unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The accounting policies applied in these financial statements are consistent with those used in the Company’s audited consolidated financial statements for the year ended December 31, 2019. There have been no changes from the accounting policies applied in the December 31, 2019 financial statements. The preparation of interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the related amounts of assets and liabilities, revenues and expenses. In management’s opinion, all adjustments considered necessary for fair presentation have been included in these unaudited interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the financial year. Annual results may differ from interim estimates. The significant judgments made by management applied in the preparation of these unaudited interim consolidated financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2019.

2. Basis of Presentation and Statement of Compliance (continued)

For a description of the critical accounting estimates and assumptions, please refer to the Company's audited consolidated financial statements for the year ended December 31, 2019.

The board of directors approved these interim consolidated financial statements for issue on November 10, 2020.

Statement of compliance

The interim consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

These interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. In addition, these interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The functional and presentation currency of the Company is the Canadian dollar.

Basis of consolidation

The interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed or has right to variable returns from its involvements with the investee; and
- has the ability to use its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control listed above. These interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries BeWhere Inc., incorporated in Ontario Canada and BeWhere, Inc., incorporated in Delaware USA. All transactions and balances between the Company and its subsidiaries are eliminated on consolidation.

3. Significant Accounting Policies

The accounting policies applied by the Company in these interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2019.

4. Trade Receivables

	September 30, 2020	December 31, 2019
Trade receivables	\$ 1,706,408	\$ 1,257,494
Allowance for doubtful accounts	(71,000)	(45,000)
	\$ 1,635,408	\$ 1,212,494

The Company generally does not hold any collateral as security for trade receivables; however, it minimizes its credit risk associated with its trade receivables by requiring customer deposits or prepayments in some cases and performing credit evaluations, approval, and monitoring processes. As at September 30, 2020, the allowance for doubtful trade accounts was \$71,000 (December 31, 2019: \$45,000).

4. Trade Receivables (continued)

The aging of trade receivables as at the reporting date, based on due dates of invoices is as follows:

	September 30, 2020	December 31, 2019
Current	\$ 1,285,928	\$ 1,000,893
31 – 60 days	263,923	18,924
61 – 90 days	11,327	116,814
Greater than 90 days	145,230	120,863
	\$ 1,706,408	\$ 1,257,494

5. Prepaid Expenses

	September 30, 2020	December 31, 2019
Trade deposits and others	\$ 54,403	\$ 154,302
	\$ 54,403	\$ 154,302

6. Inventory

At September 30, 2020, the Company had inventory totaling \$924,093 (December 31, 2019: \$1,273,199), which consists primarily of equipment purchases from third parties for resale.

7. Intangible Assets

	Internally developed technology	Development costs	Customer Relations	Patents	Total
Cost:					
As at December 31, 2018	\$ 1,360,274	\$ 355,950	\$ 213,086	\$ 20,283	\$ 1,949,593
Additions	-	753,228	-	100,571	853,799
As at December 31, 2019	\$ 1,360,274	\$ 1,109,178	\$ 213,086	\$ 120,854	\$ 2,803,392
Additions	-	564,867	-	7,397	572,264
As at September 30, 2020	\$ 1,360,274	\$ 1,674,045	\$ 213,086	\$ 128,251	\$ 3,375,656
Accumulated depreciation:					
As at December 31, 2018	\$ (401,305)	\$ -	\$ (44,595)	\$ (4,940)	\$ (450,840)
Additions	(441,983)	-	(45,445)	(7,883)	(495,311)
As at December 31, 2019	\$ (843,288)	\$ -	\$ (90,040)	\$ (12,823)	\$ (946,151)
Additions	(221,565)	-	(34,618)	(9,093)	(265,276)
As at September 30, 2020	\$ (1,064,853)	\$ -	\$ (124,658)	\$ (21,916)	\$ (1,211,427)
Net carrying amounts:					
As at December 31, 2019	\$ 516,986	\$ 1,109,178	\$ 123,046	\$ 108,031	\$ 1,857,241
As at September 30, 2020	\$ 295,421	\$ 1,674,045	\$ 88,428	\$ 106,335	\$ 2,164,229

The Development costs are related to the development and testing of prototypes and software. Internally developed technology consists of hardware design, sampling, firmware, certifications, software integration and quality assurance. Amortization of \$221,565 for the period ended September 30, 2020 (September 30, 2019: \$340,065) related to the internal developed technology has been allocated to the costs of sales.

8. Property and Equipment

The following is a summary of the activity during the nine months ended September 30, 2020 and year ended December 31, 2019:

	Office equipment	Computer and Phones	Leasehold improvements	Trade booth	Right-of-use asset	Total
Cost:						
As at December 31, 2018	\$ 3,670	\$ 18,438	\$ 4,595	\$ 11,710	\$ -	\$ 38,413
Additions	-	3,994	-	-	50,515	54,509
As at December 31, 2019	\$ 3,670	\$ 22,432	\$ 4,595	\$ 11,710	\$ 50,515	\$ 92,922
Additions	1,540	880	-	-	-	2,420
As at September 30, 2020	\$ 5,210	\$ 23,312	\$ 4,595	\$ 11,710	\$ 50,515	\$ 95,342
Accumulated depreciation:						
As at December 31, 2018	\$ (2,200)	\$ (11,035)	\$ (2,528)	\$ (5,853)	\$ -	\$ (21,616)
Additions	(732)	(4,232)	(1,420)	(2,340)	(40,412)	(49,136)
As at December 31, 2019	\$ (2,932)	\$ (15,267)	\$ (3,948)	\$ (8,193)	\$ (40,412)	\$ (70,752)
Additions	(549)	(3,174)	(647)	(1,755)	(10,103)	(16,228)
As at September 30, 2020	\$ (3,481)	\$ (18,441)	\$ (4,595)	\$ (9,948)	\$ (50,515)	\$ (86,980)
Net carrying amounts:						
As at December 31, 2019	\$ 738	\$ 7,165	\$ 647	\$ 3,517	\$ 10,103	\$ 22,169
As at September 30, 2020	\$ 1,729	\$ 4,871	\$ -	\$ 1,762	\$ -	\$ 8,362

9. Accounts Payable and Accrued Liabilities

	September 30, 2020	December 31, 2019
Accounts payable	\$ 1,377,683	\$ 782,234
Due to related party (Note 12)	27,000	27,000
Accrued liabilities	16,200	90,600
	\$ 1,420,883	\$ 899,834

10. Credit facility

The Company maintains a Revolving demand facility of \$250,000 bearing interest at prime rate plus 2.5% per annum. During the year the Company incurred no interest expense. At September 30, 2020 the Company had drawn no amounts against the credit facility.

The Revolving demand facility is secured by a first ranking security interest in all personal property of the Company. The Revolving demand facility has no financial or non-financial covenants.

11. Loan from Government of Canada

During the period ended September 30, 2020, as part of the Canadian government funded COVID-19 financial assistance programs, the Company received a loan in the amount of \$40,000 under the Canadian Emergency Business Account program ("CEBA term loan"). The CEBA term loan is due on December 31, 2025. The CEBA term loan is interest free until December 31, 2022 and bears interest at 5% per annum thereafter. If at least 75% of the CEBA term loan principal is paid on or before December 31, 2022, the balance of the loan will be forgiven.

12. Related Party Balances and Transactions

The Company entered into the following transactions with related parties:

- a. For the three months ended September 30, 2020, paid \$42,273 salaries to the CEO of the Company (2019 - \$44,423). For the nine months ended September 30, 2020, paid \$155,481 salaries to the CEO (2019 - \$161,154).
- b. For the three months ended September 30, 2020, paid \$42,273 salaries to the COO of the Company (2019 - \$44,423). For the nine months ended September 30, 2020, paid \$155,481 salaries to the COO (2019 - \$161,154).
- c. For the three months ended September 30, 2020, paid \$35,437 consulting fees to the CFO of the Company (2019 - \$33,750). For the nine months ended September 30, 2020, paid \$120,750 consulting fees to the CFO (2019 - \$140,610).
- d. Accrued \$13,500 of salaries for Directors of the Company for the three months ended September 30, 2020 (2019 - \$13,500) which was recognized as accounts payable and accrued liabilities in the interim consolidated statement of financial position. For the nine months ended September 30, 2020, Director fees of \$40,500 were accrued (2019 - \$40,500). The total salaries due to directors as at September 30, 2020 is \$27,000 (December 31, 2019: \$27,000). The amounts due are unsecured, due on demand and bear no interest.

13. Shareholders' Equity

a) Share capital

Authorized – Unlimited common shares, no par value.

During the period ended September 30, 2020, no warrants and options were exercised. During the period ended September 30, 2019, 616,941 warrants were exercised for gross cash proceeds of \$154,235 and no options were exercised.

During the period ended September 30, 2019, the Company issued 21,184,210 units for gross cash proceeds of \$4,025,000 at a price of \$0.19 per unit. Each Unit consists of one common share in the capital of the Company and one-half of one Common Share purchase warrant. Each Warrant will entitle the holder thereof to purchase one common Share at an exercise price of \$0.35 for a period of five years. The Company is also issued 1,022,368 finder warrants at exercise price of \$0.19 for a period of five years. During the period ended September 30, 2019, the Company paid costs \$432,137 related to the issuance of the common shares.

On April 30, 2020, the Company received acceptance from TSX Venture Exchange to the Company's intention to purchase by way of a Normal Course Issuer Bid of up to an aggregate of 4,394,400 of its Common Shares, representing approximately 5% of the issued and outstanding Common Shares of the Company. The normal course issuer bid commenced on May 6, 2020 and will terminate on May 5, 2021 or the earlier of the date all shares which are subject to the Normal Course Issuer Bid are purchased. Purchases subject to the Normal Course Issuer Bid will be carried out pursuant to open market transactions through the facilities of the TSX Venture Exchange and the price which the Corporation will pay for the Common Shares acquired by it will be the market price of the Common Shares at the time of acquisition.

The Company has an employee stock option plan under which the Board of Directors, or a committee appointed for such purpose, may from time to time grant to employees, officers, directors of, or consultants to the Company, options to acquire common shares in such numbers, for such terms, and at such exercise prices, as may be determined by the Board of Directors or such committee. The options granted to employees are valid for a maximum of 10 years from the date of issue. For the period ended September 30, 2020 520,000 stock options were issued to the employee.

13. Shareholders' Equity (continued)

	Share purchase warrants		Stock options	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding, December 31, 2019	11,614,473	0.34	2,799,500	0.29
Exercised	-	-	-	-
Expired	-	-	(170,000)	0.31
Issued	-	-	520,000	0.15
Outstanding, September 30, 2020	11,614,473	0.34	3,149,500	0.26

As at September 30, 2020, exercisable incentive stock options were outstanding as follows:

Exercisable options	Exercise price \$	Expiry date
499,500	0.15	February 23, 2026
150,000	0.17	May 1, 2026
250,000	0.28	May 5, 2027
150,000	0.39	October 18, 2022
520,000	0.375	October 18, 2022
500,000	0.335	May 29, 2023
410,000	0.28	June 26, 2023
150,000	0.28	August 15, 2023
2,629,500		

As at September 30, 2020, share purchase warrants were outstanding as follows:

Exercisable warrants	Exercise price \$	Expiry date
10,592,105	0.35	February 15, 2024
1,022,368	0.19	February 15, 2024
11,614,473		

During the nine months ended September 30, 2020, the Company recognized share-based payments of \$10,702 (2019: \$91,373) for options granted in previous years and vested during the nine months ended September 30, 2020.

14. Revenues

Major components of revenues are as follows:

	Three months ended		Nine months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Product, hardware, and software sales	\$ 1,319,180	1,219,449	\$ 2,833,448	3,153,617
Service fees	43,152	102,672	68,286	315,976
Recurring fees	809,697	601,546	2,296,111	1,468,480
	\$ 2,172,029	1,923,667	\$ 5,197,845	4,938,073

14. Revenues (continued)

During the period ended September 30, 2020, three customers each exceeded 10% of total revenue, comprised of 21%, 20% and 15%, respectively. During the period ended September 30, 2019, three customers each exceeded 10% of total revenue, comprised of 38%, 21% and 10%, respectively.

As at September 30, 2020, three customers each exceeded 10% of total accounts receivable, comprised of 32%, 15% and 11%, respectively. As at September 30, 2019, three customers exceeded 10% of total accounts receivable, comprised of 29%, 24% and 22% respectively, of total accounts receivable.

Deferred revenue consists of the following:

- Deposits received in advance for the recurring fees.
- Performance obligation to be completed for sales of Mobile IOT with three-year service agreements

The total short-term portion of the deferred revenue as at September 30, 2020 is \$37,511 (December 31, 2019: \$22,209) and the long-term portion is \$53,741 (December 31, 2019: \$74,376).

15. Financial Instruments

The Company's interim consolidated financial instruments consist of cash and cash equivalent, trade receivables, accounts payable and loan from Government of Canada. The fair values of these financial instruments approximate their carrying values because of their current nature.

Fair value

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs that are not based on observable market data.

The Company's activities potentially expose it to a variety of financial risks, including credit risk, liquidity risk, and market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amounts of cash and cash equivalent and trade receivable on the interim consolidated financial position represent the Company's maximum credit exposure at September 30, 2020. The Company reduces its credit risk on cash by placing cash with institutions of high credit worthiness and by monitoring customers creditworthiness on an ongoing basis. The amounts disclosed in the interim consolidated financial statements for trade receivable are net of allowance for doubtful accounts, estimated by management based on its assessment of the current economic environment.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity risk by maintaining adequate cash balances to meet liabilities as they become due.

15. Financial Instruments (continued)

The Company maintained cash and cash equivalent at September 30, 2020 in the amount of \$2,595,612 (December 31, 2019: \$2,392,265), in order to meet short-term business requirements of \$1,498,394 (December 31, 2019: \$931,753).

Market risk

Market risk consists of currency risk and interest rate risk. These are discussed further below.

Foreign exchange risk

Foreign currency exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company has financial assets and liabilities denominated in the American dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in American dollars:

	September 30, 2020	December 31, 2019
Financial assets		
Cash	\$ 932,504	\$ 291,471
Trade receivables	1,506,065	1,139,967
	2,438,569	1,431,438
Financial liabilities		
Accounts payable	1,154,326	720,545
	\$ 1,154,326	\$ 720,545

Interest rate risk

Interest rate risk consists of two components:

- a. To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- b. To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

As at September 30, 2020 and December 31, 2019, the Company's loan from Government of Canada is subject to this risk.

16. Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of share capital and working capital.

There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.