

# **BeWhere Holdings Inc.**

## **UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the Periods Ended September 30, 2021 and 2020**

**(Expressed in Canadian Dollars)**

**BeWhere Holdings Inc.**

Index to the Unaudited Interim Consolidated Financial Statements

For the Periods Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

**Financial Statements**

Interim Consolidated Statements of Financial Position	Page 3
Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)	Page 4
Interim Consolidated Statements of Cash Flows	Page 5
Interim Consolidated Statements of Changes in Shareholders' Equity	Page 6
Notes to the Interim Consolidated Financial Statements	Pages 7-14

**BeWhere Holdings Inc.**

## Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	As at September 30, 2021	As at December 31, 2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,715,275	\$ 2,466,630
Trade receivables (Note 4 and 15)	1,326,931	1,377,678
HST and other receivables	22,250	49,893
Prepaid expenses (Note 5)	221,813	243,199
Inventory (Note 6)	1,028,456	1,094,581
Total current assets	5,314,725	5,231,981
Intangible assets - net (Note 7)	630,406	401,678
Property and equipment – net (Note 8)	10,728	6,536
<b>Total assets</b>	<b>\$ 5,955,859</b>	<b>\$ 5,640,195</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Notes 9 and 15)	\$ 1,474,802	\$ 1,506,549
Deferred revenue (Note 14)	60,381	18,441
Total current liabilities	1,535,183	1,524,990
<b>Long-term Liabilities</b>		
Deferred revenue (Note 14)	35,586	50,962
Loan from Government of Canada (Note 12)	34,709	23,916
Total liabilities	1,605,478	1,599,868
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 13)	10,930,014	10,881,983
Share-based payment reserve (Note 13)	2,364,514	2,341,807
Deficit	(8,944,147)	(9,183,463)
Total shareholders' equity	4,350,381	4,040,327
<b>Total liabilities and shareholders' equity</b>	<b>\$ 5,955,859</b>	<b>\$ 5,640,195</b>

Nature of business (Note 1)

These financial statements are authorized for issue by the Board of Directors on November 10, 2021.

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 Income (Loss) and Comprehensive Income (Loss)  
(Expressed in Canadian Dollars)

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30, 2021</b>	September 30, 2020	<b>September 30, 2021</b>	September 30, 2020
Revenue (Note 14)	\$ 2,421,851	\$ 2,172,029	\$ 6,431,110	\$ 5,197,845
Cost of sales				
Products and services costs	1,805,960	1,659,393	4,624,493	3,874,281
Amortization for Internally developed technology (Note 7)	73,856	73,855	221,566	221,565
Gross profit	542,035	438,781	1,585,051	1,101,999
Expenses				
Amortization and depreciation (Notes 7 and 8)	15,547	15,907	47,802	59,939
Consulting fees (Note 11)	81,196	92,057	287,827	265,913
General and office expenses	55,753	52,424	166,180	150,094
Insurance	10,733	8,860	28,114	24,014
Bad debts	389	23,221	389	35,062
Marketing	10,588	25,672	39,167	136,147
Professional fees	18,600	4,800	51,137	25,492
Salaries and wages (Note 11)	221,804	175,730	707,247	499,409
Share-based compensation (Notes 13)	18,536	269	38,906	10,702
Travel	150	197	766	1,677
	433,296	399,137	1,367,535	1,208,449
Income (loss) before other items and income tax expense	108,739	39,644	217,516	(106,450)
Other items:				
Foreign exchange gain (loss)	35,715	(16,596)	5,795	(7,949)
Government loan (Note 12)	-	-	12,018	-
Interest income	1,656	2,760	6,798	15,893
Accretion expense (Note 12)	(978)	-	(2,811)	-
Income (loss) before income tax	145,132	25,808	239,316	(98,506)
Income tax expense	-	-	-	-
<b>Total comprehensive Income (loss) for the period</b>	<b>\$ 145,132</b>	<b>\$ 25,808</b>	<b>\$ 239,316</b>	<b>\$ (98,506)</b>
<b>Income (loss) per share - basic</b>	<b>\$ 0.00</b>	<b>\$ (0.00)</b>	<b>\$ 0.00</b>	<b>\$ (0.00)</b>
<b>Income (loss) per share - diluted</b>	<b>\$ 0.00</b>	<b>\$ (0.00)</b>	<b>\$ 0.00</b>	<b>\$ (0.00)</b>
<b>Weighted average shares outstanding - Basic</b>	<b>88,055,568</b>	87,888,039	<b>88,028,540</b>	87,888,039
<b>Weighted average shares outstanding - Diluted</b>	<b>88,406,918</b>	87,888,039	<b>88,648,711</b>	87,888,039

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

**BeWhere Holdings Inc.**

## Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	<b>For the nine-month period ended</b>			
	<b>September 30, 2021</b>	September 30, 2020		
	\$	\$		
<b>Operations</b>				
Comprehensive income (loss) for the year	<b>239,316</b>	(98,506)		
<b>Items not affecting cash:</b>				
Amortization and depreciation	<b>269,368</b>	281,504		
Share-based compensation	<b>38,906</b>	10,702		
Bad debts	<b>389</b>	35,062		
Accretion expense	<b>2,811</b>	-		
Government loan	<b>(12,018)</b>	-		
<b>Changes in non-cash working capital items:</b>				
Trade and other receivables	<b>78,001</b>	(445,741)		
Inventory	<b>66,125</b>	349,106		
Prepaid expenses	<b>21,386</b>	99,899		
Deferred revenue	<b>26,564</b>	(5,334)		
Accounts payable and accrued liabilities	<b>(31,747)</b>	521,049		
<b>Net cash provided by operating activities</b>	<b>699,101</b>	747,741		
<b>Investing</b>				
Purchase of property and equipment	<b>(10,466)</b>	(2,420)		
Intangible assets - patents, licenses & trademarks	<b>(205)</b>	(7,397)		
Intangible assets - customer relations	-	-		
Intangible assets - development costs	<b>(491,617)</b>	(564,867)		
Repayment of lease liability	-	(9,710)		
<b>Net cash used in investing activities</b>	<b>(502,287)</b>	(584,394)		
<b>Financing</b>				
Loan from Government of Canada	<b>20,000</b>	40,000		
Warrants and options exercised	<b>31,831</b>	-		
<b>Net cash provided by financing activities</b>	<b>51,831</b>	40,000		
<b>Increase in cash and cash equivalents</b>	<b>248,645</b>	203,347		
Cash and cash equivalents, beginning of year	<b>2,466,630</b>	2,392,265		
<b>Cash and cash equivalents, ending of period</b>	<b>2,715,275</b>	2,595,612		
<b>The components of cash and cash equivalents are:</b>				
Cash at the bank	\$	1,215,275	\$	1,095,612
Cashable GIC, bearing 0.42% interest per annum	\$	1,500,000	\$	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			
<b>Balance, December 31, 2019</b>	<b>87,888,039</b>	<b>\$ 10,881,983</b>	<b>\$ 2,312,471</b>	<b>\$ (7,211,579)</b>	<b>\$ 5,982,875</b>
Share-based compensation expense (Note 13)	-	-	10,702	-	10,702
Comprehensive loss for the period	-	-	-	(98,506)	(98,506)
<b>Balance, September 30, 2020</b>	<b>87,888,039</b>	<b>\$ 10,881,983</b>	<b>\$ 2,323,173</b>	<b>\$ (7,310,085)</b>	<b>\$ 5,895,071</b>
<b>Balance, December 31, 2020</b>	<b>87,888,039</b>	<b>\$ 10,881,983</b>	<b>\$ 2,341,807</b>	<b>\$ (9,183,463)</b>	<b>\$ 4,040,327</b>
Exercise of warrants and options (Note 13)	167,529	48,031	(16,200)	-	31,831
Share-based compensation expense (Note 13)	-	-	38,907	-	38,907
Comprehensive loss for the period	-	-	-	239,316	239,316
<b>Balance, September 30, 2021</b>	<b>88,055,568</b>	<b>\$ 10,930,014</b>	<b>\$ 2,364,514</b>	<b>\$ (8,944,147)</b>	<b>\$ 4,350,381</b>

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.

### 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, 2021, the Company has a deficit of \$8,944,147 (December 31, 2020 - \$9,183,463). 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.

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. COVID-19 may impact the Company’s ability to raise capital in the near term.

## 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 interim Consolidated financial statements are consistent with those used in the Company’s audited consolidated financial statements for the year ended December 31, 2020. There have been no changes from the accounting policies applied in the December 31, 2020 consolidated 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, 2020.

## 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, 2020.

The board of directors approved these interim consolidated financial statements for issue on November 10, 2021.

### 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, 2020.

## 4. Trade Receivables

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Trade receivables	\$ 1,397,931	\$ 1,448,678
Allowance for doubtful accounts	(71,000)	(71,000)
	<b>\$ 1,326,931</b>	<b>\$ 1,377,678</b>

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, 2021, the allowance for doubtful trade accounts was \$71,000 (December 31, 2020 - \$71,000).

BeWhere Holdings Inc.  
Notes to Interim Consolidated Financial Statements  
For the periods ended September 30, 2021 and 2020  
(Expressed in Canadian Dollars)

**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, 2021		December 31, 2020	
Current	\$	1,282,568	\$	1,160,486
31 – 60 days		1,397		6,071
61 – 90 days		1,121		198,115
Greater than 90 days		112,845		84,006
	\$	1,397,931	\$	1,448,678

**5. Prepaid Expenses**

	September 30, 2021		December 31, 2020	
Trade suppliers and others	\$	221,813	\$	243,199
	\$	221,813	\$	243,199

**6. Inventory**

At September 30, 2021, the Company had inventory totaling \$1,028,456 (December 31, 2020 - \$1,094,581), which consists primarily of equipment purchases from third parties for resale.

**7. Intangible Assets**

	Internally developed technology	Development costs	Customer Relations	Patents	Total
<b>Cost:</b>					
As at December 31, 2019	\$ 1,360,274	\$ 1,109,178	\$ 213,086	\$ 120,854	\$ 2,803,392
Additions	-	786,221	-	7,397	793,618
Impairment	-	(1,895,399)	-	-	(1,895,399)
As at December 31, 2020	\$ 1,360,274	\$ -	\$ 213,086	\$ 128,251	\$ 1,701,611
Additions	-	491,617	-	205	491,822
As at September 30, 2021	\$ 1,360,274	\$ 491,617	\$ 213,086	\$ 128,456	\$ 2,193,433
<b>Accumulated depreciation:</b>					
As at December 31, 2019	\$ (843,288)	\$ -	\$ (90,040)	\$ (12,823)	\$ (946,151)
Additions	(295,420)	-	(45,498)	(12,864)	(353,782)
As at December 31, 2020	\$ (1,138,708)	\$ -	\$ (135,538)	\$ (25,687)	\$ (1,299,933)
Additions	(221,566)	-	(31,864)	(9,664)	(263,094)
As at September 30, 2021	\$ (1,360,274)	\$ -	\$ (167,402)	\$ (35,351)	\$ (1,563,027)
<b>Net carrying amounts:</b>					
As at December 31, 2020	\$ 221,566	\$ -	\$ 77,548	\$ 102,564	\$ 401,678
As at September 30, 2021	\$ -	\$ 491,617	\$ 45,684	\$ 93,105	\$ 630,406

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 \$221,566 for the period ended September 30, 2021 (September 30, 2020: \$221,565) related to the internal developed technology has been allocated to costs of sales.

## 8. Property and Equipment

The following is a summary of the activity during the nine months ended September 30, 2021:

	Office equipment	Computer and Phones	Leasehold improvements	Trade booth	Right-of-use asset	Total
<b>Cost:</b>						
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 December 31, 2020	\$ 5,210	\$ 23,312	\$ 4,595	\$ 11,710	\$ 50,515	\$ 95,342
Additions	5,361	5,105	-	-	-	10,466
As at September 30, 2021	\$ 10,571	\$ 28,417	\$ 4,595	\$ 11,710	\$ 50,515	\$ 105,808
<b>Accumulated depreciation:</b>						
As at December 31, 2019	\$ (2,932)	\$ (15,267)	\$ (3,948)	\$ (8,193)	\$ (40,412)	\$ (70,752)
Additions	(732)	(4,232)	(647)	(2,340)	(10,103)	(18,054)
As at December 31, 2020	\$ (3,664)	\$ (19,499)	\$ (4,595)	\$ (10,533)	\$ (50,515)	\$ (88,806)
Additions	(1,179)	(3,918)	-	(1,177)	-	(6,274)
As at September 30, 2021	\$ (4,843)	\$ (23,417)	\$ (4,595)	\$ (11,710)	\$ (50,515)	\$ (95,080)
<b>Net carrying amounts:</b>						
As at December 31, 2020	\$ 1,546	\$ 3,813	\$ -	\$ 1,177	\$ -	\$ 6,536
As at September 30, 2021	\$ 5,728	\$ 5,000	\$ -	\$ -	\$ -	\$ 10,728

## 9. Accounts Payable and Accrued Liabilities

	September 30, 2021	December 31, 2020
Accounts payable	\$ 1,403,777	\$ 1,335,949
Accrued liabilities (Note 11)	71,025	170,600
	\$ 1,474,802	\$ 1,506,549

## 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, 2021 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. Related Party Balances and Transactions

The Company entered into the following transactions with related parties:

- For the nine months ended September 30, 2021, the CEO, CFO and COO of the Company were paid salaries and consulting fees of \$467,813 (2020 - \$431,711).
- For the nine months ended September 30, 2021, the Independent Directors of the Company were paid salaries of \$40,500 (2020 - \$40,500).
- Total accrued fees due to Directors as at September 30, 2021 is \$13,500 (2020 - \$40,500) (Note 9). The amounts due are unsecured, due on demand and bears no interest.

## 12. Loan from Government of Canada

During the year ended December 31, 2020, as part of the Canadian government funded COVID-19 financial assistance programs, the Company received a loan in the amount \$40,000 (“the first installment”) under the Canadian Emergency Business Account program (“CEBA term loan”). During this period ended September 30, 2021, the Company received additional \$20,000 (“the second installment”) loan under CEBA term loan. These CEBA term loans are due on December 31, 2022 and bear interest at 5% per annum thereafter. If at least 67% of the CEBA term loan principal is paid on or before December 21, 2022, the balance of the loan will be forgiven.

The benefit of the government loan received at below market rate of interest is treated as a government grant. This loan was recognized at the fair value of \$22,116 from the first installment and \$7,982 for the second installment, using the Company’s incremental borrowing rate of 12% per annum. The difference between the initial carrying amount and proceeds received of \$17,884 for the first installment and \$12,018 for the second installment was recorded as government grant income. During the period ended September 30, 2021, the Company recorded interest expenses of \$2,811 on the loan (2020: \$Nil). The balance of the loan at September 30, 2021 is \$34,709 (December 31, 2020: \$23,916).

## 13. Shareholders’ Equity

### a) Share capital

Authorized – Unlimited common shares, no par value.

During the period ended September 30, 2021, no options were exercised, and 167,529 warrants were exercised for gross cash proceeds of \$31,831. During the period ended September 30, 2020, no warrants and no options were exercised.

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.

	Share purchase warrants		Stock options	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
<b>Outstanding, December 31, 2020</b>	<b>11,614,473</b>	<b>0.34</b>	<b>3,149,500</b>	<b>0.26</b>
Exercised	(167,529)	0.19	-	-
Expired	-	-	-	-
Issued	-	-	400,000	0.20
<b>Outstanding, September 30, 2021</b>	<b>11,446,944</b>	<b>0.34</b>	<b>3,549,500</b>	<b>0.25</b>

### 13. Shareholders' Equity (continued)

As at September 30, 2021, 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
260,000	0.15	August 31, 2025
50,000	0.20	May 26, 2026
<b>2,939,500</b>		

As at September 30, 2021, share purchase warrants were outstanding as follows:

Exercisable warrants	Exercise price \$	Expiry date
10,592,105	0.35	February 15, 2024
854,839	0.19	February 15, 2024
<b>11,446,944</b>		

During the period ended September 30, 2021, the Company recognized share-based payments of \$38,906 (2020: \$10,702) for options granted in previous years and vested during the nine months ended September 30, 2021.

### 14. Revenues

Major components of revenues are as follows:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Product, hardware, and software sales	<b>1,664,734</b>	1,319,180	<b>4,269,107</b>	2,833,448
Service fees	<b>17,454</b>	43,152	<b>49,305</b>	68,286
Recurring fees	<b>739,663</b>	809,697	<b>2,112,698</b>	2,296,111
	<b>2,421,851</b>	2,172,029	<b>6,431,110</b>	5,197,845

During the period ended September 30, 2021, three customers each exceeded 10% of total revenue, comprised of 30%, 15% and 10%, respectively. During the period ended September 30, 2020, three customers each exceeded 10% of total revenue, comprised of 22%, 20% and 15%, respectively, of total revenue.

As at September 30, 2021, three customers each exceeded 10% of total accounts receivable, comprised of 35%, 15% and 12%, respectively. As at September 30, 2020, three customers exceeded 10% of total accounts receivable, comprised of 32%, 15% and 11% 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 with three-year service agreements

The total short-term portion of the deferred revenue as at September 30, 2021 is \$60,381 (December 31, 2020: \$18,441) and the long-term portion is \$35,586 (December 31, 2020: \$50,962).

## 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 fair value of cash and cash equivalent was determined using Level 1 inputs.

### Financial risk management

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 accounts receivable on the interim consolidated statement of financial position represent the Company's maximum credit exposure at September 30, 2021. 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 accounts 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.

The Company maintained cash at September 30, 2021 in the amount of \$2,715,275 (December 31, 2020 - \$2,466,630), in order to meet short-term business requirements of \$1,535,183 (December 31, 2020 - \$1,524,990).

#### *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.

**15. Financial Instruments (continued)**

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

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Financial assets		
Cash	\$ 1,146,069	\$ 958,878
Trade receivable	1,188,796	1,149,119
	<b>2,334,865</b>	<b>2,107,997</b>
Financial liabilities		
Accounts payable	1,203,974	1,170,079
	<b>\$ 1,203,974</b>	<b>\$ 1,170,079</b>

*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, 2021 and December 31, 2020, the Company does not have any financial instruments 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.

**17. Subsequent event**

There are no subsequent events to report.