

# **BeWhere Holdings Inc.**

## **UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the Periods Ended September 30, 2023 and 2022**

**(Expressed in Canadian Dollars)**

**BeWhere Holdings Inc.**

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For the Periods Ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

**Financial Statements**

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**BeWhere Holdings Inc.**

## Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	As at September 30, 2023	As at December 31, 2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,108,767	\$ 3,227,023
Trade receivables (Note 4 and 14)	2,258,859	1,995,772
HST and other receivables (Note 12)	26,657	35,575
Prepaid expenses (Note 5)	274,167	52,044
Inventory (Note 6)	619,303	854,535
<b>Total current assets</b>	<b>7,287,753</b>	<b>6,164,949</b>
Intangible assets - net (Note 7)	331,342	484,887
Property and equipment – net (Note 8)	418,486	503,438
Deferred tax asset	1,380,225	1,559,112
<b>Total assets</b>	<b>\$ 9,417,806</b>	<b>\$ 8,712,386</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Notes 9 and 11)	\$ 1,382,950	\$ 1,232,204
Loan from Government of Canada (Note 12)	40,000	40,000
Deferred revenue (Note 14)	91,580	76,179
Lease liability (Note 15)	110,108	99,363
<b>Total current liabilities</b>	<b>1,624,638</b>	<b>1,447,746</b>
<b>Long-term Liabilities</b>		
Loan from Government of Canada (Note 12)	341,290	187,793
Deferred revenue (Note 14)	7,239	10,817
Lease liability (Note 15)	331,301	415,566
<b>Total liabilities</b>	<b>2,304,468</b>	<b>2,061,922</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 13)	10,850,370	10,931,961
Share-based payment reserve (Note 13)	2,419,322	2,381,610
Accumulated other comprehensive income	58,395	18,589
Deficit	(6,214,749)	(6,681,696)
<b>Total shareholders' equity</b>	<b>7,113,338</b>	<b>6,650,464</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 9,417,806</b>	<b>\$ 8,712,386</b>

Nature of operations (Note 1)

Subsequent event (Note 19)

These interim consolidated financial statements are authorized for issue by the Board of Directors on November 21, 2023.

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 and Comprehensive Income  
(Expressed in Canadian Dollars)

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30, 2023</b>	September 30, 2022	<b>September 30, 2023</b>	September 30, 2022
Revenue (Note 14)	\$ 3,075,102	\$ 2,648,541	\$ 8,837,036	\$ 7,742,812
Cost of sales				
Products and services costs	1,768,817	1,595,684	5,283,819	4,963,085
Amortization for Internally developed technology (Note 7)	55,636	55,636	166,908	166,908
Gross profit	1,250,649	997,221	3,386,309	2,612,819
Expenses				
Amortization and depreciation (Notes 7 and 8)	38,671	49,034	116,011	145,109
Bad debts	-	12,847	(21,031)	12,847
Consulting fees (Note 11)	141,389	110,729	433,022	373,829
General and office expenses	62,733	65,329	188,156	179,440
Insurance	15,483	13,009	38,092	31,732
Marketing	77,203	78,766	252,206	131,712
Professional fees	6,000	8,862	38,951	32,352
Research and development (Note 16)	144,121	127,472	541,908	373,287
Salaries and wages (Note 11)	386,328	370,381	1,138,258	1,013,831
Share-based compensation (Notes 11 and 13)	38,993	11,890	46,424	30,372
Travel	482	265	1,729	1,177
	911,403	848,584	2,773,727	2,325,688
Income before other items and income tax expense	339,246	148,637	612,582	287,131
Other items:				
Foreign exchange gain (loss)	41,741	50,870	(34,668)	81,679
Government loan (Note 12)	22,172	20,492	68,117	39,621
Interest income	25,696	10,639	47,391	15,957
Accretion expense (Note 12 and 15)	(15,595)	(13,867)	(47,588)	(36,923)
Income before income tax expense	413,260	216,771	645,834	387,465
Income tax expense	(130,684)	-	(178,887)	-
Income after taxes	282,576	216,771	466,947	387,465
Foreign exchange gain (loss)	2,086	-	39,806	-
<b>Total comprehensive income for the period</b>	<b>\$ 284,662</b>	<b>\$ 216,771</b>	<b>\$ 506,753</b>	<b>\$ 387,465</b>
<b>Basic income per share - basic</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>
<b>Basic income per share - diluted</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>
<b>Weighted average shares outstanding - Basic</b>	<b>87,695,912</b>	<b>88,240,917</b>	<b>87,779,840</b>	<b>88,274,638</b>
<b>Weighted average shares outstanding - Diluted</b>	<b>87,931,125</b>	<b>88,626,947</b>	<b>88,043,239</b>	<b>88,076,909</b>

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

**BeWhere Holdings Inc.**Interim Consolidated Statements of Cash Flow  
(Expressed in Canadian Dollars)

	<b>For the nine-month period ended</b>	
	<b>September 30, 2023</b>	<b>September 30, 2022</b>
Operations		
Comprehensive income for the period	\$ 466,947	\$ 387,465
Items not affecting cash:		
Amortization and depreciation	282,919	312,017
Share-based compensation	46,424	30,372
Bad debts	(21,031)	12,847
Accretion expense	47,588	36,923
Income tax expense	178,887	-
Government loan	(68,117)	(39,621)
Changes in non-cash working capital items:		
Trade and other receivables	(233,138)	(743,180)
Inventory	235,232	42,734
Prepaid expenses	(222,123)	176,411
Deferred revenue	11,788	(38,160)
Accounts payable and accrued liabilities	150,746	519,232
Net cash provided by operating activities	<b>876,122</b>	<b>697,040</b>
Investing		
Purchase of property and equipment	(4,581)	(30,253)
Net cash used in investing activities	<b>(4,581)</b>	<b>(30,253)</b>
Financing		
Loan from Government of Canada	203,006	149,580
Repayment of lease liability	(102,500)	(77,000)
Warrants and options exercised	15,000	9,500
Normal course issuers bid – purchase of shares	(105,303)	(67,059)
Net cash provided by (used in) financing activities	<b>(10,203)</b>	<b>15,021</b>
Increase in cash and cash equivalents	<b>881,744</b>	<b>681,808</b>
Cash and cash equivalents, beginning of year	<b>3,227,023</b>	<b>2,558,673</b>
Cash and cash equivalents, ending of period	<b>\$ 4,108,767</b>	<b>\$ 3,240,481</b>
The components of cash and cash equivalents are:		
Cash at the bank	\$ 2,608,767	\$ 1,740,481
Cashable GIC, bearing 4.70% to 4.95% 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)

	<u>Share Capital</u>		Share-based payment reserve	Accumulated other comprehensive income	Deficit	Total
	Shares	Amount				
<b>Balance, December 31, 2021</b>	<b>88,296,488</b>	<b>\$ 11,001,988</b>	<b>\$ 2,349,137</b>	<b>\$ -</b>	<b>\$ (8,766,942)</b>	<b>\$ 4,584,183</b>
Exercise of warrants (Note 13)	50,000	14,336	(4,836)	-	-	9,500
Share-based compensation expense (Note 13)	-	-	30,372	-	-	30,372
Normal course issuers bid share purchase (Note 13)	(285,000)	(67,059)	-	-	-	(67,059)
Comprehensive loss for the period	-	-	-	-	387,465	387,465
<b>Balance, September 30, 2022</b>	<b>88,061,488</b>	<b>\$ 10,949,265</b>	<b>\$ 2,374,673</b>	<b>\$ -</b>	<b>\$ (8,379,477)</b>	<b>\$ 4,944,461</b>
<b>Balance, December 31, 2022</b>	<b>87,983,488</b>	<b>\$ 10,931,961</b>	<b>\$ 2,381,610</b>	<b>\$ 18,589</b>	<b>\$ (6,681,696)</b>	<b>\$ 6,650,464</b>
Exercise of warrants and options (Note 13)	100,000	23,712	(8,712)	-	-	15,000
Share-based compensation expense (Note 13)	-	-	46,424	-	-	46,424
Normal course issuers bid share purchase (Note 13)	(522,000)	(105,303)	-	-	-	(105,303)
Comprehensive income for the period	-	-	-	39,806	466,947	506,753
<b>Balance, September 30, 2023</b>	<b>87,561,488</b>	<b>\$ 10,850,370</b>	<b>\$ 2,419,322</b>	<b>\$ 58,395</b>	<b>\$ (6,214,749)</b>	<b>\$ 7,113,338</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 2475 Skymark Avenue, Unit 4 Mississauga, Ontario L4W 4Y6.

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.

## **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, 2022. There have been no changes from the accounting policies applied in the December 31, 2022 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, 2022.

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, 2022.

The board of directors approved these interim consolidated financial statements for issue on November 21, 2023.

### **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 Company has determined that effective January 1, 2022, the functional currency of all its subsidiaries is the United States Dollar. Prior to January 1, 2022, the functional currency of the subsidiaries was the Canadian Dollar. The functional currency of the parent company is the Canadian Dollar. The presentation currency of the Company is the Canadian Dollar.

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

### 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, 2022.

## 4. Trade Receivables

	September 30, 2023	December 31, 2022
Trade receivables	\$ 2,316,959	\$ 2,075,072
Allowance for doubtful accounts	(58,100)	(79,300)
	\$ 2,258,859	\$ 1,995,772

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, 2023, the allowance for doubtful trade accounts was \$58,100 (December 31, 2022 - \$79,300).

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

	September 30, 2023	December 31, 2022
Current	\$ 2,068,001	\$ 1,653,852
31 – 60 days	61,338	177,159
61 – 90 days	110,443	114,675
Greater than 90 days	77,177	129,386
	\$ 2,316,959	\$ 2,075,072

## 5. Prepaid Expenses

	September 30, 2023	December 31, 2022
Trade suppliers and others	\$ 274,167	\$ 52,044

## 6. Inventory

At September 30, 2023, the Company had inventory totaling \$619,303 (December 31, 2022 - \$854,535), which consists primarily of equipment purchases from third parties for resale.

## 7. Intangible Assets

The following is a summary of the activity during the nine months ended September 30, 2023:

	Internally developed technology	Customer Relations	Patents	Total
<b>Cost:</b>				
As at December 31, 2021	\$ 2,027,906	\$ 213,086	\$ 128,455	\$ 2,369,447
Effect of foreign exchange	16,074	-	2,361	18,435
As at December 31, 2022	2,043,980	213,086	130,816	2,387,882
Effect of foreign exchange	13,870	-	9,156	23,026
As at September 30, 2023	\$ 2,057,850	\$ 213,086	\$ 136,972	\$ 2,410,908
<b>Accumulated depreciation:</b>				
As at December 31, 2021	\$ (1,415,910)	\$ (178,113)	\$ (38,570)	\$ (1,632,593)
Amortization	(222,544)	(34,973)	(12,885)	(270,402)
As at December 31, 2022	(1,638,454)	(213,086)	(51,455)	(1,902,995)
Amortization	(166,908)	-	(9,663)	(176,571)
As at September 30, 2023	\$ (1,805,362)	\$ (213,086)	\$ (61,118)	\$ (2,079,566)
<b>Net carrying amounts:</b>				
As at December 31, 2022	\$ 405,526	\$ -	\$ 79,361	\$ 484,887
As at September 30, 2023	\$ 252,488	\$ -	\$ 78,854	\$ 331,342

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 \$166,908 for the period ended September 30, 2023 (September 30, 2022 - \$166,908) related to the internal developed technology has been allocated to the costs of sales.

## 8. Property and Equipment

The following is a summary of the activity during the nine months ended September 30, 2023:

	Office equipment	Computer and Phones	Right-of-use asset	Total
<b>Cost:</b>				
As at December 31, 2021	\$ 10,572	\$ 44,258	\$ 50,515	\$ 105,345
Additions	15,908	18,034	584,005	617,947
Effect of foreign exchange	373	(184)	-	189
As at December 31, 2022	26,853	62,108	634,520	723,481
Additions	-	4,581	-	4,581
Effect of foreign exchange	134	573	16,108	16,815
As at September 30, 2023	\$ 26,987	\$ 67,262	\$ 650,628	\$ 744,877
<b>Accumulated depreciation:</b>				
As at December 31, 2021	\$ (5,317)	\$ (26,098)	\$ (50,515)	\$ (81,930)
Amortization	(5,804)	(19,277)	(113,032)	(138,113)
As at December 31, 2022	(11,121)	(45,375)	(163,547)	(220,043)
Amortization	(4,527)	(17,047)	(84,774)	(106,348)
As at September 30, 2023	\$ (15,648)	\$ (62,422)	\$ (248,321)	\$ (326,391)
<b>Net carrying amounts:</b>				
As at December 31, 2022	\$ 15,732	\$ 16,733	\$ 470,973	\$ 503,438
As at September 30, 2023	\$ 11,339	\$ 4,840	\$ 402,307	\$ 418,486

**9. Accounts Payable and Accrued Liabilities**

	<b>September 30, 2023</b>		<b>December 31, 2022</b>	
Accounts payable	\$	<b>1,320,417</b>	\$	1,082,104
Accrued liabilities (Note 11)		<b>62,533</b>		150,100
	<b>\$</b>	<b>1,382,950</b>	<b>\$</b>	<b>1,232,204</b>

**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 period ended September 30, 2023, the Company incurred no interest expense (2022 - \$nil). At September 30, 2023, 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. Key Management and Related Party Balances and Transactions**

The Company's related parties consist of its key management personnel, including its directors and officers.

During the normal course of business, the Company enters into transactions with its related parties that are considered to be arm's length transactions and made at normal market prices and on normal commercial terms.

The Company entered into the following transactions with related parties:

- a. For the nine months ended September 30, 2023, the Key Management of the Company was paid salaries and consulting fees of \$570,750 (September 30, 2022 - \$534,423).
- b. For the nine months ended September 30, 2023, the Independent Directors of the Company were paid salaries of \$36,000 (September 30, 2022 - \$40,500).
- c. Total accrued fees due to Directors as at September 30, 2023 is \$nil (December 31, 2022 - \$13,500) (Note 9). The amounts due are unsecured, due on demand and bear no interest.
- d. For the period ended September 30, 2023, the Company incurred \$1,337 (September 30, 2022 - \$10,901) in share-based payments to directors of the Company.

**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 the period ended March 31, 2021, the Company received an additional \$20,000 ("the second installment") loan under CEBA term loan. These CEBA term loans are due on December 31, 2023 and bear interest at 5% per annum thereafter. If at least 67% of the CEBA term loan principal is paid on or before December 31, 2023, 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, 2023, the Company recorded interest expense of \$nil on the loan (2022: \$4,165). The balance of the loan at September 30, 2023 is \$40,000 (2022: \$40,000).

## 12. Loan from Government of Canada (continued)

During the year ended December 31, 2022, the Company was approved for an interest free subordinate loan of \$500,000 for 'Business Scale Up Initiative'. The funds are expected to be received over the next eight quarters. The repayment will be in sixty equal monthly installments starting January 2025. During the nine months ended September 30, 2023, the Company received \$203,006 and recorded interest expense of \$18,608. The difference between the initial carrying amount and proceeds received of \$68,117 (September 30, 2022 - \$39,621) was recorded as government grant income.

## 13. Shareholders' Equity

### a) Share capital

Authorized – Unlimited common shares, no par value.

During the period ended September 30, 2023, 100,000 options were exercised for the proceeds of \$15,000.

During the period ended September 30, 2022, 50,000 warrants were exercised for gross proceeds of \$9,500.

On June 2, 2023, the Company received acceptance from TSX Venture Exchange to the Company's intention to purchase by way of a Normal Course Issuer Bid of up to an aggregate of 4,391,349 of its Common Shares, representing approximately 5% of the issued and outstanding Common Shares of the Company. The normal course issuer bid commenced on June 7, 2023 and will terminate on June 6, 2024 or the earlier of the date all shares which are subject to the Normal Course Issuer Bid are purchased. Purchases subject to the Normal Course Issuer Bid will be carried out pursuant to open market transactions through the facilities of the TSX Venture Exchange and the price which the Corporation will pay for the Common Shares acquired by it will be the market price of the Common Shares at the time of acquisition.

During the period ended September 30, 2023, the Company purchased 522,000 common shares at an average price of \$0.2017 under its Normal Course Issuer Bid. These common shares were cancelled.

On May 18, 2022, the Company received acceptance from TSX Venture Exchange to the Company's intention to purchase by way of a Normal Course Issuer Bid of up to an aggregate of 4,416,074 of its Common Shares, representing approximately 5% of the issued and outstanding Common Shares of the Company. The normal course issuer bid commenced on May 24, 2022 and terminated on May 23, 2023. Purchases subject to the Normal Course Issuer Bid will be carried out pursuant to open market transactions through the facilities of the TSX Venture Exchange and the price which the Corporation will pay for the Common Shares acquired by it will be the market price of the Common Shares at the time of acquisition.

During the period ended September 30, 2022, the Company purchased 285,000 common shares at an average price of \$0.2353 under its Normal Course Issuer Bid. These common shares were cancelled.

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.

### 13. Shareholders' Equity (continued)

	Share purchase warrants		Stock options	
	Number	Weighted average exercise price	Number	Weighted average exercise price
<b>Outstanding, December 31, 2022</b>	<b>11,231,024</b>	<b>\$ 0.34</b>	<b>3,104,500</b>	<b>\$ 0.23</b>
Exercised	-	-	(100,000)	0.15
Expired	-	-	(1,160,000)	0.30
Issued	-	-	675,000	0.20
<b>Outstanding, September 30, 2023</b>	<b>11,231,024</b>	<b>\$ 0.34</b>	<b>2,519,500</b>	<b>\$ 0.20</b>

As at September 30, 2023, exercisable incentive stock options were outstanding as follows:

Outstanding options	Exercisable options	Exercise price \$	Expiry date
499,500	499,500	0.15	February 23, 2026
75,000	75,000	0.17	May 1, 2026
250,000	250,000	0.28	May 5, 2027
420,000	420,000	0.15	August 31, 2025
300,000	300,000	0.20	May 26, 2026
300,000	187,500	0.23	May 26, 2027
675,000	159,375	0.20	March 31, 2028
<b>2,519,500</b>	<b>1,891,375</b>		

As at September 30, 2023, share purchase warrants were outstanding as follows:

Exercisable warrants	Exercise price \$	Expiry date
10,592,105	0.35	February 15, 2024
638,919	0.19	February 15, 2024
<b>11,231,024</b>		

During the nine months ended September 30, 2023, the Company recognized share-based payments of \$46,424 (September 30, 2022 - \$30,372) for options granted in previous years and vested during the period ended. The average share price on the date the options were exercised was \$0.215.

### 14. Revenues

Major components of revenues are as follows:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Product, hardware, and software sales	<b>1,733,267</b>	1,546,456	<b>4,916,805</b>	4,744,154
Service fees	<b>54,950</b>	57,461	<b>178,807</b>	239,849
Recurring fees	<b>1,286,885</b>	1,044,624	<b>3,741,424</b>	2,758,809
	<b>3,075,102</b>	2,648,541	<b>8,837,036</b>	7,742,812

During the nine months ended September 30, 2023, two customers each exceeded 10% of total revenue, comprised of 14% and 13%, respectively. During the nine months ended September 30, 2022, one customer exceeded 10% of total revenue, comprised of 16% of total revenue.

#### 14. Revenues (continued)

As at September 30, 2023, two customers each exceeded 10% of total accounts receivable, each comprised of 20%. As at September 30, 2022, five customers exceeded 10% of total accounts receivable, comprised of 20%, 14%, 12%, 12% and 11%, respectively, of total accounts receivable.

Deferred revenue consists of the following:

- Deposits received in advance for the recurring fees; and
- 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, 2023 is \$91,580 (December 31, 2022 - \$76,179) and the long-term portion is \$7,239 (December 31, 2022 - \$10,817).

#### 15. Lease liability and Right-of-use asset

Effective January 1, 2022, the Company entered into one lease for its office premises. The Company discounted the future lease payments using its incremental borrowing rate of 8% per annum to determine the lease liability and the right of use assets at the inception of the lease.

The recognized right-of-use asset and lease liability relates to the Company's lease agreement which is included under property and equipment and lease liability on the interim consolidated statement of financial position as follow:

	September 30, 2023	December 31, 2022
Right-of-use asset, net book value (Note 8)	\$ 403,067	\$ 470,973
Lease Liability	\$ 441,409	\$ 514,929

Depreciation expense of \$84,774 was recognized on the right-of-use asset during the nine months ended September 30, 2023 (Note 8).

The lease liability is as follows:

		Office Space
<b>Balance at December 31, 2022</b>	<b>\$</b>	<b>514,929</b>
Payments		(102,500)
Interest		28,980
<b>Balance at September 30, 2023</b>	<b>\$</b>	<b>441,409</b>
Current Liability	\$	110,108
Long Term Liability		331,301
<b>Balance at September 30, 2023</b>	<b>\$</b>	<b>441,409</b>

#### 16. Research and development

During the nine months ended September 30, 2023, the Company spent \$541,908 (September 30, 2022 – \$373,287) on research and development on its new device. These costs did not meet the criteria for capitalization under IAS 38.

#### 17. 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.

## 17. Financial Instruments (continued)

### **Fair value**

Financial instruments recorded at fair value on the interim consolidated 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 cash equivalents and accounts receivable on the interim consolidated statement of financial position represent the Company's maximum credit exposure at September 30, 2023. 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 and cash equivalents at September 30, 2023 in the amount of \$4,108,767 (December 31, 2022 - \$3,227,023), in order to meet short-term business requirements of \$1,624,638 (December 31, 2022 - \$1,447,746).

#### *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 Canadian and American dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

## 17. Financial Instruments (continued)

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in currencies other than the functional currency of the entities:

	<b>September 30, 2023</b>		<b>December 31, 2022</b>	
<b>Financial assets</b>				
Cash	\$	<b>1,794,736</b>	\$	84,354
Trade receivable		<b>414,916</b>		539,147
		<b>2,209,652</b>		623,501
<b>Financial liabilities</b>				
Accounts payable		<b>119,751</b>		227,337
	\$	<b>119,751</b>	\$	227,337

### *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, 2023 and December 31, 2022, the Company does not have any financial instruments subject to this risk.

## 18. 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.

## 19. Subsequent event

Subsequent to September 30, 2023, the Company purchased 668,000 common shares at an average price of \$0.2193 under Normal Course Issuer Bid from the open market. These common shares were cancelled.