

BeWhere Holdings Inc.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

BeWhere Holdings Inc.

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For the Years Ended December 31, 2022 and 2021

(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, 2022 and 2021, and the consolidated statements of income and comprehensive income, 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, 2022 and 2021, 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.

Key Audit Matters

Key audit matters are those matters, that in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be a key audit matter to be communicated in our auditor's report.

Vancouver

1500 - 1140 West Pender St.
 Vancouver, BC V6E 4G1
 604.687.4747

Surrey

200 - 1688 152 St.
 Surrey, BC V4A 4N2
 604.531.1154

Tri-Cities

700 - 2755 Lougheed Hwy
 Port Coquitlam, BC V3B 5Y9
 604.941.8266

Victoria

320 - 730 View St.
 Victoria, BC V8W 3Y7
 250.800.4694

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p>Revenue recognition</p> <p>The Company's disclosure related to revenue recognition is included in Note 3.</p> <p>The Company derives revenue from the sale of products 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.</p> <p>For the year ended December 31, 2022, the Company recognized revenue of \$10,024,902.</p> <p>We considered this as a key audit matter due to the magnitude of the revenues and the volume of the transactions resulting in significant audit effort.</p>	<p>In obtaining sufficient audit evidence, the following procedures have been performed, among others:</p> <ul style="list-style-type: none"> • Evaluated the design and implementation of internal controls relating to revenue; • Performed analytical procedures to identify unusual fluctuations; • On a sample test basis: <ul style="list-style-type: none"> ○ Examined revenue contracts and transactions; ○ Tested the mathematical accuracy of recorded revenue; ○ Evaluated the appropriateness of the timing of recorded revenue transactions against the point in time when control of the product was transferred to the customer; and

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 we do 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, 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

A handwritten signature in black ink that reads "DMCL." The letter "D" is large and stylized, with a small tick mark above it. The letters "M", "C", and "L" are smaller and more standard in style.

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 14, 2023

BeWhere Holdings Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	As at December 31, 2022	As at December 31, 2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,227,023	\$ 2,558,673
Trade receivables (Notes 4 and 15)	1,995,772	1,228,022
HST and other receivables	35,575	12,921
Prepaid expenses (Note 5)	52,044	238,121
Inventory (Note 6)	854,535	859,202
Total current assets	6,164,949	4,896,939
Intangible assets - net (Note 7)	484,887	736,854
Property and equipment – net (Notes 8 and 16)	503,438	23,415
Deferred tax asset (Note 13)	1,559,112	-
Total assets	\$ 8,712,386	\$ 5,657,208
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 9 and 11)	\$ 1,232,204	\$ 912,415
Loan from Government of Canada (Note 12)	40,000	-
Deferred revenue (Note 15)	76,179	93,562
Lease liability (Note 16)	99,363	-
Total current liabilities	1,447,746	1,005,977
Long-term Liabilities		
Loan from Government of Canada (Note 12)	187,793	34,709
Deferred revenue (Note 15)	10,817	32,339
Lease liability (Note 16)	415,566	-
Total liabilities	2,061,922	1,073,025
SHAREHOLDERS' EQUITY		
Capital stock (Note 14)	10,931,961	11,001,988
Share-based payment reserve (Note 14)	2,381,610	2,349,137
Accumulated other comprehensive income	18,589	-
Deficit	(6,681,696)	(8,766,942)
Total shareholders' equity	6,650,464	4,584,183
Total liabilities and shareholders' equity	\$ 8,712,386	\$ 5,657,208

Nature of business (Note 1)

Subsequent events (Note 20)

These consolidated financial statements are authorized for issue by the Board of Directors on April 14, 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 consolidated financial statements.

BeWhere Holdings Inc.

Consolidated Statements of Income and Comprehensive Income

(Expressed in Canadian Dollars)

	For the years ended	
	December 31, 2022	December 31, 2021
Revenue (Note 15)	\$ 10,024,902	\$ 8,541,075
Cost of sales		
Products and services costs	6,253,762	5,974,982
Amortization for Internally developed technology (Note 7)	222,544	277,202
Gross profit	3,548,596	2,288,891
Expenses		
Amortization and depreciation (Notes 7 and 8)	185,971	64,887
Consulting fees (Note 11)	497,960	395,687
General and office expenses	218,476	163,371
Insurance	45,297	38,981
Bad debts (Note 4)	12,847	389
Marketing	178,313	59,311
Professional fees	63,952	59,062
Research and development (Note 17)	512,388	-
Rent	20,498	59,375
Salaries and wages (Note 11)	1,387,402	998,320
Share-based compensation (Note 11 and 14)	37,309	51,229
Travel	1,814	1,148
	3,162,227	1,891,760
Income before other items and deferred tax recovery	386,369	397,131
Other items:		
Foreign exchange gain	99,969	1,729
Interest income	26,811	8,454
Government loan income (Note 12)	64,364	12,018
Accretion expense (Notes 12 and 16)	(51,379)	(2,811)
Income before income tax	526,134	416,521
Deferred tax recovery (Note 13)	1,559,112	-
Income after tax recovery	2,085,246	416,521
Foreign exchange gain	18,589	-
Total comprehensive income for the year	\$ 2,103,835	\$ 416,521
Income per share – basic	\$ 0.02	\$ 0.00
Income per share – diluted	\$ 0.02	\$ 0.00
Weighted average shares outstanding – basic	88,203,057	88,076,587
Weighted average shares outstanding – diluted	88,730,610	88,707,512

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, 2022		December 31, 2021	
Operations				
Income for the year	\$	2,085,246	\$	416,521
Items not affecting cash:				
Amortization and depreciation		408,515		342,089
Share-based compensation		37,309		51,229
Bad debts		12,847		389
Accretion expense		51,379		2,811
Government loan income		(64,364)		(12,018)
Deferred income tax recovery		(1,559,112)		-
Changes in non-cash working capital items:				
Trade and other receivables		(803,251)		186,239
Inventory		4,667		235,379
Prepaid expenses		186,077		5,078
Deferred revenue		(38,940)		56,498
Accounts payable and accrued liabilities		319,789		(594,134)
Net cash provided by operating activities		640,162		690,081
Investing				
Purchase of property and equipment		(33,942)		(26,308)
Intangible assets – patents, licenses and trademarks		-		(204)
Intangible assets – internally developed technology		-		(667,632)
Net cash used in investing activities		(33,942)		(694,144)
Financing				
Loan from Government of Canada		246,993		20,000
Repayment of lease liability		(110,000)		-
Warrants and options exercised		9,500		76,106
Normal course issuers bid – purchase of shares		(84,363)		-
Net cash provided by financing activities		62,130		96,106
Increase in cash and cash equivalents		668,350		92,043
Cash and cash equivalents, beginning of year		2,558,673		2,466,630
Cash and cash equivalents, ending of year	\$	3,227,023	\$	2,558,673
The components of cash and cash equivalents are:				
Cash at the bank	\$	1,727,023	\$	1,058,673
Cashable GIC, bearing 2.45% to 3.05% interest per annum		1,500,000		1,500,000
	\$	3,227,023	\$	2,558,673

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	Accumulated other comprehensive income	Deficit	Total
	Shares	Amount				
Balance, December 31, 2020	87,888,039	\$ 10,881,983	\$ 2,341,807	\$ -	\$ (9,183,463)	\$ 4,040,327
Exercise of warrants and options (Note 14)	408,449	120,005	(43,899)	-	-	76,106
Share-based compensation expense (Note 14)	-	-	51,229	-	-	51,229
Comprehensive income for the year	-	-	-	-	416,521	416,521
Balance, December 31, 2021	88,296,488	\$ 11,001,988	\$ 2,349,137	\$ -	\$ (8,766,942)	\$ 4,584,183
Exercise of warrants (Note 14)	50,000	14,336	(4,836)	-	-	9,500
Share-based compensation expense (Note 14)	-	-	37,309	-	-	37,309
Normal course issuers bid share purchase (Note 14)	(363,000)	(84,363)	-	-	-	(84,363)
Comprehensive income for the year	-	-	-	18,589	2,085,246	2,103,835
Balance, December 31, 2022	87,983,488	\$ 10,931,961	\$ 2,381,610	\$ 18,589	\$ (6,681,696)	\$ 6,650,464

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 and records office of the Company is located at 2475 Skymark Avenue 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 board of directors approved these consolidated financial statements for issue on April 14, 2023.

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”).

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.

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.

3. Significant Accounting Policies (continued)

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;
- II. The evaluation of the Company's ability to continue as a going concern; and
- III. Determination of the functional currency of the entity and its subsidiaries.

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 receivables, accounts payable and loan from Government of Canada are classified in this category as at December 31, 2022 and 2021.

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 income and comprehensive income. 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 income and comprehensive income in the period in which they arise. Cash and cash equivalents are classified in this category at December 31, 2022 and 2021.

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, 2022 and 2021.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

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, 2022 and 2021.

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 income and comprehensive income, 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.

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.

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.

3. Significant Accounting Policies (continued)

Intangible assets

Internally generated intangible assets include internally developed technology 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.

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 life is reviewed at least at the end of each reporting period. Changes in the expected useful life 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 income and comprehensive income 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 the consolidated statement of income and comprehensive income.

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

3. Significant Accounting Policies (continued)

Property and equipment (continued)

Office equipment	5 years
Computer and phones	2 years
Leasehold improvements	5 years
Trade booth	5 years
Right of use asset	term of the lease

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 property and 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.

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.

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 shipped 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).

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 prorata 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 product has been shipped 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

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.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise.

The financial position and results of operations whose functional currency is different from the Company's presentation currency are translated as follows: assets and liabilities are translated at period-end exchange rates prevailing at the reporting date; and income and expenses are translated at average exchange rates for the period. Exchange differences arising on translation of foreign currency operations are recorded in accumulated other comprehensive income in the consolidated statements of comprehensive income. These differences are recognized in profit or loss in the period in which the foreign currency operation is disposed.

3. Significant Accounting Policies (continued)

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.

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 other than foreign exchange related to subsidiaries whose functional currency is different from the presentation currency. All gains and losses, including those arising from measurement of all financial instruments have been recognized in income (loss) for the year.

3. Significant Accounting Policies (continued)

IFRS 16 Leases

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 at the inception of the lease. 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.

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.

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 income and comprehensive income on a systematic basis and in line with its recognition of the expenses that the grants are intended to compensate.

4. Trade Receivables

	December 31, 2022	December 31, 2021
Trade receivables	\$ 2,075,072	\$ 1,299,022
Allowance for doubtful accounts	(79,300)	(71,000)
	\$ 1,995,772	\$ 1,228,022

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, 2022, the allowance for doubtful trade accounts was \$79,300 (2021 - \$71,000).

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

	December 31, 2022	December 31, 2021
Current	\$ 1,653,852	\$ 1,239,869
31 – 60 days	177,159	-
61 – 90 days	114,675	5,069
Greater than 90 days	129,386	54,084
	\$ 2,075,072	\$ 1,299,022

5. Prepaid Expenses

	December 31, 2022	December 31, 2021
Trade suppliers and others	\$ 52,044	\$ 238,121

6. Inventory

At December 31, 2022, the Company had inventory totaling \$854,535 (2021 – \$859,202), which consists primarily of finished goods inventory purchases from third parties for resale.

7. Intangible Assets

The following is a summary of the activity during the year ended December 31, 2022:

	Internally developed technology	Customer Relations	Patents	Total
Cost:				
As at December 31, 2020	\$ 1,360,274	\$ 213,086	\$ 128,251	\$ 1,701,611
Additions	667,632	-	204	667,836
As at December 31, 2021	\$ 2,027,906	\$ 213,086	\$ 128,455	\$ 2,369,447
Additions	-	-	-	-
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
Accumulated amortization:				
As at December 31, 2020	\$ (1,138,708)	\$ (135,538)	\$ (25,687)	\$(1,299,933)
Amortization	(277,202)	(42,575)	(12,883)	(332,660)
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)
Net carrying amounts:				
As at December 31, 2021	\$ 611,996	\$ 34,973	\$ 89,885	\$ 736,854
As at December 31, 2022	\$ 405,526	\$ -	\$ 79,361	\$ 484,887

Internally developed technology consists of hardware design, sampling, firmware, certifications, software integration and quality assurance. Amortization of \$222,544 for the year ended December 31, 2022 (2021 – \$277,202) related to the internally developed technology has been allocated to the costs of sales.

8. Property and Equipment

The following is a summary of the activity during the year ended December 31, 2022:

	Office equipment	Computer and Phones	Leasehold improvements	Trade booth	Right-of-use asset (Note 16)	Total
Cost:						
As at December 31, 2020	\$ 5,210	\$ 23,312	\$ 4,595	\$ 11,710	\$ 50,515	\$ 95,342
Additions	5,362	20,946	-	-	-	26,308
As at December 31, 2021	\$ 10,572	\$ 44,258	\$ 4,595	\$ 11,710	\$ 50,515	\$ 121,650
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	\$ 4,595	\$ 11,710	\$ 634,520	\$ 739,786
Accumulated depreciation:						
As at December 31, 2020	\$ (3,664)	\$ (19,499)	\$ (4,595)	\$ (10,533)	\$ (50,515)	\$ (88,806)
Depreciation	(1,653)	(6,599)	-	(1,177)	-	(9,429)
As at December 31, 2021	\$ (5,317)	\$ (26,098)	\$ (4,595)	\$ (11,710)	\$ (50,515)	\$ (98,235)
Depreciation	(5,804)	(19,277)	-	-	(113,032)	(138,113)
Effect of foreign exchange	-	-	-	-	-	-
As at December 31, 2022	\$ (11,121)	\$ (45,375)	\$ (4,595)	\$ (11,710)	\$ (163,547)	\$ (236,348)
Net carrying amounts:						
As at December 31, 2021	\$ 5,255	\$ 18,160	\$ -	\$ -	\$ -	\$ 23,415
As at December 31, 2022	\$ 15,732	\$ 16,733	\$ -	\$ -	\$ 470,973	\$ 503,438

9. Accounts Payable and Accrued Liabilities

	December 31, 2022	December 31, 2021
Accounts payable	\$ 1,082,104	\$ 809,615
Accrued liabilities (Note 11)	150,100	102,800
	\$ 1,232,204	\$ 912,415

10. Credit facility

The Company maintains a revolving demand facility of \$250,000 bearing interest at prime rate plus 2.5%. During the year ended December 31, 2022, Company did not utilize this 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, 2022, the Key Management of the Company was paid salaries and consulting fees of \$704,173 (2021 - \$633,750).
- For the year ended December 31, 2022, the Independent Directors of the Company were paid salaries of \$54,000 (2021 - \$54,000).
- Total accrued fees due to Directors as at December 31, 2022 is \$13,500 (2021 - \$13,500) (Note 9). The amounts due are unsecured, due on demand, and bear no interest.

11. Related Party Balances and Transactions (continued)

- d. During the year ended December 31, 2022, the Company incurred \$12,570 (2021 - \$21,319) 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 year ended December 31, 2021, the Company received 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. The CEBA 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 year ended December 31, 2022, the Company recorded interest expense of \$5,291 on the loans (2021: \$2,811). The balance of the CEBA loans at December 31, 2022 is \$40,000 (2021: \$34,709).

During the year ended December 31, 2022, 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 eight quarters. The repayment will be in sixty equal monthly installments starting January 2025. During the year ended December 31, 2022, the Company received the three installments totaling \$246,993. The Company recorded interest expense of \$5,164 during the year ended December 31, 2022. The difference between the initial carrying amount and proceeds received of \$64,364 was recorded as government grant income.

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, 2022 and 2021 and is reconciled as follows:

	2022	2021
Income (loss) before income taxes	\$ 526,134	\$ 416,521
Combined statutory rate	27%	27%
Expected income tax recovery (expense)	(142,056)	(112,461)
Non-deductible expenditures and other	(10,806)	36,460
Effect of change in tax rates and true ups	120,606	-
Recognize deferred tax asset	1,969,744	-
Change in unrecognized deductible temporary differences	(378,376)	76,001
Deferred tax asset	\$ 1,559,112	\$ -

13. Income Taxes (continued)

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

	2022	2021
Intangible assets	\$ 848,024	\$ 836,346
Property and equipment	6,174	6,439
Non-capital losses available for future period	765,507	1,129,161
Other	(4,102)	-
	1,615,603	1,971,946
Valuation allowance	(56,491)	(1,971,946)
Net deferred tax assets	\$ 1,559,112	\$ -

The Company has non-capital losses of \$2,987,000 available for carry-forward to reduce future years' income for income tax purposes. The expiration year for the losses are between 2036 to 2042.

14. Shareholders' Equity

a) Share capital

Authorized – Unlimited common shares, no par value.

During the year ended December 31, 2022, 50,000 warrants were exercised for gross cash proceeds of \$9,500.

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 will terminate on May 23, 2023 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 year ended December 31, 2022, the Company purchased 363,000 common shares at average price of \$0.227. These common shares were cancelled.

During the year ended December 31, 2021, 333,449 warrants were exercised for gross cash proceeds of \$63,356 and 75,000 options were exercised for gross proceeds of \$12,750.

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.

During the year ended December 31, 2022, the Company granted 300,000 stock options to employees with an exercise price of \$0.23, which vest every 3 months over 2 years after the grant date with an expiry date of May 26, 2027. The fair value of these stock options was estimated at \$29,115 using the Black-Scholes Option Price Model with the following assumptions: expected dividend yield – 0%, expected volatility – 75% (based on historical volatility), risk-free interest rate – 2.62% and an expected average life of 2 years.

14. Shareholders' Equity (continued)

b) Share-based payment reserve (continued)

During the year ended December 31, 2021, the Company granted 400,000 stock options to employees with an exercise price of \$0.20, which vest every 3 months over 2 years after the grant date with an expiry date of May 26, 2026. The fair value of these stock options was estimated at \$46,967 using the Black-Scholes Option Price Model with the following assumptions: expected dividend yield – 0%, expected volatility – 86% (based on historical volatility), risk-free interest rate – 0.94% and an expected average life of 3.5 years.

	Share purchase warrants		Stock options	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, December 31, 2020	11,614,473	\$ 0.34	3,149,500	\$ 0.26
Exercised	(333,449)	0.19	(75,000)	0.17
Issued	-	-	400,000	0.20
Outstanding, December 31, 2021	11,281,024	\$ 0.34	3,474,500	\$ 0.26
Expired	-	-	(670,000)	0.375
Exercised	(50,000)	0.19	-	-
Issued	-	-	300,000	0.23
Outstanding, December 31, 2022	11,231,024	\$ 0.34	3,104,500	\$ 0.23

As at December 31, 2022, 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
500,000	500,000	0.335	May 29, 2023
410,000	410,000	0.28	June 26, 2023
150,000	150,000	0.28	August 15, 2023
520,000	520,000	0.15	August 31, 2025
400,000	300,000	0.20	May 26, 2026
300,000	75,000	0.23	May 26, 2027
3,104,500	2,779,500		

As at December 31, 2022, 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
11,231,024		

The average share price on the date of exercise of the warrants was \$0.24 (2021: \$0.31) and the average share price on the date of exercise of the options was \$nil (2021: \$0.29).

During the year ended December 31, 2022, the Company recognized share-based compensation expense of \$37,309 (2021 - \$51,229).

15. Revenues

Major components of revenues are as follows:

	December 31, 2022		December 31, 2021	
Product, hardware, and software sales	\$	5,847,581	\$	5,595,365
Service fees		300,301		67,834
Recurring fees		3,877,020		2,877,876
	\$	10,024,902	\$	8,541,075

During the year ended December 31, 2022, one customer exceeded 10% of total revenue, comprised of 13%. During the year ended December 31, 2021, two customers each exceeded 10% of total revenue, comprised of 19% and 18%, respectively.

As at December 31, 2022, three customers each exceeded 10% of total accounts receivable, comprised of 23%, 17% and 13%, respectively. As at December 31, 2021, three customers each exceeded 10% of total accounts receivable, comprised of 16%, 14% and 11%, 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, 2022 is \$76,179 (2021 – \$93,562) and the long-term portion is \$10,817 (2021 – \$32,339).

16. 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 consolidated statement of financial position as follow:

	December 31, 2022		December 31, 2021	
Right-of-use asset, net book value (Note 8)	\$	470,973	\$	-
Lease Liability	\$	514,929	\$	-

Depreciation expense of \$113,032 was recognized on the right-of-use asset during the year ended December 31, 2022 (Note 8).

The lease liability is as follows:

		Office Space
Balance at December 31, 2021	\$	-
Additions		584,005
Payments		(110,000)
Interest		40,924
Balance at December 31, 2022	\$	514,929
Current Liability		99,363
Long Term Liability		415,566
Balance at December 31, 2022	\$	514,929

17. Research and development

During the year ended December 31, 2022, the Company spent \$512,391 on research and development on its new device. These costs did not meet the criteria for capitalization under IAS 38.

18. Financial Instruments

The Company's 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 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 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, 2022. 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, 2022 in the amount of \$3,227,023 (2021 - \$2,558,673), in order to meet short-term business requirements of \$1,461,411 (2021 - \$1,005,977). The liquidity risk is assessed as low.

Market risk

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

18. Financial Instruments (continued)

Financial risk management (continued)

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 does not hedge its exposure to fluctuations in foreign exchange rates. The foreign currency risk is assessed as moderate as the Company has purchases to offset against the receivables.

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:

	December 31, 2022		December 31, 2021	
Financial assets				
Cash	\$	84,354	\$	976,374
Trade receivable		539,147		906,244
	\$	623,501	\$	1,882,678
Financial liabilities				
Accounts payable	\$	227,337	\$	642,325
	\$	227,337	\$	642,325

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, 2022 and 2021, the Company does not have any financial instruments subject to this risk.

19. 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 year. The Company is not subject to any externally imposed capital requirements.

20. Subsequent Events

Subsequent to the year ended December 31, 2022, 100,000 options were exercised for cash proceeds of \$15,000.

The Company repurchased 68,500 shares for \$14,612 under its normal course issuer bid (Note 14).