

BeWhere Holdings Inc.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

BeWhere Holdings Inc.

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For the Years Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BeWhere Holdings Inc.

Opinion

We have audited the consolidated financial statements of BeWhere Holdings Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 to the financial statements, which indicates that the Company is not able to finance its day to day activities through current operations. As stated in Note 1, these events along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada

April 15, 2021

BeWhere Holdings Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	As at December 31, 2020	As at December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,466,630	\$ 2,392,265
Trade receivables (Note 4 and 15)	1,377,678	1,212,494
HST and other receivables	49,893	77,334
Prepaid expenses (Note 5)	243,199	154,302
Inventory (Note 6)	1,094,581	1,273,199
Total current assets	5,231,981	5,109,594
Intangible assets - net (Note 7)	401,678	1,857,241
Property and equipment – net (Note 8)	6,536	22,169
Total assets	\$ 5,640,195	\$ 6,989,004
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 9 and 11)	\$ 1,506,549	\$ 899,834
Loan from Government of Canada (Note 12)	23,916	-
Lease liability (Note 3)	-	9,710
Deferred revenue (Note 15)	18,441	22,209
Total current liabilities	1,548,906	931,753
Long-term Liabilities		
Deferred revenue (Note 15)	50,962	74,376
Total liabilities	1,599,868	1,006,129
SHAREHOLDERS' EQUITY		
Capital stock (Note 14)	10,881,983	10,881,983
Share-based payment reserve (Note 14)	2,341,807	2,312,471
Deficit	(9,183,463)	(7,211,579)
Total shareholders' equity	4,040,327	5,982,875
Total liabilities and shareholders' equity	\$ 5,640,195	\$ 6,989,004

Nature of business and going concern (Note 1)

Subsequent events (Note 18)

These consolidated financial statements are authorized for issue by the Board of Directors on April 15, 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 consolidated financial statements.

BeWhere Holdings Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	For the years ended	
	December 31, 2020	December 31, 2019
Revenue (Note 15)	\$ 7,037,286	\$ 6,096,602
Cost of sales		
Products and services costs	5,077,798	4,801,291
Amortization for Internally developed technology (Note 7)	295,420	441,983
Gross profit	1,664,068	853,328
Expenses		
Amortization and depreciation (Notes 7 and 8)	76,416	102,464
Consulting fees (Note 11)	355,945	398,188
General and office expenses	167,588	213,493
Insurance	32,874	22,439
Bad debts (Note 4)	34,190	12,833
Marketing	163,700	358,059
Professional fees	59,943	60,448
Rent	35,700	-
Salaries and wages (Note 11)	760,070	847,054
Share-based compensation (Note 14)	29,336	103,860
Travel	1,869	12,439
	1,717,631	2,131,277
Loss before other items and income tax expense	(53,563)	(1,277,949)
Other items:		
Foreign exchange gain (loss)	(57,658)	24,242
Interest income	18,743	25,424
Government loan (Note 12)	17,884	-
Accretion expense (Note 3 and 12)	(1,891)	(1,662)
Impairment of capitalised development costs (Note 7)	(1,895,399)	-
Total comprehensive loss for the year	\$ (1,971,884)	\$ (1,229,945)
Basic loss per share	\$ (0.02)	\$ (0.01)
Weighted average shares outstanding	87,888,039	85,137,764

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

BeWhere Holdings Inc.Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the years ended	
	December 31, 2020	December 31, 2019
Operations		
Comprehensive loss for the year	\$ (1,971,884)	\$ (1,229,945)
Items not affecting cash:		
Amortization and depreciation	371,836	544,447
Share-based compensation	29,336	103,860
Bad debts	34,190	12,833
Accretion expense	1,891	-
Impairment of capitalised development costs	1,895,399	-
Government Loan	(17,884)	-
Changes in non-cash working capital items:		
Trade and other receivables	(171,933)	8,094
Inventory	178,618	(82,462)
Prepaid expenses	(88,897)	(75,350)
Deferred revenue	(27,184)	(39,466)
Accounts payable and accrued liabilities	606,715	(429,690)
Net cash used in (provided by) operating activities	840,203	(1,187,679)
Investing		
Purchase of property and equipment	(2,420)	(3,993)
Intangible assets – patents, licenses and trademarks	(7,397)	(100,571)
Intangible assets - development costs	(786,221)	(753,228)
Lease payments	(9,800)	(40,805)
Net cash used in investing activities	(805,838)	(898,597)
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 (decrease) in cash and cash equivalents	74,365	1,660,822
Cash and cash equivalents, beginning of year	2,392,265	731,443
Cash and cash equivalents, ending of year	\$ 2,466,630	\$ 2,392,265
The components of cash and cash equivalents are:		
Cash at the bank	\$ 966,630	\$ 392,265
Cashable GIC, bearing 0.75% (2019: 2%) interest per annum	\$ 1,500,000	\$ 2,000,000
	2,466,630	2,392,265

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

BeWhere Holdings Inc.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 14)	21,184,210	\$ 2,714,408	\$ 1,310,592	\$ -	\$ 4,025,000
Share issuance costs (Note 14)	-	(432,137)	-	-	(432,137)
Exercise of warrants and options (Note 14)	616,941	207,049	(52,814)	-	154,235
Share-based compensation expense (Note 14)	-	-	103,860	-	103,860
Comprehensive loss for the year	-	-	-	(1,229,945)	(1,299,945)
Balance, December 31, 2019	87,888,039	\$ 10,881,983	\$ 2,312,471	\$ (7,211,579)	\$ 5,982,875
Share-based compensation expense (Note 14)	-	-	29,336	-	29,336
Comprehensive loss for the year	-	-	-	(1,971,884)	(1,971,884)
Balance, December 31, 2020	87,888,039	\$ 10,881,983	\$ 2,341,807	\$ (9,183,463)	\$ 4,040,327

The accompanying notes form an integral part of these 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.

The Company incurred a loss for the year of \$1,971,884 (2019 - \$1,229,945) and has a deficit as of December 31, 2020 of \$9,183,463 (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 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 board of directors approved these consolidated financial statements for issue on April 15, 2021.

Statement of compliance

The 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”).

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

Basis of measurement

These 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 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 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 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

Significant accounting judgments and estimates

The preparation of consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting estimates:

- I. The assessment of indications of impairment of intangible assets;
- II. The value of inventories carried at the lower of cost and net realizable value;
- III. The measurement of deferred income tax assets and liabilities; and
- IV. Share-based payments.

Critical accounting judgments:

- I. The determination of categories of financial assets and financial liabilities; and
- II. The evaluation of the Company's ability to continue as a going concern.

3. Significant Accounting Policies (continued)

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Trade receivable, accounts payable and Loan from Government of Canada are classified in this category as at December 31, 2020 and 2019.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise. Cash and cash equivalents are classified in this category at December 31, 2020 and 2019.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. No financial instruments were classified in this category at December 31, 2020 and 2019.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. No financial instruments were classified in this category at December 31, 2020 and 2019.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the year expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade receivables

Trade receivable are recognized and carried at their original invoice amount less an allowance for uncollectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Balances are written off when the probability of recovery is assessed as being remote.

Inventory

The Company values inventories at the lower of cost and net realizable value. Cost includes the costs of purchases net of vendor allowances plus other costs, such as transportation, that are directly incurred to bring the inventories to their present location and condition. The Company uses the weighted average method to determine the cost of inventories. The Company estimates net realizable value as the amount that inventories are expected to be sold while taking into consideration the estimated selling costs. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining market prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is apparent evidence of an increase in selling price then the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead, and certain selling costs related to inventories are expensed in the period incurred.

Intangible assets

Internally generated intangible assets include internally developed technology (Beacons Bluetooth) development costs, customer relations and patents. These costs are capitalized when certain criteria for deferral such as proven technical feasibility are met. The costs of internally generated intangible assets include the costs of materials and direct labor.

3. Significant Accounting Policies (continued)

Intangible assets (continued)

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization periods and the amortization methods for an intangible asset with a finite useful lives are reviewed at least at the end of each reporting period. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the remaining amortization periods or methods, as appropriate, and are treated as changes in accounting estimates.

The Company has no indefinite lived intangible assets.

Intangible assets are recorded at cost less accumulated amortization and impairment losses. Intangible assets are amortized over the following methods and periods:

Type	Amortization method
Internally developed technology	Straight-line basis over 3 years
Customer relations	Straight-line basis over 5 years
Patents	Straight-line basis over 10 years

Development costs are not amortized. Once the development project is complete and available for use, it will be allocated to internally developed technology and amortization will commence.

Research and development costs

Expenditure on internally developed products is capitalized as an intangible asset if it can be demonstrated that:

- It is technically feasible to develop the product for it to be sold;
- Adequate resources are available to complete the development;
- There is an intention to complete and sell the product;
- The Company is able to sell the product;
- Sale of the product will generate future economic benefits; and
- Expenditure on the project can be measured reliably.

Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to the consolidated statement of loss and comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the assets and are recognized in in the consolidated statement of loss and comprehensive loss.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follow:

Office equipment	5 years
Computer and phones	2 years
Leasehold improvements	5 years
Trade booth	5 years

3. Significant Accounting Policies (continued)

Property and equipment (continued)

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Repairs and maintenance costs are charged to expenses as incurred. Expenditures that substantially increase the useful lives of existing assets are capitalized.

Impairment of long-lived assets

Long-lived assets, including equipment and intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. During the year ended December 31, 2020 the Company recorded an impairment of \$1,895,399 (Note 7) (2019 - \$nil).

Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Where the effect of the time value of money is material, provisions will be measured at the present value of the expenditures expected to be required to settle the obligation. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The increase in any provision due to the passage of time is recognized as accretion expense. Each provision will be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. There are no provisions as at December 31, 2020 and 2019.

Warranty provision

The Company provides a warranty on its hardware devices against defects in material and workmanship, with the exception of defects caused by abuse, misuse, accident, alteration, modification, neglect or incorrect installation, operation or removal of the equipment, for a period of one (1) year from the date of installation or purchase. The Company's obligation during the warranty period is to either replace or repair a defective unit, at its sole option. Estimated costs (less re-imburement from the equipment suppliers) associated with the repair or replacement are included in the Company's direct cost of sales.

3. Significant Accounting Policies (continued)

Revenue recognition

The Company has adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers (“IFRS 15”). IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The Company derives revenue from the sale of beacons and their associated software, as well as professional services associated with customizing its products. Software revenue includes subscription, license and maintenance revenue derived from location-based software and software services. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company’s activities as described below.

Revenue from hardware and software license sales is recognized when the hardware is shipped, or the software is delivered and when all significant contractual obligations have been satisfied. Revenue from software license sales is recognized upon delivery where there is evidence of an arrangement, the selling price is fixed or determinable and there are no significant remaining performance obligations. The customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products.

Once products are delivered to the Company’s customers, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Revenue from contracts with customers is recognized as earned, based on performance obligation according to specific terms of the contract. Foreseeable losses, if any, are recognized in the year or period in which the loss is determined.

Deferred revenue for deposits received in advance related to recurring fees is recognized as revenue based on the period covered by the advance (between one to three years). The contract proceeds are allocated between the device and the service based on their relative fair values.

For the sales of devices with services, the fair value of the device is determined based on the price offered by the Company for the device sold on standalone basis. The fair value of service component is determined based on the price offered by the Company for the service component on a standalone basis. The difference between the total standalone prices and the value assigned to the device and the service is allocated on a prorate basis to each deliverable.

The revenue related to the service is initially recognized as deferred revenue and recognized as revenue over the period of the contract. The revenue allocated to the device is recognized as revenue after the delivery of the product to the customer.

Income taxes

Income taxes represent the sum of current and deferred tax expense. Income tax is recognized in net earnings except to the extent it relates to items recognized directly in shareholders’ equity, in which case the income tax expense is recognized in shareholders’ equity. Current income taxes are measured at the amount, if any, expected to be recoverable from or payable to taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period.

3. Significant Accounting Policies (continued)

Income taxes (continued)

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recorded to reflect differences between the accounting and tax base of assets and liabilities, and income tax loss carry forwards. Deferred income taxes are measured using tax rates that are expected to apply to the period when the deferred tax assets are realized or deferred tax liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The effect of any changes in tax rates is recognized in net income in the period in which the change occurs or in shareholders' equity, depending on the nature of the items affected by the adjustment.

Deferred income tax assets and liabilities are not recognized for temporary differences relating to the initial recognition of goodwill; the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit or loss or taxable profit or loss; and certain differences associated with subsidiaries, branches and associates, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for deductible temporary differences to the extent it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow the asset to be recovered.

The Company offsets deferred tax assets and deferred tax liabilities relating to the same taxable entity. The Company may also offset deferred tax assets and deferred tax liabilities relating to different taxable entities, where the amounts relate to income taxes levied by the same taxation authority and the entities intend to realize the assets and settle the liabilities simultaneously.

Foreign currency translation

In preparing the consolidated financial statements, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, foreign currency monetary assets and liabilities are translated using the reporting date foreign exchange rate. Foreign currency non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the profit and loss.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued.

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration are valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced, and any residual value is allocated to the warrants reserve. Consideration received for the exercise of options or warrants is recorded in share capital and the related residual value is transferred to share capital.

3. Significant Accounting Policies (continued)

Earnings (loss) per share

Basic earnings (loss) per share is determined by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period after giving effect to potentially dilutive financial instruments. Diluted earnings per share is only presented if the effect on the loss per share is anti-dilutive.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity of the Company, except those resulting from investments by owners and distributions to owners. Comprehensive income (loss) is the total of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) comprises revenues, expenses, gains and losses that, in accordance with IFRS, require recognition, but are excluded from net income (loss). The Company does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in loss for the year. Net loss for the year is equivalent to comprehensive loss for the year.

IFRS 16 Leases

The Company adopted the requirements of IFRS 16 – Leases beginning January 1, 2019. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the future lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. The right-of-use asset is subsequently measured at this cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

3. Significant Accounting Policies (continued)

IFRS 16 Leases (continued)

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

	December 31, 2020		December 31, 2019
Right-of-use asset, net book value (Note 8)	\$	-	\$ 10,103
Lease Liability	\$	-	\$ 9,710

Depreciation expense of \$10,103 was recognized on the right-of-use asset during the year ended December 31, 2020 (2019 - \$40,412) (Note 8). The Company also recognized accretion expense of \$90 for the lease liability.

Government Grant

A government grant is recognized when there is reasonable assurance it will be received, and all related conditions will be complied with. The Company recognizes government grants in the consolidated statement of loss and comprehensive loss on a systematic basis and in line with its recognition of the expenses that the grants are intended to compensate. The Company carefully determines whether the grant compensates expenses already incurred or future costs.

4. Trade Receivables

	December 31, 2020		December 31, 2019
Trade receivables	\$	1,448,678	\$ 1,257,494
Allowance for doubtful accounts		(71,000)	(45,000)
	\$	1,377,678	\$ 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 December 31, 2020, the allowance for doubtful trade accounts was \$71,000 (2019 - \$45,000).

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

	December 31, 2020		December 31, 2019
Current	\$	1,160,486	\$ 1,000,893
31 – 60 days		6,071	18,924
61 – 90 days		198,115	116,814
Greater than 90 days		84,006	120,863
	\$	1,448,678	\$ 1,257,494

5. Prepaid Expenses

	December 31, 2020		December 31, 2019
Trade shows and others	\$	243,199	\$ 154,302
	\$	243,199	\$ 154,302

6. Inventory

At December 31, 2020, the Company had inventory totaling \$1,094,581 (2019 – \$1,273,199), which consists primarily of finished goods inventory 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	-	786,221	-	7,397	793,618
Impairment of capitalized development costs	-	(1,895,399)	-	-	(1,895,399)
As at December 31, 2020	\$ 1,360,274	\$ -	\$ 213,086	\$ 128,251	\$ 1,701,611
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	(295,420)	-	(45,498)	(12,864)	(353,782)
As at December 31, 2020	\$ (1,138,708)	\$ -	\$ (135,538)	\$ (25,687)	\$ (1,299,933)
Net carrying amounts:					
As at December 31, 2019	\$ 516,986	\$ 1,109,178	\$ 123,046	\$ 108,031	\$ 1,857,241
As at December 31, 2020	\$ 221,566	\$ -	\$ 77,548	\$ 102,564	\$ 401,678

The Development costs are related to the development and testing of prototypes and software. The development costs capitalized consisted of expenditures incurred in developing the new technology for devices. At December 31, 2020, the Company determined that the capitalized development costs of \$1,895,399 for its next generation connected sensor device were impaired. In addition to its existing market, these devices were targeted for the Smart City initiatives. Due to the pandemic, various government agencies are diverting their funds towards Covid-19 related efforts and there is some uncertainty of the timing of orders for these new devices.

Internally developed technology consists of hardware design, sampling, firmware, certifications, software integration and quality assurance. Amortization of \$295,420 for the year ended December 31, 2020 (2019 – \$441,983) related to the internal developed technology has been allocated to the costs of sales.

Patents and license additions of \$100,571 are related to the purchase of licenses for certain patents in BeWhere's Connected Sensor devices.

8. Property and Equipment

The following is a summary of the activity during the year ended December 31, 2020:

	Office equipment	Computer and Phones	Leasehold improvements	Trade booth	Right-of-use asset (Note 3)	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 December 31, 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	(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)
Net carrying amounts:						
As at December 31, 2019	\$ 738	\$ 7,165	\$ 647	\$ 3,516	\$ 10,103	\$ 22,169
As at December 31, 2020	\$ 1,546	\$ 3,813	\$ -	\$ 1,177	\$ -	\$ 6,536

9. Accounts Payable and Accrued Liabilities

	December 31, 2020	December 31, 2019
Accounts payable	\$ 1,335,949	\$ 782,234
Accrued liabilities (Note 11)	170,600	117,600
	\$ 1,506,549	\$ 899,834

10. Credit facility

The Company maintains a revolving demand facility of \$250,000 bearing interest at prime rate plus 2.5%. During the year the Company incurred no interest expense. At December 31, 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. Related Party Balances and Transactions

The Company entered into the following transactions with related parties:

- For the year ended December 31, 2020, the CEO, CFO and COO of the Company were paid salaries and consulting fees of \$548,457 (2019 - \$581,706).
- For the year ended December 31, 2020, the Independent Directors of the Company were paid salaries of \$54,000 (2019 - \$54,000).
- Total accrued fees due to Directors as at December 31, 2020 is \$40,500 (2019 - \$27,000) (Note 9). The amounts due are unsecured, due on demand, and bear 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 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.

The benefit of the government loan received at below market rate of interest is treated as a government grant. The loan was recognized at the fair value of \$22,116, using the Company’s incremental borrowing rate of 12% per annum. The difference between the initial carrying amount and proceeds received of \$17,884 is the value of the grant. During the year ended December 31, 2020, the Company recorded interest of \$1,800 on the loan (2019 - \$Nil). The balance of the loan at December 31, 2020 is \$23,916.

13. Income Taxes

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 27% to the income for the years ended December 31, 2020 and 2019 and is reconciled as follows:

	2020	2019
Loss before income taxes	\$ (1,971,884)	\$ (1,229,945)
Combined statutory rate	27%	27%
Expected income tax recovery	(532,409)	(332,085)
Non-deductible expenditures and other	(262,727)	187,411
Change in unrecognized deductible temporary differences	795,136	144,674
	\$ -	\$ -

Significant components of the Company’s future tax assets and liabilities are as follows:

	2020	2019
Share issuance costs	\$ 3,337	\$ 21,465
Intangible assets	804,522	61,061
Property and equipment	6,974	10,442
Non-capital losses available for future period	1,233,114	1,159,843
	2,047,947	1,252,811
Unrecognized deferred tax assets	(2,047,947)	(1,252,811)
Net deferred tax assets	\$ -	\$ -

The Company has non-capital losses of \$4,567,000 available for carry-forward to reduce future years' Income for income tax purposes. The expiration year for the losses are between 2036 to 2040.

14. Shareholders' Equity

a) Share capital

Authorized – Unlimited common shares, no par value.

During the year ended December 31, 2019, 616,941 warrants were exercised for gross cash proceeds of \$154,235 and no options were exercised.

On April 30, 2020, the Company received acceptance from the TSX Venture Exchange for the Company's intention to purchase by way of a Normal Course Issuer Bid ("NCIB") 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 NCIB 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 NCIB are purchased. Purchases subject to the NCIB 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.

During the year ended December 31, 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 year ended December 31, 2019, the Company paid costs of \$432,137 related to the issuance of the common shares.

b) Share-based payment reserve

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 year ended December 31, 2020, 520,000 stock options were issued to the employees.

	Share purchase warrants		Stock options	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, December 31, 2018	5,064,635	0.25	3,262,000	0.26
Exercised	(616,941)	0.25	-	-
Expired	(4,447,694)	0.25	(462,500)	0.12
Issued	11,614,473	0.34	-	-
Outstanding, December 31, 2019	11,614,473	\$ 0.34	2,799,500	\$ 0.29
Expired	-	-	(170,000)	0.31
Issued	-	-	520,000	0.15
Outstanding, December 31, 2020	11,614,473	\$ 0.34	3,149,500	\$ 0.26

14. Shareholders' Equity (continued)

b) Share-based payment reserve (continued)

As at December 31, 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
65,000	0.15	August 31, 2025
2,694,500		

As at December 31, 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 year ended December 31, 2020, the Company recognized share-based payments of \$29,336 (2019 - \$103,860).

15. Revenues

Major components of revenues are as follows:

	December 31, 2020	December 31, 2019
Product, hardware, and software sales	\$ 3,849,484	\$ 3,592,102
Service fees	92,623	345,490
Recurring fees	3,095,179	2,159,011
	\$ 7,037,286	\$ 6,096,602

During the year ended December 31, 2020, three customers each exceeded 10% of total revenue, comprised of 24%, 17% and 13%, respectively. During the year ended December 31, 2019, two customers each exceeded 10% of total revenue, comprised of 26% and 24%, respectively.

As at December 31, 2020, three customers each exceeded 10% of total accounts receivable, comprised of 30%, 15% and 10%, respectively. As at December 31, 2019, three customers exceeded 10% of total accounts receivable, comprised of 37%, 21% and 10%, respectively.

Deferred revenue consists of the following:

- Deposits received in advance for the recurring fees; and
- 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 December 31, 2020 is \$18,441 (2019 - \$22,209) and the long-term portion is \$50,962 (2019 - \$74,376).

16. Financial Instruments

The Company's consolidated financial instruments consist of cash and cash equivalent, trade receivable, accounts payable and loan from the 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 equivalents 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 cash equivalents and accounts receivable on the consolidated financial position represent the Company's maximum credit exposure at December 31, 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 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 and cash equivalents at December 31, 2020 in the amount of \$2,466,630 (2019 - \$2,392,265), in order to meet short-term business requirements of \$1,548,906 (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.

16. Financial Instruments (continued)

Financial risk management (continued)

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

	December 31, 2020		December 31, 2019	
Financial assets				
Cash	\$	958,878	\$	291,471
Trade receivable		1,149,119		1,139,967
	\$	2,107,997	\$	1,431,438
Financial liabilities				
Accounts payable	\$	1,170,079	\$	720,545
	\$	1,170,079	\$	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 December 31, 2020 and December 31, 2019, the Company does not have any financial instruments subject to this risk.

17. 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.

18. Subsequent Events

During the period subsequent to December 31, 2020, 167,529 warrants were exercised for net cash receipt of \$31,830.