Financial Statements

Unaudited Condensed Interim Consolidated Financial Statements for the Third Quarter Ended September 30, 2022 and 2021

Ceapro Inc.

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of Ceapro Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

CEAPRO INC.

Condensed Interim Consolidated Balance Sheets

Unaudited

	September 30, 2022	December 31, 2021
	$	$
ASSETS		
Current Assets		
Cash and cash equivalents	12,910,069	7,780,989
Trade receivables	2,910,672	2,092,842
Other receivables	79,856	45,850
Inventories (note 3)	2,459,554	1,644,893
Prepaid expenses and deposits	153,873	162,919
Total Current Assets	18,514,024	11,727,493
Non-Current Assets		
Investment tax credits receivable	766,629	766,629
Deposits	79,539	79,539
Licences (note 4)	13,329	15,551
Property and equipment (note 5)	16,413,179	17,499,774
Deferred tax assets	-	439,063
Total Non-Current Assets	17,272,676	18,800,556
TOTAL ASSETS	35,786,700	30,528,049
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	528,746	682,057
Current portion of lease liabilities (note 6)	313,290	290,055
Total Current Liabilities	842,036	972,112
Non-Current Liabilities		
Long-term lease liabilities (note 6)	2,119,391	2,358,862
Deferred tax liabilities	959,425	-
Total Non-Current Liabilities	3,078,816	2,358,862
TOTAL LIABILITIES	3,920,852	3,330,974
Equity		
Share capital (note 7 (b))	16,685,419	16,557,401
Contributed surplus (note 7 (e))	4,701,238	4,680,690
Retained earnings	10,479,191	5,958,984
Total Equity	31,865,848	27,197,075
TOTAL LIABILITIES AND EQUITY	35,786,700	30,528,049

See accompanying notes

Approved on Behalf of the Board

SIGNED: "Geneviève Foster"
Director

SIGNED: "Dr. Ulrich Kosciessa"
Director

CEAPRO INC.
Condensed Interim Consolidated Statements of Net Income and Comprehensive Income
Unaudited

	Quarters Ended September 30, 2022	2021	Nine Months Ended September 30, 2022	2021
	$	$	$	$
Revenue (note 13)	3,845,370	4,522,980	15,517,393	13,633,354
Cost of goods sold	1,767,400	1,573,655	5,845,479	5,787,608
Gross margin	2,077,970	2,949,325	9,671,914	7,845,746
Research and product development	314,250	1,403,186	1,213,455	3,050,544
General and administration	869,110	766,605	2,707,430	2,431,659
Sales and marketing	6,160	4,957	20,707	34,557
Finance costs (note 9)	31,382	37,684	151,592	169,938
Income from operations	857,068	736,893	5,578,730	2,159,048
Other (income) expense (note 10)	(271,162)	(138,381)	(339,965)	92,426
Income before tax	1,128,230	875,274	5,918,695	2,066,622
Deferred income tax expense	266,582	-	1,398,488	-
Total net income and comprehensive income for the period	861,648	875,274	4,520,207	2,066,622
Net income per common share (note 16):				
Basic	0.01	0.01	0.06	0.03
Diluted	0.01	0.01	0.06	0.03
Weighted average number of common shares outstanding (note 16):				
Basic	78,192,923	77,684,017	77,873,310	77,669,747
Diluted	78,817,665	78,740,532	78,519,944	78,694,469

See accompanying notes

CEAPRO INC.
Condensed Interim Consolidated Statements of Changes in Equity
Unaudited

	Share capital $	Contributed surplus $	Retained earnings $	Total equity $
Balance December 31, 2021	16,557,401	4,680,690	5,958,984	27,197,075
Share-based payments (note 7 (c))	-	72,926	-	72,926
Share options exercised	128,018	(52,378)	-	75,640
Total net income and comprehensive income for the period	-	-	4,520,207	4,520,207
Balance September 30, 2022	16,685,419	4,701,238	10,479,191	31,865,848
Balance December 31, 2020	16,511,067	4,682,393	3,116,507	24,309,967
Share-based payments (note 7 (c))	-	13,672	-	13,672
Share options exercised	46,334	(19,609)	-	26,725
Total net income and comprehensive income for the period	-	-	2,066,622	2,066,622
Balance September 30, 2021	16,557,401	4,676,456	5,183,129	26,416,986

See accompanying notes

CEAPRO INC.
Condensed Interim Consolidated Statements of Cash Flows
Unaudited

Nine Months Ended September 30,	2022 $	2021 $
OPERATING ACTIVITIES		
Net income for the period	4,520,207	2,066,622
Adjustments for items not involving cash		
Finance costs	96,592	106,390
Depreciation and amortization	1,415,361	1,408,392
Gain on disposal of equipment	-	(5,000)
Accretion	-	8,548
Deferred income tax expense	1,398,488	-
Share-based payments	72,926	13,672
	7,503,574	3,598,624
CHANGES IN NON-CASH WORKING CAPITAL ITEMS		
Trade receivables	(817,830)	(696,335)
Other receivables	(34,006)	62,702
Inventories	(814,661)	(322,192)
Prepaid expenses and deposits	9,046	137,618
Accounts payable and accrued liabilities relating to operating activities	(105,557)	163,017
	(1,763,008)	(655,190)
Net income for the period adjusted for non-cash and working capital items	5,740,566	2,943,434
Interest paid	(96,592)	(106,390)
CASH GENERATED FROM OPERATIONS	5,643,974	2,837,044
INVESTING ACTIVITIES		
Purchase of property and equipment	(326,544)	(514,305)
Proceeds from sale of equipment	-	5,000
Accounts payable and accrued liabilities relating to investing activities	(47,754)	(132,994)
CASH USED IN INVESTING ACTIVITIES	(374,298)	(642,299)
FINANCING ACTIVITIES		
Stock options exercised	75,640	26,725
Repayment of lease liabilities	(216,236)	(180,285)
CASH USED IN FINANCING ACTIVITIES	(140,596)	(153,560)
Increase in cash and cash equivalents	5,129,080	2,041,185
Cash and cash equivalents at beginning of the period	7,780,989	5,369,029
Cash and cash equivalents at end of the period	12,910,069	7,410,214

See accompanying notes

Cash and cash equivalents are comprised of $12,910,069 (2021 - $7,403,376) on deposit with financial institutions and $NIL (2021 - $6,838) held in money market mutual funds.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021
Unaudited

1. NATURE OF BUSINESS OPERATIONS

Ceapro Inc. (the "Company") is incorporated under the Canada Business Corporations Act and is listed on the TSX Venture Exchange under the symbol CZO and on the OTCQX® Best Market under the symbol CRPOF. The Company's primary business activities relate to the development and marketing of various health and wellness products and technology relating to plant extracts.

The Company's head office address is 7824 51 Avenue NW, Edmonton, AB T6E 6W2.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of consolidated financial statements, including IFRS 34, "Interim Financial Reporting". The accounting principles and methods of computation adopted in these financial statements are the same as those of the annual financial statements for the year ended December 31, 2021.

Omitted from these statements are certain information and note disclosures normally included in the annual financial statements. The financial statements and notes presented should be read in conjunction with the annual financial statements for the year ended December 31, 2021.

The Audit Committee authorized these condensed interim consolidated financial statements for issue on November 8, 2022.

b) Basis for presentation

These condensed interim consolidated financial statements have been prepared on the historical cost basis. All transactions are recorded on an accrual basis.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Ceapro Technology Inc., Ceapro Active Ingredients Inc., Ceapro BioEnergy Inc., Ceapro (P.E.I) Inc., Ceapro USA Inc., and Juvente^{DC} Inc. Effective December 31, 2021, the Company wound up Ceapro Technology Inc., Ceapro Active Ingredients Inc., and Ceapro BioEnergy Inc. into the Company and dissolved Ceapro USA Inc.

All intercompany accounts and transactions have been eliminated on consolidation. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

c) Future accounting pronouncements

The IASB has published several new, but not yet effective, standards, amendments to existing standards, and interpretations. None of these standards, amendments to existing standards, or interpretations have been early adopted by the Company, and management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. No pronouncements have been disclosed as they are not expected to have a material impact on the Company's condensed interim consolidated financial statements.

3. INVENTORIES

The Company had the following inventories at the end of each reporting period:

	September 30, 2022	December 31, 2021
	$	$
Raw materials	948,557	549,022
Work in progress	894,932	717,273
Finished goods	616,065	378,598
	2,459,554	1,644,893

Inventories expensed to cost of goods sold during the three and nine month periods ended September 30, 2022 are $1,755,954 and $5,811,222 respectively (September 30, 2021 - $1,564,262 and $5,744,362).

4. LICENCES

During the year ended December 31, 2014, and as amended on February 2, 2015, the Company entered into a licence agreement with the University of Alberta for the rights to a technology that would allow the development, production, and commercialization of powder formulations that could be used as active ingredients for all industrial applications. The agreement expires after a term of 20 years or after the expiration of the last patent obtained, whichever event shall occur first. There is no initial licence fee, but the Company is required to make royalty payments (see note 12 (b)).

During the year ended December 31, 2012, the Company entered into a licence agreement for a new technology to increase the concentration of avenanthramides in oats. The Company paid a fee of $44,439 to cover previous patent costs and commenced amortizing the licence over 15 years in April 2012. Amortization of $2,222 has been included in general and administration expense for the nine month period ended September 30, 2022 (September 30, 2021 - $2,222) (see note 12 (a)).

Cost of licences	$
Balance - December 31, 2021	44,439
Additions	-
Balance - September 30, 2022	44,439
Accumulated amortization	
Balance - December 31, 2021	28,888
Amortization	2,222
Balance - September 30, 2022	31,110
Net book value	
Balance - September 30, 2022	13,329
Balance - December 31, 2021	15,551

5. PROPERTY AND EQUIPMENT

	Equipment not available for use	Manufacturing Equipment	Office Equipment	Computer Equipment	Buildings	Leasehold Improvements	Total
Cost	$	$	$	$	$	$	$
December 31, 2021	1,978,427	12,279,149	321,972	494,968	3,430,656	8,724,449	27,229,621
Additions	2,080	209,313	5,666	103,049	-	6,436	326,544
Disposals	-	-	-	(3,650)	-	-	(3,650)
September 30, 2022	1,980,507	12,488,462	327,638	594,367	3,430,656	8,730,885	27,552,515
Accumulated Depreciation							
December 31, 2021	-	5,710,904	265,227	446,850	1,009,258	2,297,608	9,729,847
Additions	-	638,674	9,174	22,505	249,873	492,684	1,412,910
Disposals	-	-	-	(3,421)	-	-	(3,421)
September 30, 2022	-	6,349,578	274,401	465,934	1,259,131	2,790,292	11,139,336
Carrying Amount							
September 30, 2022	1,980,507	6,138,884	53,237	128,433	2,171,525	5,940,593	16,413,179
December 31, 2021	1,978,427	6,568,245	56,745	48,118	2,421,398	6,426,841	17,499,774

Depreciation expense is allocated to the following expense categories:

	Cost of goods sold	Inventory	General and administration	Total
	$	$	$	$
Nine Months Ended September 30, 2022	891,910	265,926	255,074	1,412,910
Nine Months Ended September 30, 2021	974,708	180,824	250,638	1,406,170

Included in the net carrying amount of property and equipment at September 30, 2022, are right-of-use assets relating to buildings, in the amount of $2,171,525 (December 31, 2021 - $2,421,398).

Included in the carrying amount of leasehold improvements is $1,059,707 (December 31, 2021 - $1,059,707) and included in the carrying amount of equipment not available for use is $1,980,507 (December 31, 2021 - $1,978,427) which represent the accumulated expenditures incurred on the purchase of an ethanol recovery system, equipment purchased for technology scale-up, other equipment, and the engineering design for the related construction and installation of the ethanol recovery system. At September 30, 2022, no amortization has commenced on these balances as construction and installation activities have not commenced.

6. LEASE LIABILITIES

The Company has leases for manufacturing facilities, office space, and warehouse. The lease liabilities consist of leases of buildings. The leases have been discounted using interest rates between 3.42% - 5.24%.

	Nine Months Ended September 30, 2022 $	Year Ended December 31, 2021 $
Balance at beginning of period	2,648,917	2,899,575
Interest expense	97,377	141,298
Lease payments	(313,613)	(391,956)
Balance at end of period	2,432,681	2,648,917
Less current portion	313,290	290,055
	2,119,391	2,358,862

Future minimum lease payments at September 30, 2022 are as follows:

	Within one year $	One to five years $	More than five years $	Total $
Lease payments	430,653	1,576,160	911,428	2,918,241
Finance charges	117,363	309,281	58,916	485,560
Net present values	313,290	1,266,879	852,512	2,432,681

Subsequent to the quarter, the Company entered into a new five year lease agreement for additional space for the installation of a mid-level scale-up of the PGX technology.

The expense relating to payments not included in the measurement of the lease liabilities is as follows:

	Quarters Ended September 30, 2022 $	Quarters Ended September 30, 2021 $	Nine Months Ended September 30, 2022 $	Nine Months Ended September 30, 2021 $
Short-term leases	6,139	5,759	18,416	24,592

At September 30, 2022, the Company was committed to short term leases and the total commitment at that date was $15,595.

7. SHARE CAPITAL

a. Authorized

i. Unlimited number of Class A voting common shares. Class A common shares have no par value.

ii. Unlimited number of Class B non-voting common shares. There are no issued Class B shares.

b. Issued - Class A Common Shares

	Nine Months Ended September 30, 2022		Year Ended December 31, 2021	
	Number of Shares	Amount $	Number of Shares	Amount $
Balance at beginning of the period	77,685,843	16,557,401	77,621,341	16,511,067
Stock options exercised	532,334	128,018	64,502	46,334
Balance at end of the period	78,218,177	16,685,419	77,685,843	16,557,401

c. Stock Option Share-Based Payment Plan

The Company has granted stock options to eligible employees, directors, officers, and consultants under stock option plans that vest over two-year periods and have a maximum term of ten years.

The Company uses the Black-Scholes option pricing model to price its options.

In the nine month period ended September 30, 2022, the Company granted 450,000 (September 30, 2021 – 30,000) stock options. The application of the fair value based method requires the use of certain assumptions regarding the risk-free market interest rate, expected volatility of the underlying stock, life of the options, and forfeiture rate. The weighted average risk-free rate used in 2022 was 2.49% (2021 - .92%), the weighted average expected volatility was 66% (2021 – 66%) which was based on prior trading activity of the Company's shares, the weighted average expected life of the options was 5 years (2021 – 5 years), the forfeiture rate was 0% (2021 – 0%), the weighted average share price was $0.51 (2021 - $0.64), the weighted average exercise price was $0.51 (2021 - $0.64), and the expected dividends were nil (2021 – nil). The weighted average grant date fair value of options granted in the nine month period ended September 30, 2022 was $0.29 (2021 - $0.35) per option.

The share-based payments expense recorded during the current three and nine month periods relating to options granted in 2022, 2021, and 2020 is $33,002 and $72,926 respectively (during 2021 relating to options granted in 2021, 2020 and 2019 is $6,844 and $13,672).

A summary of the status of the Company's stock options at September 30, 2022 and December 31, 2021 and changes during the periods ended on those dates is as follows:

	Nine Months Ended September 30, 2022		Year Ended December 31, 2021	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at beginning of period	2,990,333	0.56	3,048,501	0.55
Granted	450,000	0.51	30,000	0.64
Exercised	(532,334)	0.14	(64,502)	0.41
Forfeited	(150,000)	0.64	(23,666)	0.37
Outstanding at end of period	2,757,999	0.67	2,990,333	0.56
Exercisable at end of period	2,447,999	0.69	2,848,673	0.58

Stock options outstanding are as follows:

Fair Value $	Exercise Price $	Year of Expiration	Contractual Life Remaining (years)	Number of Options Outstanding	Number of Options Exercisable
0.32	0.56	2027	4.8	150,000	50,000
0.30	0.52	2027	4.6	150,000	50,000
0.24	0.44	2027	4.4	150,000	50,000
0.35	0.64	2026	4.0	30,000	20,000
0.21	0.36	2025	2.3	296,333	296,333
0.25	0.39	2024	1.3	304,666	304,666
0.47	0.50	2028	5.3	195,000	195,000
0.56	0.59	2027	5.1	90,000	90,000
1.22	1.30	2027	4.6	10,000	10,000
1.65	1.75	2027	4.3	400,000	400,000
0.34	0.36	2025	2.6	150,000	150,000
0.47	0.50	2025	2.3	100,000	100,000
0.60	0.64	2025	2.3	562,000	562,000
0.37	0.27	2024	2.1	150,000	150,000
0.08	0.10	2024	1.3	-	-
0.05	0.10	2023	0.3	20,000	20,000
				2,757,999	2,447,999
Weighted Average Contractual Life Remaining				3.1	3.0

d. Restricted Share Unit Share-Based Payment Plan

Effective June 1, 2017, the Company adopted a restricted share unit plan, which provides for the grant of restricted share units (“RSU’s”) to existing or proposed directors, employees, and consultants of the Company and its subsidiaries or any insider of the Company and its subsidiaries. Under the plan, the maximum number of common shares that may be reserved for issuance is fixed at 1,000,000. On the vesting of RSU’s, the common shares of the Company will be issued from the same 10% rolling pool as the common shares issued under the stock option plan. The obligations under the RSU plan can be settled at the Company’s discretion through either the issuance of cash or the issuance of common shares. The Company intends to settle the obligations through the issuance of common shares.

The Company did not grant RSU's during the nine month period ended September 30, 2022 or the year ended December 31, 2021 and there are no RSU's granted and outstanding during those periods.

Of the 1,000,000 RSU's authorized for grant under the RSU plan, at September 30, 2022, 370,000 RSU's are available for grant (December 31, 2021 – 370,000).

e. Contributed surplus

	Nine Months Ended September 30, 2022 $	Year Ended December 31, 2021 $
Balance at beginning of the period	4,680,690	4,682,393
Share-based payments (note 7 (c))	72,926	17,906
Stock options exercised	(52,378)	(19,609)
Balance at end of the period	4,701,238	4,680,690

8. RELATED PARTY TRANSACTIONS

Related party transactions during the periods are as follows:

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	$	$	$	$
Key management salaries, short-term benefits, consulting fees, and director fees	320,389	248,177	958,416	855,589
Key management personnel share-based payments	10,145	1,933	47,412	6,167
Research and development expenditures paid to Angiogenesis Foundation for which a director of the Company is the CEO of the Foundation	-	126,510	-	126,510

Balance as at:	September 30, 2022	September 30, 2021
Amount payable to directors	116,659	39,657
Consulting fees and key management salaries payable to officers included in acounts payable and accrued liabilities	-	40,000

These transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

9. FINANCE COSTS

	Quarters Ended September 30, 2022	2021	Nine Months Ended September 30, 2022	2021
	$	$	$	$
Interest on lease liabilities	31,382	34,728	96,592	106,390
Royalties	-	-	55,000	55,000
Accretion of CAAP loan	-	2,956	-	8,548
	31,382	37,684	151,592	169,938

10. OTHER (INCOME) EXPENSE

	Quarters Ended September 30, 2022	2021	Nine Months Ended September 30, 2022	2021
	$	$	$	$
Foreign exchange (gain) loss	(251,026)	(154,901)	(349,665)	13,722
Other (income) expense	(42,090)	(678)	(56,260)	6,067
Gain on disposal of equipment	-	(5,000)	-	(5,000)
Plant relocation costs	21,954	22,198	65,960	77,637
	(271,162)	(138,381)	(339,965)	92,426

11. EMPLOYEE BENEFITS EXPENSE

	Quarters Ended September 30, 2022	2021	Nine Months Ended September 30, 2022	2021
	$	$	$	$
Employee benefits	1,111,678	913,203	3,273,128	2,913,198

Employee benefits include wages, salaries, bonuses, and CPP, EI, WCB contributions, share-based payment expense, and benefit premiums. Employee benefits are included in cost of goods sold, general and administration, research and product development, and sales and marketing expenses.

In the nine month period ended September 30, 2022, employee benefits expense has been allocated as follows: $1,437,743 to general and administration expense (2021 - $1,103,913), $980,708 to cost of goods sold (2021 - $946,907), and $854,677 to research and development expense (2021 - $862,378).

In the quarter ended September 30, 2022, employee benefits expense has been allocated as follows: $525,100 to general and administration expense (2021 - $327,080), $317,274 to cost of goods sold (2021 - $305,488), and $269,304 to research and development expense (2021 - $280,635).

12. COMMITMENTS AND CONTINGENCIES

a) During the year ended December 31, 2012, the Company entered into a licence agreement for a new technology to increase the concentration of avenanthramides in oats. The Company shall pay an annual royalty percentage rate of 2% of sales, payable every January 1st and July 1st, subject to a minimum annual royalty payment according to the schedule below:

Year	Amount
2012	nil
2013	$12,500
2014	$37,500
2015	$50,000
2016	$50,000

And $50,000 each year thereafter while the licence agreement remains in force. The agreements remain in force until the patents expire or are abandoned.

The licence agreement for the use of the intellectual property requires future royalty payments based on specific sales and is an executory contract. The licence agreement also does not represent an onerous contract. On this basis, upfront payments required to enter into the agreement are capitalized as a licence asset and all royalty payments under the agreement are recognized as they become due.

(b) During the year ended December 31, 2014, the Company entered into a licence agreement with the University of Alberta for the rights to an enabling pressurized gas expanded technology (PGX) that would allow the development, production, and commercialization of powder formulations that could be used as active ingredients. The agreement expires after a term of 20 years or after the expiration of the last patent obtained, whichever event shall occur first.

In accordance with the agreement and as amended on February 2, 2015, the Company shall pay the following royalties, payable on a semi-annual basis:

(a) a royalty of 3.5% of net sales generated from the field of pharmaceuticals;

(b) a royalty of 3.0% of net sales generated from the field of nutraceuticals;

(c) a royalty of 2.75% of net sales generated from the field of cosmetics;

(d) a royalty of 1.0% of net sales generated from the field of functional foods; and

(e) a royalty of 3.0% of net sales generated from other fields.

The Company shall pay a minimum annual advance on earned royalties of $5,000 commencing March 1, 2017 and every year thereafter while the licence agreement remains in force.

The licence agreement for the use of the intellectual property requires future royalty payments based on specific sales and is an executory contract. The licence agreement also does not represent an onerous contract. On this basis, upfront payments required to enter into the agreement are capitalized as a licence asset and all royalty payments under the agreement are recognized as they become due.

13. REVENUE

The Company has one reportable operating segment and revenue stream, being the operations relating to the active ingredient product technology industry.

The active ingredient product technology industry involves the development of proprietary extraction technologies and the application of these technologies to the production and development and commercialization of active ingredients derived from oats and other renewable plant resources for healthcare and cosmetic industries. Active ingredients produced include oat beta glucan and avenanthramides. These and similar manufactured products are sold primarily through distribution networks.

Geographic Information

The following table presents revenue from contracts with customers disaggregated by geographic location to depict how the nature, amount, timing, and uncertainty of revenue and cash flows could be affected by economic factors:

	Quarters Ended September 30, 2022	Quarters Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
	$	$	$	$
United States	1,585,084	2,835,586	9,615,649	9,715,768
Germany	1,812,292	1,479,502	4,530,620	3,377,007
China	432,229	187,432	1,322,080	439,174
Other	7,645	12,975	29,234	51,892
Canada	8,120	7,485	19,810	49,513
	3,845,370	4,522,980	15,517,393	13,633,354

During the nine month period ended September 30, 2022, the Company had export sales to one major distributor of the Company's products in the aggregate amount of $14,663,480 representing 94% of total revenue (2021 - $12,596,707 representing 92% of total revenue). This major distributor sells to dozens of customers on a worldwide basis.

All the assets of the Company, which support the revenues of the Company, are located in Canada.

14. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities measured at fair value in the balance sheet are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities approximate their carrying amount(s) due to their short-term nature.

The Company has exposure to credit, liquidity, and market risk as follows:

a) Credit risk

Trade and other receivables

The Company makes sales to distributors that are well-established within their respective industries. Based on previous experience, the counterparties had zero default rates and management views this risk as minimal. Approximately 94% of trade receivables are due from one distributor at September 30, 2022 (December 31, 2021 – 93% from one distributor). This main distributor is considered to have good credit quality and historically has had a high quality credit rating. The majority of the Company's sales are invoiced on standard commercial terms of 30 days.

The aging of trade receivables is as follows:

	September 30, 2022 $	December 31, 2021 $
Not yet due	1,337,229	1,378,587
Less than 30 days past due	899,042	262,125
Less than 60 days past due, more than 30 days past due	674,401	413,842
More than 60 days past due	-	38,288
Total	2,910,672	2,092,842

The Company has not assessed any trade receivables past due as impaired.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due. The expected loss rates for trade receivables are determined on a combined company-wide basis based upon the Company's historic default rates over the expected life of trade receivables adjusted for forward-looking estimates. The expected credit losses calculated for September 30, 2022 and December 31, 2021 are not significant and have not been recognized.

Other receivables can represent amounts due for research program claims, government funding claims, government goods and services taxes, and scientific and research tax credits. The collectability risk is deemed to be low because of the good quality credit rating of the counterparties.

Cash and cash equivalents

The Company has cash and cash equivalents in the amount of $12,910,069 at September 30, 2022 (December 31, 2021 - $7,780,989) and mitigates its exposure to credit risk on its cash balances by maintaining its bank accounts with Canadian Chartered Banks and investing in low risk, high liquidity investments.

There are no impaired financial assets. The maximum exposure to credit risk is the carrying amount of the Company's trade and other receivables and cash and cash equivalents. The Company does not hold any collateral as security.

b) Liquidity risk

Liquidity risk relates to the risk that the Company will encounter difficulty in meeting its financial obligations. The Company may be exposed to liquidity risks if it is unable to collect its trade and other receivables balances in a timely manner, which could in turn impact the Company's long-term ability to meet commitments under its current facilities. In order to manage this liquidity risk, the Company regularly reviews its aged trade receivables listing to ensure prompt collections. There is no assurance that the Company will obtain sufficient funding to execute its strategic business plan.

The following is the contractual maturity of the Company's financial liabilities and obligations at September 30, 2022:

	within 1 year $	1 to 3 years $	3 to 5 years $	over 5 years $	Total $
Accounts payable and accrued liabilities	528,746	-	-	-	528,746

c) Market risk

Market risk is comprised of interest rate risk, foreign currency risk, and other price risk. The Company's exposure to market risk is as follows:

1. Foreign currency risk

Foreign currency risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar.

The following table summarizes the impact of a 1% change in the foreign exchange rates of the Canadian dollar against the US dollar (USD) on the financial assets and liabilities of the Company. The amounts have been translated based on the exchange rate at September 30, 2022.

	Carrying Amount (USD)	**Foreign Exchange Risk (CDN)**	
		-1%	**+1%**
		Earnings & Equity	**Earnings & Equity**
Financial assets			
Trade receivables	2,123,437	27,362	(27,362)
Financial liabilities			
Accounts payable and accrued liabilities	97,542	(1,256)	1,256
Total increase (decrease)		26,106	(26,106)

The carrying amount of trade receivables and accounts payable and accrued liabilities in USD represents the Company's exposure at September 30, 2022.

2. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. The Company has minimal interest rate risk because it has no long-term debt.

15. CAPITAL DISCLOSURES

The Company considers its capital to be its equity. The Company's objective in managing capital is to ensure a sufficient liquidity position to finance its manufacturing operations, research and development activities, administration and marketing expenses, working capital and overall capital expenditures, including those associated with patents and trademarks. The Company makes every effort to manage its liquidity to minimize dilution to its shareholders when possible.

The Company has funded its activities through public offerings and private placements of common shares, royalty offerings, loans, convertible debentures, and grant contributions.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management did not change during the period ended September 30, 2022.

16. INCOME PER COMMON SHARE

	Quarters Ended September 30, 2022	Quarters Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net income for the period for basic and diluted earnings per share calculation	$861,648	$875,274	$4,520,207	$2,066,622
Weighted average number of common shares outstanding	78,192,923	77,684,017	77,873,310	77,669,747
Effect of dilutive stock options	624,742	1,056,515	646,634	1,024,722
Diluted weighted average number of common shares	78,817,665	78,740,532	78,519,944	78,694,469
Income per share - basic	$0.01	$0.01	$0.06	$0.03
Income per share - diluted	$0.01	$0.01	$0.06	$0.03

For the nine month period ended September 30, 2022, 1,392,000 (nine month period ended September 30, 2021 – 430,000) stock options outstanding have not been included in the diluted income per share calculation because the options’ exercise price was greater than the average market price of the common shares during the period.

For the quarter ended September 30, 2022, 630,000 (quarter ended September 30, 2021 – 430,000) stock options outstanding have not been included in the diluted income per share calculation because the options’ exercise price was greater than the average market price of the common shares during the period.