BeWhere Holdings Inc.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Periods Ended September 30, 2024 and 2023

(Expressed in Canadian Dollars)

BeWhere Holdings Inc.
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For the Periods Ended September 30, 2024 and 2023
(Expressed in Canadian Dollars)

Financial Statements

BeWhere Holdings Inc.
Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		As at September 30, 2024		As at December 31, 2023
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**4,810,367**	$	4,632,704
Trade receivables (Notes 4 and 14)		**4,950,804**		1,916,329
HST and other receivables		**168,162**		61,306
Prepaid expenses (Note 5)		**58,507**		358,615
Inventory (Note 6)		**1,388,298**		849,758
Total current assets		**11,376,138**		7,818,712
Intangible assets – net (Note 7)		**76,510**		277,234
Property and equipment – net (Note 8)		**307,133**		390,745
Deferred tax asset		**1,056,762**		1,284,835
Total assets	**$**	**12,816,543**	$	9,771,526
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities (Notes 9 and 11)	**$**	**3,549,986**	$	1,706,507
Loan from Government of Canada (Note 12)		**-**		40,000
Deferred revenue (Note 14)		**448,535**		80,213
Lease liability (Note 15)		**125,472**		113,835
Total current liabilities		**4,123,993**		1,940,555
Long-term Liabilities				
Loan from Government of Canada (Note 12)		**415,690**		350,121
Deferred revenue (Note 14)		**-**		7,225
Lease liability (Note 15)		**205,829**		301,732
Total liabilities		**4,745,512**		2,599,633
SHAREHOLDERS' EQUITY				
Capital stock (Note 13)		**12,214,030**		10,861,727
Share-based payment reserve (Note 13)		**986,691**		2,372,612
Accumulated other comprehensive income		**(61,827)**		64,625
Deficit		**(5,067,863)**		(6,127,071)
Total shareholders' equity		**8,071,031**		7,171,893
Total liabilities and shareholders' equity	**$**	**12,816,543**	$	9,771,526

Nature of operations (Note 1)
Subsequent event (Note 19)

These interim consolidated financial statements are authorized for issue by the Board of Directors on November 20, 2024.

They are signed on the Company's behalf by:

"*Rajiv Khanna*"
Rajiv Khanna, CFO

"Owen Moore"
Owen Moore, CEO

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

BeWhere Holdings Inc.

Interim Consolidated Statements of Income and Comprehensive Income

(Expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	**September 30, 2024**	September 30, 2023
Revenue (Note 14)	**$ 5,030,356**	$ 3,075,102	**$ 12,851,165**	$ 8,837,036
Cost of sales	**3,552,578**	1,768,817	**8,507,520**	5,283,819
Products and services costs				
Amortization for internally developed technology (Note 7)	**55,636**	55,636	**166,908**	166,908
Gross profit	**1,422,142**	1,250,649	**4,176,737**	3,386,309
Expenses				
Amortization and depreciation (Notes 7 and 8)	**34,894**	38,671	**104,290**	116,011
Consulting fees (Note 11)	**201,799**	141,389	**571,132**	433,022
General and office expenses	**97,553**	63,215	**224,723**	189,885
Insurance	**18,661**	15,483	**44,466**	38,092
Bad debts	**-**	-	**4,000**	(21,031)
Marketing	**34,648**	77,203	**221,853**	252,206
Professional fees	**6,500**	6,000	**40,791**	38,951
Research and development (Note 16)	**(12,495)**	144,121	**257,492**	541,908
Salaries and wages (Note 11)	**478,337**	386,328	**1,402,395**	1,138,258
Share-based compensation (Notes 11 and 13)	**29,585**	38,993	**41,320**	46,424
	889,482	911,403	**2,912,462**	2,773,727
Income before other items and income tax expense	**532,660**	339,246	**1,264,275**	612,582
Other items:				
Foreign exchange gain (loss)	**(86,179)**	41,741	**119,243**	(34,668)
Government grant income (Note 12)	**12,675**	22,172	**12,675**	68,117
Interest income	**26,531**	25,696	**83,734**	47,391
Interest and Accretion expense (Notes 12 and 15)	**(16,872)**	(15,595)	**(50,955)**	(47,558)
Income before income tax expense	**468,815**	413,260	**1,428,972**	645,834
Income tax expense	**(147,263)**	(130,684)	**(369,764)**	(178,887)
Income after income tax expense	**321,552**	282,576	**1,059,208**	466,947
Foreign exchange gain (loss) on translation of subsidiaries with a US dollar functional currency	**13,038**	2,086	**(126,452)**	39,806
Total comprehensive income for the period	**$ 334,590**	$ 284,662	**$ 932,756**	$ 506,753
Basic income per share - basic	**$ 0.00**	$ 0.00	**$ 0.01**	$ 0.01
Basic income per share - diluted	**$ 0.00**	$ 0.00	**$ 0.01**	$ 0.01
Weighted average shares outstanding - basic	**87,223,426**	87,695,912	**87,253,962**	87,779,840
Weighted average shares outstanding - diluted	**88,927,929**	87,931,125	**88,557,766**	88,043,239

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 nine-month period ended	
	September 30, 2024	September 30, 2023
Operations		
Comprehensive income for the period	$ **1,059,208**	$ 466,947
Items not affecting cash:		
Amortization and depreciation	**271,200**	282,919
Share-based compensation	**41,320**	46,424
Bad debts	**4,000**	(21,031)
Accretion expense	**50,954**	47,588
Income tax expense	**228,073**	178,887
Government loan	**(12,675)**	(68,117)
Changes in non-cash working capital items:		
Trade and other receivables	**(3,145,331)**	(233,138)
Inventory	**(538,540)**	235,232
Prepaid expenses	**300,108**	(222,123)
Deferred revenue	**361,096**	11,788
Accounts payable and accrued liabilities	**1,843,479**	150,746
Net cash provided by operating activities	**462,892**	876,122
Investing		
Purchase of property and equipment	**(6,919)**	(4,581)
Net cash used in investing activities	**(6,919)**	(4,581)
Financing		
Net loan received from Government of Canada	**10,000**	203,006
Repayment of lease liability	**(107,000)**	(102,500)
Normal course issuers bid – purchase of shares	**(115,812)**	(105,303)
Proceeds from warrants and options exercised	**40,874**	15,000
Net cash provided used in financing activities	**(171,938)**	(10,203)
Effect of foreign exchange	**(106,372)**	-
Increase in cash and cash equivalents	**177,663**	881,744
Cash and cash equivalents, beginning of year	**4,632,704**	3,227,023
Cash and cash equivalents, ending of period	$ **4,810,367**	$ 4,108,767

The components of cash and cash equivalents are:		
Cash at the bank	$ 2,635,417	$ 2,608,767
Cashable GIC, bearing 4.70% to 5.05% interest per annum	2,174,950	1,500,000
	$ 4,810,367	**$** 4,108,767

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		Accumulated other comprehensive income	Share-based payment reserve	Deficit	Total
	Shares	Amount				
Balance, December 31, 2022	**87,983,488**	**$ 10,931,961**	**$ 18,589**	**$ 2,381,610**	**$ (6,681,696)**	**$ 6,650,464**
Exercise of options (Note 13)	100,000	23,712	-	(8,712)	-	15,000
Share-based compensation expense (Note 13)	-	-	-	46,424	-	46,424
Normal course issuers bid share purchase (Note 13)	(522,000)	(105,303)	-	-	-	(105,303)
Comprehensive income for the period	-	-	39,806	-	466,947	506,753
Balance, September 30, 2023	**87,561,488**	**$ 10,850,370**	**$ 58,395**	**$ 2,419,322**	**$ (6,214,749)**	**$ 7,113,338**
Balance, December 31, 2023	**87,443,906**	**$ 10,861,727**	**$ 64,625**	**$ 2,372,612**	**$ (6,127,071)**	**$ 7,171,893**
Exercise of options (Note 13)	160,000	46,930	-	(14,930)	-	32,000
Exercise of warrants (Note 13)	46,705	8,874	-	-	-	8,874
Warrants expired (Note 13)	-	1,412,311	-	(1,412,311)	-	-
Share-based compensation expense (Note 13)	-	-	-	41,320	-	41,320
Normal course issuers bid share purchase (Note 13)	(335,500)	(115,812)	-	-	-	(115,812)
Comprehensive income for the period	-	-	(126,452)	-	1,059,208	932,756
Balance, September 30, 2024	**87,315,111**	**$ 12,214,030**	**$ (61,827)**	**$ 986,691**	**$ (5,067,863)**	**$ 8,070,031**

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

1. Nature of Business

BeWhere Holdings Inc. (the "Company" or "BeWhere Holdings") was incorporated on October 28, 2003 under the Ontario Business Corporations Act. The Company's shares are listed on the TSX Venture Exchange. The primary office of the Company is located at 2475 Skymark Avenue, Unit 4, Mississauga, Ontario L4W 4Y6.

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

2. Basis of Presentation and Statement of Compliance

The unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The accounting policies applied in these interim consolidated financial statements are consistent with those used in the Company's audited consolidated financial statements for the year ended December 31, 2023. There have been no changes from the accounting policies applied in the December 31, 2023 consolidated financial statements. The preparation of interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the related amounts of assets and liabilities, revenues and expenses. In management's opinion, all adjustments considered necessary for fair presentation have been included in these unaudited interim consolidated financial statements. Interim results are not necessarily indicative of the results expected for the financial year. Annual results may differ from interim estimates. The significant judgments made by management applied in the preparation of these unaudited interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2023.

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, 2023.

The board of directors approved these interim consolidated financial statements for issue on November 20, 2024.

Basis of measurement

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

The Company has determined that, the functional currency of all its subsidiaries is the United States Dollar. The functional currency of the parent company is the Canadian Dollar. The 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 subsidiaries are eliminated on consolidation.

(Expressed in Canadian Dollars)

3. Material Accounting Policy Information

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, 2023.

4. Trade Receivables

		September 30, 2024		December 31, 2023
Trade receivables	**$**	**4,996,804**	$	1,958,329
Allowance for doubtful accounts		**(46,000)**		(42,000)
	$	**4,950,804**	**$**	1,916,329

The Company generally does not hold any collateral as security for trade receivables; however, it minimizes its credit risk associated with its trade receivables by requiring customer deposits or prepayments in some cases and performing credit evaluations, approval, and monitoring processes. As at September 30, 2024, the allowance for doubtful trade accounts was $46,000 (December 31, 2023: $42,000). During the nine months ended September 30, 2024, the Company recorded $4,000 (September 30, 2023: recovery of $37,131) of bad debt expense.

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

		September 30, 2024		December 31, 2023
Current	**$**	**3,882,083**	$	1,853,258
31 – 60 days		**149,863**		21,153
61 – 90 days		**502,071**		28,650
Greater than 90 days		**462,787**		55,268
	$	**4,996,804**	**$**	1,958,329

5. Prepaid Expenses

		September 30, 2024		December 31, 2023
Trade suppliers and others	**$**	**58,507**	$	358,615

6. Inventory

At September 30, 2024, the Company had inventory totaling $1,388,298 (December 31, 2023: $849,758), which consists primarily of equipment purchases from third parties for resale.

(Expressed in Canadian Dollars)

7. Intangible Assets

The following is a summary of the activity during the nine months ended September 30, 2024:

	Internally developed technology	Patents	Total
Cost:			
As at December 31, 2022	**$ 2,043,980**	**$ 130,816**	**$ 2,174,796**
Effect of foreign exchange	15,148	12,627	27,775
As at December 31, 2023	**2,059,128**	**143,443**	**2,202,571**
Effect of foreign exchange	(31,222)	7,069	(24,153)
As at September 30, 2024	**$ 2,027,906**	**$ 150,512**	**$ 2,178,418**
Accumulated amortization:			
As at December 31, 2022	**$ (1,638,454)**	**$ (51,455)**	**$ (1,689,909)**
Amortization	(222,544)	(12,884)	(235,428)
As at December 31, 2023	**(1,860,998)**	**(64,339)**	**(1,925,337)**
Amortization	(166,908)	(9,663)	(176,571)
As at September 30, 2024	**$ (2,027,906)**	**$ (74,002)**	**$ (2,101,908)**
Net carrying amounts:			
As at December 31, 2023	**$ 198,130**	**$ 79,104**	**$ 277,234**
As at September 30, 2024	**$ -**	**$ 76,510**	**$ 76,510**

Internally developed technology consists of hardware design, sampling, firmware, certifications, software integration and quality assurance. Amortization of $166,908 for the period ended September 30, 2024 (September 30, 2023: $166,908) 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 nine months ended September 30, 2024:

	Office equipment	Computer and Phones	Right-of-use asset (Note 15)	Total
Cost:				
As at December 31, 2022	**$ 26,853**	**$ 62,108**	**$ 634,520**	**$ 723,481**
Additions	1,415	9,220	-	10,635
Effect of foreign exchange	249	626	17,592	18,467
As at December 31, 2023	**$ 28,517**	**$ 71,954**	**$ 652,112**	**$ 752,583**
Additions	-	6,919	-	6,919
Effect of foreign exchange	1,088	33	2,977	4,098
As at September 30, 2024	**$ 29,605**	**$ 78,906**	**$ 655,089**	**$ 763,600**
Accumulated depreciation:				
As at December 31, 2022	**$ (11,121)**	**$ (45,375)**	**$ (163,547)**	**$ (220,043)**
Depreciation	(6,034)	(22,729)	(113,032)	(141,795)
As at December 31, 2023	**$ (17,155)**	**$ (68,104)**	**$ (276,579)**	**$ (361,838)**
Depreciation	(4,541)	(5,314)	(84,774)	(94,629)
As at September 30, 2024	**$ (21,696)**	**$ (73,418)**	**$ (361,353)**	**$ (456,467)**
Net carrying amounts:				
As at December 31, 2023	**$ 11,362**	**$ 3,850**	**$ 375,533**	**$ 390,745**
As at September 30, 2024	**$ 6,195**	**$ 7,202**	**$ 293,736**	**$ 307,133**

(Expressed in Canadian Dollars)

9. Accounts Payable and Accrued Liabilities

		September 30, 2024		December 31, 2023
Accounts payable	**$**	**3,401,086**	$	1,595,741
Accrued liabilities (Note 11)		**148,900**		110,766
	$	**3,549,986**	**$**	1,706,507

10. Credit facility

The Company maintains a Revolving demand facility of $250,000 bearing interest at prime rate plus 2.5% per annum. During the period ended September 30, 2024 the Company incurred no interest expense. At September 30, 2024 the Company had drawn no amounts against the credit facility.

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

11. Key Management and Related Party Balances and Transactions

The Company entered into the following transactions with related parties:

a. For the period ended September 30, 2024, the Key Management of the Company was paid salaries and consulting fees of $674,883 (September 30, 2023: $570,750).

b. For the period ended September 30, 2024, the Independent Directors of the Company accrued salaries and Consulting fees of $33,000 (September 30, 2023: $36,000).

c. Total accrued fees due to Directors as at September 30, 2024 is $10,500 (September 30, 2023: $9,000) (Note 9). The amounts due are unsecured, due on demand and bear no interest.

d. For the period ended September 30, 2024, the Company incurred $12,164 (September 30, 2023: $1,337) 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 were due on January 18, 2024 and bore interest at 5% per annum thereafter. The Company paid 67% of the CEBA term loan principal before the due date, and the balance of the loan was 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. The balance of the CEBA loans at September 30, 2024 is $nil (December 31, 2023: $40,000).

During the year ended December 31, 2022, the Company was approved for an interest free subordinate loan of $500,000 for ‘Business Scale Up Initiative’. The funds were received over ten quarters. The repayment will be in sixty equal monthly installments starting January 2025. During the period ended September 30, 2024, the Company received $50,000. The Company recorded interest expense of $28,244 during the period ended September 30, 2024 (September 30, 2023: $18,607). The difference between the initial carrying amount and proceeds received was recorded as government grant income.

(Expressed in Canadian Dollars)

13. Shareholders' Equity

a) Share capital

Authorized – Unlimited common shares, no par value.

During the period ended September 30, 2024, 160,000 options were exercised for gross proceeds of $32,000.

During the period ended September 30, 2024, 46,705 warrants were exercised for gross proceeds of $8,874. All remaining outstanding warrants expired on February 15, 2024.

On June 2, 2024, the Company received acceptance from TSX Venture Exchange to the Company's intention to purchase by way of a Normal Course Issuer Bid ("NCIB") of up to an aggregate of 4,361,555 of its common shares, representing approximately 5% of the issued and outstanding Common Shares of the Company. The NCIB commenced on June 7, 2024 and will terminate on June 6, 2025 or the earlier of the date all shares which are subject to the NCIB are purchased. Purchases subject to the NCIB will be carried out pursuant to open market transactions through the facilities of the TSX Venture Exchange and the price which the Corporation will pay for the Common Shares acquired by it will be the market price of the Common Shares at the time of acquisition. During the nine months ended September 30, 2024, the Company purchased 335,500 common shares at an average price of $0.3452. These common shares were cancelled.

The Company has an employee stock option plan under which the Board of Directors, or a committee appointed for such purpose, may from time-to-time grant to employees, officers, directors of, or consultants to the Company, options to acquire common shares in such numbers, for such terms, and at such exercise prices, as may be determined by the Board of Directors or such committee. The options granted to employees are valid for a maximum of 10 years from the date of issue.

	Share purchase warrants		**Stock options**	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding, December 31, 2023	**10,660,606**	**$ 0.35**	**2,519,500**	**$ 0.192**
Issued	-	-	850,000	0.429
Exercised	(46,705)	0.19	(160,000)	0.196
Expired	(10,613,901)	0.35	-	-
Outstanding, September 30, 2024	**-**	**-**	**3,209,500**	**$ 0.252**

As at September 30, 2024, 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
360,000	360,000	0.15	August 31, 2025
300,000	300,000	0.20	May 26, 2026
200,000	200,000	0.23	May 26, 2027
675,000	646,875	0.20	March 21, 2028
450,000	56,250	0.375	May 15, 2029
200,000	-	0.45	July 11, 2029
200,000	-	0.53	August 6, 2029
3,209,500	**2,387,625**		

During the period ended September 30, 2024, the Company recognized share-based payments of $41,320 (September 30, 2023: $46,424) for options granted in the current and previous years which vested during the period ended September 30, 2024.

(Expressed in Canadian Dollars)

14. Revenues

Major components of revenues are as follows:

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	**September 30, 2024**	September 30, 2023
Product, hardware, and software sales	**3,238,505**	1,733,267	**7,603,689**	4,916,805
Service fees	**74,577**	54,950	**333,970**	178,806
Recurring fees	**1,717,274**	1,286,885	**4,913,506**	3,741,425
	5,030,356	3,075,102	**12,851,165**	8,837,036

During the nine-month period ended September 30, 2024, three customers exceeded 10% of total revenue, comprised of 13%, 12% and 10% respectively. During the nine-month period ended September 30, 2023, two customers each exceeded 10% of total revenue, comprised of 14% and 13%, respectively, of total revenue.

As at September 30, 2024, two customers each exceeded 10% of total accounts receivable, comprised of 32% and 20% respectively. As at September 30, 2023, two customers exceeded 10% of total accounts receivable, each comprised of 20% of total accounts receivable.

Deferred revenue consists of the following:
- Deposits received in advance for the recurring fees; and
- Performance obligation to be completed for sales with three-year service agreements

The total short-term portion of the deferred revenue as at September 30, 2024 is $448,535 (December 31, 2023: $80,213) and the long-term portion is $nil (December 31, 2023: $7,225).

15. Lease liability and Right-of-use asset

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

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

		September 30, 2024		**December 31, 2023**
Right-of-use asset, net book value (Note 8)	$	**293,736**	$	375,533
Lease Liability	**$**	**331,301**	**$**	415,567

Depreciation expense of $84,775 was recognized on the right-of-use asset during the nine months ended September 30, 2024 (September 30, 2023: $84,775) (Note 8).

The lease liability is as follows:

		Office Space
Balance at December 31, 2023	**$**	**415,567**
Payments		(107,000)
Interest		22,734
Balance at September 30, 2024	**$**	**331,301**
Current Liability	**$**	125,472
Long Term Liability		205,829
Balance at September 30, 2024	**$**	**331,301**

16. Research and development

During the period ended September 30, 2024 the Company spent $257,492 on research and development of its new device (September 30, 2023: $541,908). These costs did not meet the criteria for capitalization under IAS 38.

17. Financial Instruments

The Company's interim consolidated financial instruments consist of cash and cash equivalent, trade receivables, accounts payable and loans from Government of Canada. The fair values of these financial instruments approximate their carrying values because of their current nature.

Fair value

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

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

The fair value of cash and cash equivalent was determined using Level 1 inputs.

Financial risk management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amounts of cash and cash equivalents and trade receivables on the interim consolidated statement of financial position represent the Company's maximum credit exposure at September 30, 2024. The Company reduces its credit risk on cash and cash equivalents 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 trade receivables are net of allowance for doubtful accounts, estimated by management based on its assessment of the current economic environment.

Liquidity risk

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

The Company maintained cash and cash equivalents at September 30, 2024 in the amount of $4,810,367 (December 31, 2023: $4,632,704), in order to meet short-term business requirements of $4,123,993 (December 31, 2023: $1,940,555).

Market risk

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

(Expressed in Canadian Dollars)

17. Financial Instruments (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 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 currencies other than the functional currency of the entities:

		September 30, 2024		**December 31, 2023**
Financial assets				
Cash	**$**	**210,091**	$	250,976
Trade receivable		**375,208**		187,908
		585,299		438,884
Financial liabilities				
Accounts payable		**234,774**		121,333
	$	**234,774**	$	121,333

Interest rate risk

Interest rate risk consists of two components:

a. To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

b. To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

As at September 30, 2024 and December 31, 2023, the Company does not have any financial instruments subject to this risk.

18. Capital Management

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

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

19. Subsequent event

Subsequent to the period ending September 30, 2024, 268,750 options were exercised.