

BeWhere Holdings Inc.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Periods Ended March 31, 2019 and 2018

(Expressed in Canadian Dollars)

BeWhere Holdings Inc.

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For the Periods Ended March 31, 2019 and 2018

(Expressed in Canadian Dollars)

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BeWhere Holdings Inc.

Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

		As at March 31, 2019		As at December 31, 2018
ASSETS				
Current Assets				
Cash	\$	3,651,624	\$	731,443
Trade receivable (Notes 4 and 13)		1,223,048		1,232,812
HST and other receivables		61,478		77,943
Prepaid expenses (Note 5)		223,558		78,952
Inventory (Note 6)		952,643		1,190,738
Total current assets		6,112,351		3,311,888
Intangible assets - net (Note 7)		1,568,890		1,498,753
Property and equipment – net (Note 8)		55,153		16,797
Total assets	\$	7,736,394	\$	4,827,438
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities (Notes 9 and 11)	\$	936,843	\$	1,329,525
Lease liability (Note 3)		38,056		-
Deferred revenue (Note 13)		50,369		63,622
Total current liabilities		1,025,268		1,393,147
Long-term Liabilities				
Deferred revenue (Note 13)		80,426		72,429
Total liabilities		1,105,694		1,465,576
SHAREHOLDERS' EQUITY				
Capital stock (Note 12)		10,868,629		8,392,663
Share-based payment reserve (Note 12)		2,250,308		950,833
Deficit		(6,488,237)		(5,981,634)
Total shareholders' equity		6,630,700		3,361,862
Total liabilities and shareholders' equity	\$	7,736,394	\$	4,827,438

Nature of operations (Note 1)

These financial statements are authorized for issue by the Board of Directors on May 27, 2019.

They are signed on the Company's behalf by:

"Rajiv Khanna"
Rajiv Khanna, CFO

"Owen Moore"
Owen Moore, CEO

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

BeWhere Holdings Inc.

Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	For the 3 month periods ended	
	March 31, 2019	March 31, 2018
Revenue (Note 13)	\$ 1,433,928	\$ 534,614
Cost of sales		
Products and services costs	1,132,570	317,603
Amortization for Internally developed technology (Note 7)	113,355	57,964
Gross profit	188,003	159,047
Expenses		
Amortization and depreciation (Notes 7 and 8)	24,009	(4,924)
Consulting fees (Note 11)	112,434	169,567
General and office expenses	37,138	49,540
Insurance	2,929	4,858
Bad debts	39,555	14,809
Marketing	117,535	100,172
Professional fees	15,683	22,075
Rent	-	11,900
Salaries and wages (Note 11)	300,928	164,945
Share-based compensation (Notes 11 and 12)	41,697	47,076
Travel	9,785	24,746
	701,693	604,764
Loss before other items and income tax expense	(513,690)	(445,717)
Other items:		
Foreign exchange gain (loss)	7,695	(8,871)
Interest expenses	(608)	-
Loss before income tax	(506,603)	(454,588)
Income tax expense	-	-
Total comprehensive loss for the year	\$ (506,603)	\$ (454,588)
Basic loss per share	\$ (0.01)	\$ (0.01)
Weighted average shares outstanding	76,734,148	50,328,659

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

BeWhere Holdings Inc.

Interim Consolidated Statements of Cash Flow

(Expressed in Canadian Dollars)

	For the 3 month periods ended	
	March 31, 2019	March 31, 2018
	\$	\$
Operations		
Comprehensive loss for the year	(506,603)	(454,589)
Items not affecting cash:		
Amortization and depreciation	137,364	53,400
Share-based compensation	41,697	47,076
Bad debts	39,555	14,809
Changes in non-cash working capital items:		
Trade and other receivables	(13,326)	(33,272)
Inventory	238,094	(48,794)
Prepaid expenses	(144,606)	23,521
Deferred revenue	(5,256)	51,932
Accounts payable and accrued liabilities	(405,140)	31,762
Net cash used in operating activities	(618,221)	(314,515)
Investing		
Purchase of property and equipment	-	(1,288)
Intangible assets - customer relations	-	(213,086)
Intangible assets - development costs	(195,342)	(421,298)
Net cash used in investing activities	(195,342)	(635,672)
Financing		
Private placement	4,025,000	-
Share issuance costs	(445,492)	-
Warrants exercised	154,236	111,497
Net cash provided by financing activities	3,733,744	111,497
Increase (Decrease) in cash and cash equivalents	2,920,181	(838,690)
Cash and cash equivalents, beginning of year	731,443	3,205,914
Cash and cash equivalents, ending of year	3,651,624	2,367,224

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

BeWhere Holdings Inc.

Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Share Capital		Share-based payment reserve	Deficit	Total
	Shares	Amount			
Balance, December 31, 2017	64,732,230	7,970,723	793,971	(4,574,111)	4,190,583
Exercise of warrants and options (Note 12)	445,992	139,092	(19,481)	-	158,573
Comprehensive loss for the year	-	-	-	(454,589)	(454,589)
Balance, March 31, 2018	65,178,222	8,109,815	813,452	(5,028,700)	3,894,567
Balance, December 31, 2018	66,086,888	\$ 8,392,663	\$ 950,833	\$ (5,981,634)	\$ 3,361,862
Shares issued on private placement (Note 12)	21,184,210	2,714,408	1,310,592	-	4,025,000
Share issuance cost (Note 12)	-	(445,492)	-	-	(445,492)
Exercise of warrants and options (Note 12)	616,941	207,050	(52,814)	-	154,236
Share-based compensation expense (Note 12)	-	-	41,697	-	41,697
Comprehensive loss for the year	-	-	-	(506,603)	(506,603)
Balance, March 31, 2019	87,888,039	\$ 10,868,629	\$ 2,250,308	\$ (6,488,237)	\$ 6,630,700

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

1. Nature of Business and Going Concern

Nature of business

BeWhere Holdings Inc. (the “Company” or “BeWhere Holdings”) was incorporated on October 28, 2003 under the Ontario Business Corporations Act. The Company’s shares are listed on the TSX Venture Exchange. The primary office of the Company is located at 3264 Lakeshore Blvd West Etobicoke, Ontario M8V 1M4.

The Company is an internet provider of real-time information on equipment, tools, and inventory in-transit and at facilities serving the emergency service, construction, utility, and transportation industries. BeWhere Holdings designs and sells beacons and develops mobile applications, middle-ware, and cloud-based solutions enabling a level of operational visibility that was previously unavailable and/or cost prohibitive.

Going concern assumption

The Company is in an early development stage and is subject to risks and challenges like other companies in comparable operations. These risks include, but are not limited to, dependence on key individuals, and the ability to secure adequate financing to meet the minimum capital required to successfully continue as a going concern. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favorable to the Company.

As of March 31, 2019, the Company has a deficit of \$6,488,237 (December 31, 2018 - \$5,981,634). These factors indicate the existence of material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

These interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and presentation that would be necessary should the going concern assumption be inappropriate, and those adjustments could be material.

2. Basis of Presentation and Statement of Compliance

The unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The accounting policies applied in these financial statements are consistent with those used in the Company’s audited consolidated financial statements for the year ended December 31, 2018. There have been no changes from the accounting policies applied in the December 31, 2018 financial statements other than the adoption of IFRS 16 on January 1, 2019 (Note 3). The preparation of interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the related amounts of assets and liabilities, revenues and expenses. In management’s opinion, all adjustments considered necessary for fair presentation have been included in these unaudited interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the financial year. Annual results may differ from interim estimates. The significant judgments made by management applied in the preparation of these unaudited interim consolidated financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2018. For a description of the critical accounting estimates and assumptions, please refer to the Company’s audited consolidated financial statements for the year ended December 31, 2018.

The board of directors approved these interim consolidated financial statements for issue on May 27, 2019.

Statement of compliance

The interim consolidated financial statements of the Company comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

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

Certain amounts have been reclassified from the interim consolidated financial statements previously presented to conform to the presentation of these interim consolidated financial statements in accordance with IFRS.

Basis of measurement

These interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. In addition, these interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The functional and presentation currency of the Company is the Canadian dollar.

Basis of consolidation

The interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed or has right to variable returns from its involvements with the investee; and
- has the ability to use its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control listed above. These interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries BeWhere Inc., incorporated in Ontario Canada and BeWhere, Inc., incorporated in Delaware USA. All transactions and balances between the Company and its subsidiary are eliminated on consolidation.

3. Significant Accounting Policies

The accounting policies applied by the Company in these interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2018 with the exception of the following:

(a) Changes in Accounting Policies – Leases

Effective January 1, 2019, the Company adopted IFRS 16, Leases, which specifies how to recognize, measure, present and disclose leases. The standard introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company's accounting policy under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts entered into, or changed, on or after January 1, 2019. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

3. Significant Accounting Policies (continued)

(a) Changes in Accounting Policies – Leases (continued)

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid 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 lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option due to a significant event or change in circumstances.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Under IAS 17, Leases ("IAS 17"), the Company's accounting policy was as follows:

The determination of whether an arrangement was (or contained) a lease was based on the substance of the arrangement at the inception of the lease. The arrangement was, or contained, a lease if fulfilment of the arrangement was dependent on the use of a specific asset and the arrangement conveyed a right to use the asset, even if that asset was not explicitly specified in an arrangement.

A lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the Company was classified as a finance lease.

Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognized in net finance expenses (income) in net loss. A leased asset was depreciated over the term of the lease.

An operating lease was a lease other than a finance lease. Operating lease payments were recognized in net loss on a straight-line basis over the lease term. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

(b) Impact of transition to IFRS 16– Leases

Effective January 1, 2019 the Company adopted IFRS 16 using the modified retrospective approach. Accordingly, comparative figures as at and for the year ended December 31, 2018 and the three month period ended March 31, 2018 have not been restated and continue to be reported under IAS 17.

The Company has one lease for its office premises which was previously accounted for as operating lease under IAS 17. The lease agreement will expire on April 14, 2020 and Management is not expecting to renew it. On initial application for leases previously classified as operating leases under IAS 17, The Company has elected to record the right-of-use asset based on the corresponding lease liability. For recording the new right-of-use asset under IFRS 16, for the lease of its office, the Company discounted future lease payments using its incremental borrowing rate as at January 1, 2019 which was 5.5% per annum.

3. Significant Accounting Policies (continued)

b) Impact of transition to IFRS 16– Leases (continued)

The December 31, 2018 audited consolidated financial statements the Company disclosed operating lease commitments of \$63,700. Of these operating lease commitments, \$11,200 did not meet the requirements to be recognized as right-of-use assets.

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

		March 31, 2019		January 1, 2019
Right-of-use asset, net book value	\$	40,412	\$	50,515
Lease Liability		38,056	\$	50,515

Depreciation expense of \$10,103 was recognized on the right-of-use asset during the three months ended March 31, 2019.

4. Trade Receivables

		March 31, 2019		December 31, 2018
Trade receivables	\$	1,306,048	\$	1,281,812
Allowance for doubtful accounts		(83,000)		(49,000)
	\$	1,223,048	\$	1,232,812

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 March 31, 2019, the allowance for doubtful trade accounts was \$83,000 (December 31, 2018 - \$49,000).

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

		March 31, 2019		December 31, 2018
Current	\$	585,434	\$	860,214
31 – 60 days		368,063		201,549
61 – 90 days		179,391		103,073
Greater than 90 days		173,160		116,976
	\$	1,306,048	\$	1,281,812

5. Prepaid Expenses

		March 31, 2019		December 31, 2018
Insurance	\$	2,932	\$	5,861
Trade shows and others		220,626		73,091
	\$	223,558	\$	78,952

6. Inventory

At March 31, 2019, the Company had inventory totaling \$952,643 (December 31, 2018 - \$1,190,738), which consists primarily of equipment purchases from third parties for resale.

7. Intangible Assets

	Internally developed technology	Development costs	Customer Relations	Patents	Total
Cost:					
As at December 31, 2017	\$ 474,013	\$ 208,642	\$ -	\$ 20,283	\$ 702,938
Additions	886,261	147,308	213,086	-	1,246,655
As at December 31, 2018	\$ 1,360,274	\$ 355,950	\$ 213,086	\$ 20,283	\$ 1,949,593
Additions	-	195,342	-	-	195,342
As at March 31, 2019	\$ 1,360,274	\$ 551,292	\$ 213,086	\$ 20,283	\$ 2,144,935
Accumulated depreciation:					
As at December 31, 2017	\$ (169,450)	\$ -	\$ -	\$ (2,912)	\$ (172,362)
Additions	(231,855)	-	(44,595)	(2,028)	(278,478)
As at December 31, 2018	\$ (401,305)	\$ -	\$ (44,595)	\$ (4,940)	\$ (450,840)
Additions	(113,355)	-	(11,343)	(507)	(125,205)
As at March 31, 2019	\$ (514,660)	\$ -	\$ (55,938)	\$ (5,447)	\$ (576,045)
Net carrying amounts:					
As at December 31, 2018	\$ 958,969	\$ 355,950	\$ 168,491	\$ 15,343	\$ 1,498,753
As at March 31, 2019	\$ 845,614	\$ 551,292	\$ 157,148	\$ 14,836	\$ 1,568,890

The Development costs are related to the development and testing of prototypes and software. Internally developed technology consists of hardware design, sampling, firmware, certifications, software integration and quality assurance. Amortization of \$113,355 for the period ended March 31, 2019 (March 31, 2018: \$57,964) related to the internal developed technology has been allocated to the costs of sales.

8. Property and Equipment

The following is a summary of the activity during the nine months ended December 31, 2018:

	Office equipment	Computer and Phones	Leasehold improvements	Trade booth	Right-of-use asset (Note 3)	Total
Cost:						
As at December 31, 2017	\$ 3,670	\$ 13,011	\$ 4,595	\$ 11,710	\$ -	\$ 32,986
Additions	-	5,427	-	-	-	5,427
As at December 31, 2018	\$ 3,670	\$ 18,438	\$ 4,595	\$ 11,710	\$ -	\$ 38,413
Additions	-	-	-	-	50,515	50,515
As at March 31, 2019	\$ 3,670	\$ 18,438	\$ 4,595	\$ 11,710	\$ 50,515	\$ 88,928
Accumulated depreciation:						
As at December 31, 2017	\$ (1,468)	\$ (6,803)	\$ (1,608)	\$ (3,513)	\$ -	\$ (13,392)
Additions	(732)	(4,232)	(920)	(2,340)	-	(8,224)
As at December 31, 2018	\$ (2,200)	\$ (11,035)	\$ (2,528)	\$ (5,853)	\$ -	\$ (21,616)
Additions	(183)	(1,058)	(230)	(585)	(10,103)	(12,159)
As at March 31, 2019	\$ (2,383)	\$ (12,093)	\$ (2,758)	\$ (6,438)	\$ (10,103)	\$ (33,775)
Net carrying amounts:						
As at December 31, 2018	\$ 1,470	\$ 7,403	\$ 2,067	\$ 5,857	\$ -	\$ 16,797
As at March 31, 2019	\$ 1,287	\$ 6,345	\$ 1,837	\$ 5,272	\$ 40,412	\$ 55,153

9. Accounts Payable and Accrued Liabilities

		March 31, 2019		December 31, 2018
Accounts payable	\$	858,343	\$	1,247,325
Due to related party (Note 11)		40,500		33,923
Accrued liabilities		38,000		48,277
	\$	936,843	\$	1,329,525

10. Credit facility

The Company maintains a Revolving demand facility of \$250,000 bearing interest at prime rate plus 2.5% per annum. During the year the Company incurred no interest expense. At March 31, 2019 the Company had drawn no amounts against the credit facility.

The Revolving demand facility is secured by a first ranking security interest in all personal property of the Company. The Revolving demand facility has no financial or non-financial covenants.

11. Related Party Balances and Transactions

The Company entered into the following transactions with related parties:

- Paid \$80,385 salaries to the CEO of the Company during the period ended March 31, 2019 (2018 - \$40,385).
- Paid \$80,385 salaries to the COO of the Company during the period ended March 31, 2019 (2018 - \$40,385).
- Paid \$52,493 professional fees to the CFO of the Company during the period ended March 31, 2019 (2018 - \$10,000).
- Paid \$nil professional fees to the former CFO of the Company for the period ended March 31, 2019 (2018 - \$22,383).
- Paid \$nil professional fees to the former Director of the Company for the period ended March 31, 2019 (2018 - \$22,500).
- Accrued \$13,500 of salaries for Directors of the Company for the period ended March 31, 2019 (2018 - \$9,000) which was recognized as accounts payable and accrued liabilities in the interim consolidated statement of financial position. The total salaries due to directors as at March 31, 2019 is \$40,500 (December 31, 2018: \$33,923)

12. Shareholders' Equity

a) Share capital

Authorized – Unlimited common shares, no par value.

During the period ended March 31, 2019, 616,941 warrants were exercised for gross cash proceeds of \$154,236 and no options were exercised.

During the period ended March 31, 2019, the Company issued 21,184,210 units for gross cash proceeds of \$4,025,000 at a price of \$0.19 per unit. Each Unit consists of one common share in the capital of the Company and one-half of one Common Share purchase warrant. Each Warrant will entitle the holder thereof to purchase one common Share at an exercise price of \$0.35 for a period of five years. The Company is also issued 1,022,368 finder warrants at exercise price of \$0.19 for a period of five years

During the period ended March 31, 2019, the Company paid costs \$445,492 related to the issuance of the common shares.

12. Shareholders' Equity (continued)

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.

	Share purchase warrants		Stock options	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding, December 31, 2018	5,064,635	0.25	3,262,000	0.26
Exercised	(616,941)	0.25	-	-
Expired	(1,886,863)	0.25	-	-
Issued	11,614,473	0.32	-	-
Outstanding, March 31, 2019	14,175,306	0.32	3,262,000	0.26

As at March 31, 2019, exercisable incentive stock options were outstanding as follows:

Exercisable options	Exercise price \$	Expiry date
499,500	0.15	February 23, 2026
150,000	0.17	May 1, 2026
150,000	0.12	June 7, 2019
312,500	0.115	June 13, 2019
250,000	0.28	May 5, 2027
150,000	0.39	October 18, 2022
362,500	0.375	October 18, 2022
187,500	0.335	May 29, 2023
195,000	0.28	June 26, 2023
37,500	0.28	August 15, 2023
2,294,500		

As at March 31, 2019, share purchase warrants were outstanding as follows:

Exercisable warrants	Exercise price \$	Expiry date
2,560,833	0.25	September 16, 2019
10,592,105	0.35	February 15, 2024
1,022,368	0.19	February 15, 2024
14,175,306		

During the period ended March 31, 2019, the Company recognized share-based payments of \$41,697 (2018: \$47,076) for options granted in previous years and vested during the quarter ended March 31, 2019.

c) Escrow shares

As at March 31, 2019, the Company had no shares held in escrow (December 31, 2018 – 3,000,006).

13. Revenues

Major components of revenues are as follows:

	March 31, 2019	March 31, 2018
Product, hardware, and software sales	\$ 1,016,065	\$ 218,601
Service fees	32,269	45,043
Recurring fees	385,594	270,970
	\$ 1,433,928	\$ 534,614

During the period ended March 31, 2019, two customers each exceeded 10% of total revenue, comprised of 32% and 20%, respectively. During the period ended March 31, 2018, two customers each exceeded 10% of total revenue, comprised of 47% and 19%, respectively, of total revenue.

As at March 31, 2019, two customers each exceeded 10% of total accounts receivable, comprised of 48% and 17%, respectively. As at March 31, 2018, one customer exceeded 10% of total accounts receivable, comprised of 55% of total accounts receivable.

Deferred revenue consists of the following:

- Deposits received in advance for the recurring fees.
- Performance obligation to be completed for sales of Mobile IOT with three year service agreements

The total short-term portion of the deferred revenue as at March 31, 2019 is \$50,369 (December 31, 2018: \$63,622) and the long-term portion is \$80,426 (December 31, 2018: \$72,429).

14. Financial Instruments

The Company's interim consolidated financial instruments consist of cash, trade receivable, and accounts payable. The fair values of these financial instruments approximate their carrying values because of their current nature.

Fair value

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs that are not based on observable market data.

The Company's activities potentially expose it to a variety of financial risks, including credit risk, liquidity risk, and market risk.

14. Financial Instruments (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amounts of cash and accounts receivable on the interim consolidated financial position represent the Company's maximum credit exposure at March 31, 2019. The Company reduces its credit risk on cash by placing cash with institutions of high credit worthiness and by monitoring customers creditworthiness on an ongoing basis. The amounts disclosed in the interim consolidated financial statements for accounts receivable are net of allowance for doubtful accounts, estimated by management based on its assessment of the current economic environment.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity risk by maintaining adequate cash balances to meet liabilities as they become due.

The Company maintained cash at March 31, 2019 in the amount of \$3,651,624 (December 31, 2018 - \$731,443), in order to meet short-term business requirements of \$1,025,268 (December 31, 2018 - \$1,393,147).

Market risk

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

Foreign exchange risk

Foreign currency exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company has financial assets and liabilities denominated in the American dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

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

		March 31, 2019		December 31, 2018
Financial assets				
Cash	\$	179,272	\$	329,600
Trade receivable		1,027,175		703,566
		1,206,447		1,033,166
Financial liabilities				
Accounts payable		782,442		1,141,284
	\$	782,442	\$	1,141,284

Interest rate risk

Interest rate risk consists of two components:

- 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.
- 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.

14. Financial Instruments (continued)

Interest rate risk (continued)

As at March 31, 2019 and December 31, 2018, the Company does not have any financial instruments subject to this risk.

15. Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of share capital and working capital.

There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.