Appulse Corporation

Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021

(unaudited)

NOTICE OF NO-AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, 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 unaudited condensed interim financial statement of Appulse Corporation 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 financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

Appulse Corporation
Condensed Consolidated Statements of Financial Position
(amounts in Canadian dollars)
(unaudited)

	Notes		September 30, 2021		December 31, 2020
Assets					
Current assets					
Cash		$	177,982	$	285,392
Accounts receivable	4(c)		1,498,401		1,531,305
Inventory	6		6,479,974		6,100,271
Prepaid expenses and deposits			63,425		102,856
Total current assets			8,219,782		8,019,824
Property and equipment	7(a)		940,869		913,322
Right-of-use asset	7(b)		846,042		1,067,676
Total assets		$	10,006,693	$	10,000,822
Liabilities					
Current liabilities					
Bank indebtedness	9	$	1,051,900	$	1,126,460
Accounts payable and accrued liabilities	4(d), 11		1,427,775		1,845,422
Customer deposits	8(b)		401,797		361,629
Current portion of lease obligations	10		296,351		272,578
Total current liabilities			3,177,823		3,606,089
Lease obligations	10		653,280		888,739
Total liabilities			3,831,103		4,494,828
Equity					
Share capital			2,171,447		2,171,447
Contributed surplus			460,258		460,258
Retained earnings			3,543,885		2,874,289
Total equity			6,175,590		5,505,994
Total liabilities and equity		$	10,006,693	$	10,000,822

See accompanying notes to the condensed interim consolidated financial statements

Appulse Corporation
Condensed Consolidated Statements of Income and Comprehensive Income
Nine months ended September 30,
(amounts in Canadian dollars)
(unaudited)

	Notes	Three Months Ended September 30 2021	Three Months Ended September 30 2020	Nine Months Ended September 30 2021	Nine Months Ended September 30 2020
Revenues					
Service and parts	8(a), 14	$ 1,539,134	$ 1,601,452	$ 5,155,972	$ 5,688,411
Machine sales	8(a), 14	399,800	1,350,736	1,386,778	1,993,953
Rental	8(a), 14	93,213	146,050	384,421	323,952
		2,032,147	3,098,238	6,927,171	8,006,316
Cost of sales	11	1,475,067	2,263,539	4,708,097	5,486,078
Gross margin		557,080	834,699	2,219,074	2,520,238
Expenses					
General and administrative	11, 13	315,068	462,369	1,117,679	1,242,764
Depreciation	7(a)(b)	129,154	121,714	380,400	358,605
		444,222	584,083	1,498,079	1,601,369
Income before the following:		112,858	250,616	720,995	918,869
Finance expenses	16	(25,016)	(27,453)	(79,027)	(84,893)
Foreign exchange gain (loss)		(4,112)	(8,634)	27,628	(76,340)
Income before taxes		83,730	214,529	669,596	757,636
Deferred tax expense	17	-	-	-	-
Net income and comprehensive income		$ 83,730	$ 214,529	$ 669,596	$ 757,636
Income per share, basic and diluted	18	$ .01	$ .02	$ .05	$ .05

See accompanying notes to the condensed interim consolidated financial statements.

Appulse Corporation
Condensed Consolidated Statements of Changes in Equity
(amounts in Canadian dollars)
(unaudited)

	Number of Common Shares	Common Share Capital Stated Value	Contributed Surplus	Retained Earnings	Total Equity
Balance at December 31, 2019	13,873,150	$ 2,150,522	$ 467,458	$ 1,778,601	$ 4,396,581
Net income and comprehensive income for the period	-	-	-	757,636	757,636
Balance at September 30, 2020	13,873,150	2,150,522	467,458	2,536,237	5,154,217
Stock options exercised	95,000	20,925	(7,200)	-	13,725
Income for the period	-	-	-	338,052	338,052
Balance at December 31, 2020	13,968,150	2,171,447	460,258	2,874,289	5,505,994
Net income and comprehensive income for the period	-	-	-	669,596	669,596
Balance at September 30, 2021	13,968,150	$ 2,171,447	$ 460,258	$ 3,543,885	$ 6,175,590

See accompanying notes to the condensed interim consolidated financial statements.

Appulse Corporation
Condensed Consolidated Statements of Cash Flows
Nine months ended September 30,
(amounts in Canadian dollars)
(unaudited)

	Notes	2021	2020
Cash provided by (used in):			
Cash flows from operating activities			
Income for the period		$ 669,596	$ 757,636
Adjustments for:			
Depreciation		380,400	358,605
Accretion (lease liability)		43,045	51,453
		1,093,041	1,167,694
Changes in non-cash working capital	5	(684,847)	(1,015,439)
Net cash from operating activities		408,194	152,255
Cash flows from investing activities			
Additions to property and equipment	7	(220,511)	(193,861)
Proceeds from disposal of property and equipment		34,198	6,013
Net cash used in investing activities		(186,313)	(187,848)
Cash flows from financing activities			
Repayment of bank indebtedness, net	9	(15,762)	(41,233)
Proceeds from (repayment of) evergreen line of bank indebtedness	9	(58,799)	280,262
Repayment of lease obligations	10	(254,730)	(261,953)
Net cash used in financing activities		(329,291)	(22,924)
Change in cash		(107,410)	(58,517)
Cash, beginning of period		285,392	173,195
Cash, end of period		$ 177,982	$ 114,678

See accompanying notes to the condensed interim consolidated financial statements.

1. General business description

Appulse Corporation ("Appulse" or the "Corporation"), through its wholly-owned subsidiaries, sells new and refurbished centrifuge machines and parts and provides rentals of centrifuge equipment. It also provides maintenance services, consulting, and design advice to industries throughout North America and internationally. In addition, the Corporation manufactures parts using state-of-the-art machining and milling equipment and provides machining services for equipment repairs. The Corporation also provides value added services including a balancing service for large equipment including centrifuge bowls. The Corporation's market base focuses on food and beverage processing and environmental applications but is diversified to other industries including the oil and gas service industry, refineries, marine processing, and pharmaceuticals.

Appulse is a publicly traded corporation that is listed on the TSX Venture Exchange under the symbol APL and is incorporated and domiciled in Canada. The corporate address of business is 3504 – 64 Avenue S.E., Calgary, Alberta, Canada, T2C 1P4. These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 18, 2021.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been issued in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the Corporation's audited annual consolidated financial statements for the year ended December 31, 2020.

(b) Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities which are measured at fair value (note 4(b)).

(c) Functional and presentation currency

These condensed consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Corporation and its subsidiaries.

(d) Use of judgments and estimates

The timely preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as at the date of the statement of financial position, and the reported amounts of revenues and expenses during the year. Accordingly, actual results may differ from these estimates. Estimates and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following discussion sets forth management's significant judgments and estimates made in the preparation of these consolidated financial statements:

Critical judgments in applying accounting policies

(i) Determination of cash-generating units ("CGU")

For the purpose of assessing impairment of property and equipment, assets are grouped at the lowest level of separately identified independent cash inflows which make up the CGU. Determination of what constitutes a CGU is subject to management judgment. Management has determined that the Corporation has one CGU.

(ii) Impairment of property and equipment

Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required.

(iii) Revenue

The Corporation makes judgments in determining whether a performance obligation is distinct (i.e. if a service is separately identifiable from other services provided and if the customer can benefit from it).

Judgments are required when evaluating when a performance obligation is satisfied and revenue may be recognized. In making its judgments, management considers when a customer obtains control of the good or service being promised in the contract and whether another entity fulfilling remaining services would need to re-perform work completed to date.

Judgments are also used to determine whether the Corporation acts as principal or agent on certain flow-throw charges to customers, such as freight costs incurred on the shipment of machines and parts. The judgments made include whether the Corporation or a third-party controls the goods or services provided.

(iv) Deferred taxes

Judgments are made by management to determine the likelihood of whether deferred tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit and loss in the period in which the change occurs.

Key sources of estimation uncertainty:

(i) Valuation of accounts receivable

The allowance for expected credit losses assessment requires a degree of estimation and judgment. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include sales experience, historical collection and non-payments.

(ii) Valuation of inventories

The Corporation evaluates its inventory to ensure it is carried at the lower of cost and net realizable value. Allowances are made against obsolete or damaged inventories and charged to cost of sales. The reversal of any write-down of inventory arising from an increase in net realizable value would be recognized as a reduction in cost of sales in the period in which the reversal occurred.

The valuation of inventory at net realizable value is based on management's best estimate including historical experience relating to the ultimate selling prices less costs to sell the inventory.

(iii) Property and equipment

Property and equipment assets are stated at cost less accumulated depreciation and recognized impairment losses. Depreciation is based on either a declining balance or a straight-line basis. Estimations are required related to the expected useful lives of the assets. Changes in useful lives are accounted for prospectively as a change in estimate.

(iv) Taxes

The provision for tax expense is made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, is it possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

3. Significant accounting policies

A summary of the Corporation’s significant accounting policies under IFRS is included in the notes to the Corporation's audited consolidated financial statements for the year ended December 31, 2020. As referred to in that summary, the Corporation adopted IFRS 16 – Leases, effective January 1, 2019. Details related to this policy are outlined in note 3(i) to the December 31, 2020 financial statements.

There were no changes to accounting policies during the six months period ended September 30, 2021. All other accounting policies and methods of computation followed in the preparation of these condensed interim consolidated financial statements are consistent with those of the previous financial year.

4. Financial instruments and risk management

(a) Risk management

The Corporation’s activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Corporation’s exposure to each of the above risks, the Corporation’s objectives, policies and processes for measuring and managing risk, and the Corporation’s management of capital. Further quantitative disclosures are included throughout these condensed interim consolidated financial statements. The Corporation employs risk management strategies and polices to ensure that any exposures to risk are in compliance with the Corporation’s business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation’s risk management framework, Appulse’s management has the responsibility to administer and monitor these risks.

(amounts in Canadian dollars)

(b) Fair value of financial instruments

The fair values cash, accounts receivable, deposits and accounts payable approximate their carrying values due to the short-term maturity of those instruments. The fair values of bank indebtedness and lease obligations approximate their carrying values as they bear interest at market floating rates or fixed rates consistent with market rates for similar debt.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

(c) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Substantially all of the Corporation’s accounts receivable are due from purchasers of centrifuge service, parts or refurbished machines and are subject to normal industry credit risk.

The Corporation’s revenues are derived from a large and diverse customer base. Typically, orders for centrifuge parts or service are not individually of significant values and are subject to the Corporation’s credit and collection programs. Where significant contracts involve the sale of centrifuge machines, substantial customer deposits are required prior to the acceptance of the order and prior to shipment.

The Corporation has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward looking information that is available. The Corporation’s maximum exposure to credit risk for accounts receivable is equal to the fair value of accounts receivable on the consolidated statements of financial position shown net of an appropriate allowance for expected credit losses.

Significant changes in industry conditions will increase the risk of not collecting receivables. Management believes the risk is generally mitigated by the size and reputation of the companies to which they extend credit. As at September 30, 2021 and December 31, 2020 the Corporation's accounts receivable comprised the following:

	September 30, 2021	December 31, 2020
Current	$ 835,625	$ 697,601
Less than 60 days overdue	290,536	422,128
Greater than 60 days overdue	427,240	466,576
Total trade receivables	1,553,401	1,586,305
Less: allowance for credit losses	55,000	55,000
Total receivables	$ 1,498,401	$ 1,531,305

(amounts in Canadian dollars)

The Corporation manages the credit exposure related to cash by selecting financial institutions with high credit ratings and monitors all short-term deposits to ensure an adequate rate of return. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

(d) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Corporation's ongoing liquidity is impacted by various external events and conditions, including commodity price fluctuations and global economic conditions.

The financial liabilities on the consolidated statement of financial position consist of bank indebtedness, accounts payable and accrued liabilities and lease obligations, which include lease obligations pursuant to the adoption of IFRS 16, as detailed in note 3(n) to the September 30, 2021 financial statements. The Corporation manages this risk through detailed monitoring of budgeted and projected operating results and cash requirements. Formal senior management meetings address levels of firm sales and monitor obligations and customer credit facilities.

The Corporation expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flow, as well as future equity and debt financings. The Corporation also has credit facilities to facilitate the management of liquidity risk. (See note 9)

The table below summarizes the maturity profile of the Corporation's financial liabilities at September 30, 2021 and December 31, 2020 based on contractual payments:

As at September 30, 2021	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**> 5 years**	**Total**
Bank Indebtedness	$ 1,051,900	$ -	$ -	$ -	$ 1,051,900
Accounts payable and accrued liabilities	1,427,775	-	-	-	1,427,775
Lease obligations	345,037	360,165	97,039	-	802,241
	$ 2,824,712	$ 360,165	$ 97,039	$ -	$ 3,281,916

As at December 31, 2020	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**> 5 years**	**Total**
Bank Indebtedness	$ 1,126,460	$ -	$ -	$ -	$ 1,126,460
Accounts payable and accrued liabilities	1,845,422	-	-	-	1,845,422
Lease obligations	343,296	350,200	368,298	-	1,061,794
	$ 3,315,178	$ 350,200	$ 268,298	$ -	$ 4,033,676

Note: Lease obligations in the above chart are reflected on a cash basis whereas the lease obligations shown on the consolidated statements of financial position reflect discounted amounts pursuant to IFRS 16.

(e) Market risk

Market risk is the risk that changes in market prices, foreign exchange rates and interest rates will affect the Corporation's net earnings or the value of financial instruments and are largely outside the control of the Corporation. The objective of the Corporation is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns. Primary market risks are as follows:

Foreign currency risk

The Corporation is exposed to currency price risk on sales denominated in U.S. dollars to the extent that the receipt of payment of the U.S. denominated accounts receivable are subject to fluctuations in the related foreign exchange rate. In addition, foreign currency risk exists on purchases of inventory for sale to the extent that the payment of foreign denominated accounts payable are subject to fluctuations in the foreign exchange rate. Included in accounts receivable and accounts payable and accrued liabilities at September 30, 2021 are $177,593 (December 31, 2020 - $308,767) and $399,893 (December 31, 2020 - $716,057) denominated in foreign currency respectively. Included in cash at September 30, 2021 is $177,582 (December 31, 2020 - $269,249) in foreign currency.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate cash flow risk to the extent that changes in market interest rates impact its bank indebtedness under the floating rate credit facilities. The Corporation is not exposed to interest rate price risk on the lease obligations as these bear interest at fixed rates. The Corporation had no interest rate swaps or financial contracts in place as at or during the periods ended September 30, 2021 or December 31, 2020.

(f) Capital management

The Corporation's capital management policy is to maintain a strong capital base that optimizes the Corporation's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Corporation's officers are responsible for managing the Corporation's capital and do so through management meetings and quarterly board meetings including regular reviews of financial information including budgets and forecasts. The Corporation's directors are responsible for overseeing this process. The Corporation considers its capital structure to include equity, bank indebtedness and lease obligations.

The Corporation's defined capital as at September 30, 2021 and December 31, 2020 is as follows:

	September 30, 2020	**December 31, 2020**
Equity	$ 6,175,590	$ 5,505,994
Bank indebtedness	1,051,900	1,126,460
Lease obligations	949,631	1,161,317
	$ 8,177,121	$ 7,793,771

The Corporation monitors capital based on its current working capital, available bank line of credit, projected cash flow from operations and anticipated capital expenditures. In order to manage its capital structure, the Corporation prepares annual capital expenditure and operating budgets and business plans, which are updated as necessary. The annual and updated budgets are prepared by the Corporation's management and approved by the Board of Directors. The budget results are regularly reviewed and updated as required.

(amounts in Canadian dollars)

In order to maintain or adjust the capital structure, the Corporation may issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure. The Corporation's ability to raise additional debt or equity financing is impacted by external factors, including global economic conditions. The Corporation continually monitors economic and general business conditions.

The Corporation also monitors its total capital based on the ratio of net debt to equity. This ratio is calculated as net debt (defined as total debt shown on the consolidated statements of financial position with the exception of debt reflected through the application of IFRS 16, less cash) divided by total shareholders' equity of the Corporation. The Corporation's current goal is to maintain that ratio at or below 1 to 1. The net debt to equity ratio at September 30, 2021 was 0.44 to 1 (2020 - 0.66 to 1).

The Corporation is subject to externally imposed capital requirements pursuant to ratios related to debt to equity, working capital and debt service coverage. The Corporation is onside with all external debt covenants.

The amount available under the demand revolving operating credit facility is determined with reference to inventory and accounts receivable levels maintained.

The Corporation's capital management policy has not changed during the periods ended September 30, 2021 and December 31, 2020.

5. Supplemental cash flows information

Changes in non-cash working capital is comprised of the following:

	Nine months ended September 30	
	2021	**2020**
Source (use) of cash:		
Accounts receivable	$ 32,904	$ 236,180
Inventory	(379,703)	(680,578)
Prepaid expenses and deposits	39,431	(42,101)
Accounts payable and accrued liabilities	(417,647)	(281,727)
Customer deposits	40,168	(247,213)
Changes in non-cash working capital	$ (684,847)	$ (1,015,439)

The following is included in cash flows from operating activities:

	Nine months ended September 30	
	2021	**2020**
Interest	$ 79,027	$ 84,893

(amounts in Canadian dollars)

6. Inventory

Inventory consists of three main classifications:

	September 30, 2021	December 31, 2020
Raw materials and parts	$ 4,215,537	$ 4,008,278
Machine inventory	1,803,818	1,533,790
Work in progress	460,619	558,203
Total	$ 6,479,974	$ 6,100,271

Machines rented to customers are reflected under property and equipment (see note 7).

During the nine month period ending September 30, 2021, $40,000 (December 31, 2020 - $78,000) of inventory was written down to bring inventory to its net realizable value and was included in cost of sales.

Inventories are pledged as security under terms of a general security agreement as referred to in note 9.

7. (a) Property and equipment

	Shop Equipment	Furniture and Fixtures	Computers	Vehicles	Rental Equipment	Leasehold Improvements	Total
Cost							
Balance as at December 31, 2019	$1,743,863	$ 90,077	$ 211,755	$ 243,301	$ 970,728	$ 220,690	$3,480,414
Assets acquired	39,700	-	4,351	-	145,029	4,781	193,861
Disposals	-	-	-	(25,000)	-	-	(25,000)
Balance as at September 30, 2020	1,783,563	90,077	216,106	218,301	1,115,757	225,471	3,649,275
Assets acquired	58,939	-	800	-	100,277	-	160,016
Balance as at December 31, 2020	$1,842,502	$ 90,077	$ 216,906	$ 218,301	$1,216,034	$ 225,471	$3,809,291
Assets acquired	67,190	-	1,921	-	151,400	-	220,511
Disposals	-	-	-	-	(164,332)	-	(164,332)
Balance as at September 30, 2021	$1,909,692	$ 90,077	$ 218,827	$ 218,301	$1,203,102	$ 225,471	**$3,865,470**
Accumulated depreciation							
Balance as at December 31, 2019	$1,416,916	$ 78,360	$ 187,611	$ 184,472	$ 637,717	$ 212,258	$2,717,334
Depreciation for the period	55,670	1,757	5,922	11,883	60,655	1,083	136,970
Disposals	-	-	-	(18,987)	-	-	(18,987)
Balance as at September 30, 2020	1,472,586	80,117	193,533	177,368	698,372	213,341	2,835,317
Depreciation for the period	24,452	586	2,094	3,961	28,688	871	60,652
Balance as at December 31, 2020	$1,497,038	$ 80,703	$ 195,627	$ 181,329	$ 727,060	$ 214,212	2,895,969
Depreciation for the period	63,370	1,406	5,004	8,318	79,572	1,096	158,766
Disposals	-	-	-	-	(130,134)	-	(130,134)
Balance as at September 30, 2021	$1,560,408	$ 82,109	$ 200,631	$ 189,647	$ 676,498	$ 215,308	**$2,924,601**
Carrying amounts							
At December 31, 2020	$ 345,464	$ 9,374	$ 21,279	$ 36,972	$ 488,974	$ 11,259	$ 913,322
At September 30, 2021	$ 349,284	$ 7,968	$ 18,196	$ 28,654	$ 526,604	$ 10,163	**$ 940,869**

(amounts in Canadian dollars)

(b) Right-of-use asset

The Right-of-use asset derived from the January 1, 2019 application of IFRS 16 primarily consists of the discounted value of future rental payments related to the Corporations facilities in Calgary, Alberta and Waterloo, Ontario, reduced by depreciation of the assets over the terms of the respective leases.

Cost		
Balance as at January 1, 2019 and December 31, 2020	$ 1,658,700	-
Additions	-	
Balance as at September 30, 2021	**$ 1,658,700**	
Accumulated depreciation		
Balance as at December 31, 2020	$ 591,024	
Depreciation for the period	221,634	
Balance as at September 30, 2021	**$ 812,658**	
Carrying amounts		
At December 31, 2020	$ 1,067,676	
At September 30, 2021	**$ 846,042**	

8. Revenue

(a) Disaggregation of revenue

The Corporation's primary sources of revenue relate specifically to industrial centrifuge equipment and comprise the following categories related to the nine month periods ended September 30, 2021 and 2020.

Revenue by major category	**2021**	**2020**
Sale of parts and components	$ 3,959,325	$ 4,252,228
Service work	1,196,647	1,436,183
Sale of machines	1,386,778	1,993,953
Rental	384,421	323,952
	$ 6,927,171	$ 8,006,316

(b) Customer deposits

At September 30, 2021, customer deposits totaled $401,797 (December 31, 2020 - $361,629). These amounts are comprised of non-refundable customer deposits received as work commences. Customer deposits are applied against customer invoices at the point of revenue recognition.

(amounts in Canadian dollars)

9. Bank Indebtedness

The Corporation has bank debt outstanding of $1,051,900 at September 30, 2021 (December 31, 2020 - $1,126,460), which is comprised of a demand revolving operating credit facility in the amount of $793,418 (December 31, 2020 - $809,179), and a demand evergreen line of credit facility associated with the purchase of equipment in the amount of $258,482 (December 31, 2020 - $317,281).

At September 30, 2021, the Corporation's demand revolving operating credit line can be drawn to a maximum of $1,500,000 (December 31, 2020 - $1,500,000), subject to margining restrictions based on accounts receivable and inventory balances. The operating credit line bears interest at the lender's prime rate plus 1.5% (December 31, 2020 – 1.5%) per annum. The evergreen line of credit facility can be drawn to a maximum of $500,000 (2020 - $500,000), with each draw repayable over a maximum three year amortization with variable interest rates determined at the time of each draw. Each loan under this credit facility is payable in full on demand by the lender, but in any event no later than the maturity date for each loan. All amounts outstanding on the evergreen line of credit at September 30, 2021 bear interest at the lender's prime rate plus 1.5% per annum. The current loans under the evergreen line of credit mature July 31, 2024 and September 8, 2024.

The bank indebtedness is secured by a general security agreement over the assets held by the Corporation. The Corporation must also meet certain financial covenants, as discussed in note 4(f). All credit facilities are demand facilities and are subject to review by the lender at any time in its sole discretion and at least annually. The next annual review date has been set for June 30, 2022.

10. Lease obligations

	Nine months ended September 30, 2021	Year Ended December 31, 2020
Lease obligations related to the adoption of IFRS 16. This obligation to be reduced through application of the non-interest portion of facility lease payments:		
Balance forward from prior year	$ 1,134,593	$ 1,390,239
Lease finance expense (accretion)	43,045	67,941
Repayments in the period	(249,523)	(323,587)
Balance end of period	928,115	1,134,593
Finance lease obligations related to a specific vehicle, bearing interest at 8.7% per annum, with final payment due on Dec 2, 2023 secured by the vehicle with a carrying amount of $15,678 (2020 - $20,229).	21,516	26,724
	949,631	1,161,317
Less: Portion due within one year	(296,351)	(272,578)
	$ 653,280	$ 888,739

(amounts in Canadian dollars)

11. Related party transactions

Cost of sales includes purchases of $20,318 (2020 - $22,071) from a director or a company controlled by a director of the Corporation. $268,535 (2020 - $260,017), including unpaid amounts from prior periods, remains in accounts payable and accrued liabilities. The amounts in accounts payable and accrued liabilities are not subject to specific repayment terms and will be repaid through future cash flows.

Key management personnel include executive officers and directors. Executive Officer compensation paid during the nine months ended September 30, 2021 comprised salaries of $267,445 (2020 - $288,462) and benefits of $2,658 (2020 - $1,846) and is included in general and administration expenses.

Included in accounts payable and accrued liabilities at September 30, 2021 is $44,117 (2020 - $44,117) related to property and equipment purchases of prior periods from a director or a company controlled by a director of the Corporation. These amounts are not subject to specific repayment terms and will be repaid through future cash flows.

12. Share capital

(a) Authorized

Unlimited number of voting common shares
Unlimited number of preferred shares, issuable in series

(b) Issued

Common Shares	Number	Stated Value
Balance, December 31, 2020 and September 30, 2021	13,968,150	$ 2,171,447

13. General and administrative expenses

General and administrative expenses is comprised of the following:

	2021	2020
Salaries and benefits	$ 844,822	$ 972,251
General office expenses	63,320	64,339
Office occupancy	62,894	48,780
Auto and equipment rental	43,951	43,779
Marketing and travel	11,996	27,952
Other corporate costs	90,696	85,663
	$ 1,117,679	$ 1,242,764

(amounts in Canadian dollars)

14. Segmented reporting

The Corporation receives revenue from product and service sales to Canadian, U.S. and International customers, which are derived from one operating segment.

Geographic revenue is summarized as follows for the periods ended September 30:

	2021	2020
Canada	$ 5,753,487	$ 6,236,925
U.S.	976,517	1,678,193
International	197,167	91,198
	$ 6,927,171	$ 8,006,316

All of the Corporation's non-current assets are located in Canada.

15. Stock-based compensation

Stock option plan

The Corporation has a stock option plan under which directors, officers and employees are eligible to receive stock options. The aggregate number of common shares to be issued upon the exercise of all options granted under the plan shall not exceed 10% of the issued common shares of the Corporation at the time of granting of the options. Options granted under the plan generally have a term of five years and may not exceed ten years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option is determined by the directors at the time of grant, but shall not be less than the price permitted by the policy or policies of the stock exchange(s) upon which the Corporation's common shares are then listed.

The following options have been awarded under the stock option plan:

	Nine months ended September 30,			
	2021		2020	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of period	1,093,000	$.14	1,203,000	$.14
Forfeited	50,000	.15	-	-
Outstanding at September 30	1,043,000	.14	1,203,000	.14
Exercisable at September 30	1,043,000	$.14	1,203,000	$.14

(amounts in Canadian dollars)

16. Finance expenses

	Nine months ended September 30, 2021	2020
Finance expenses		
Interest on bank indebtedness	$ 34,408	$ 30,612
Interest on finance leases	44,619	54,281
	$ 79,027	$ 84,893

17. Deferred tax expense

At December 31, 2020, the Corporation had estimated non-capital losses carried forward of $988,000, which begin to expire in 2028. The forward benefit of these non-capital losses has not been recorded in the accounts. Otherwise taxable income during the 2021 fiscal period will, to the extent applicable, be offset by utilization of this non-capital loss carry forward balance. Income tax liability is determined on an annual basis. Otherwise taxable income to September 30, 2021 has been assumed offset by utilization of a portion of the non-capital losses carried forward.

18. Income per share

The weighted average number of common shares used in the calculation of income per share is as follows:

	2021	2020
Basic	13,968,150	13,873,150
Effect of dilutive options	675,933	279,633
Diluted	14,644,083	14,152,783

19. Covid-19 Pandemic

Covid-19 continued to adversely impact customer activities during 2021, resulting in revenues below normal expectations. Strong internal Covid-19 protocols have enabled the Corporation to continue as an essential service supporting a wide range of food and beverage customers.

During certain periods the Corporation qualified for federal assistance under the CEWS program. A total of $348,000 received through this program has been reflected during the nine months ended September 30, 2021 as a reduction in Costs of sales ($237,000) and General and administration expenses ($111,000).