

3 | Sixty Risk Solutions Ltd.

Condensed interim consolidated financial statements
(Unaudited - expressed in Canadian Dollars)

**For the three and nine-month periods ended September 30,
2019 and 2018**

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of 3 Sixty Risk Solutions Ltd. have been prepared by and are the responsibility of the Company's management.

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

November 18, 2019

3 | Sixty Risk Solutions Ltd.

Condensed interim consolidated statements of financial position

(Unaudited - expressed in Canadian Dollars)

As at September 30, 2019 and December 31, 2018

	September 30, 2019	December 31, 2018
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	2,020,077	17,054,843
Restricted cash (note 5)	1,483,777	-
Amounts receivable (note 6)	6,378,205	2,161,317
Work in progress	49,732	-
Due from shareholder (note 14)	-	51,428
Prepays	987,649	265,742
	10,919,440	19,533,330
Non-current assets		
Property and equipment (note 8)	10,564,632	4,537,130
Intangible assets (note 3(b) and (c) (note 7)	15,310,329	-
Goodwill (note 3(b) and (c))	18,076,136	-
Total assets	54,870,537	24,070,460
Liabilities		
Current liabilities		
Amounts payable (note 9)	5,411,288	1,221,951
Restricted cash held for customers (note 5)	1,782,990	-
Current portion of long-term debt (note 10)	2,680,670	1,132,958
	9,874,948	2,354,909
Non-current liabilities		
Long-term debt (note 10)	5,506,478	2,436,847
	15,381,426	4,791,756
Equity		
Share capital (note 11a)	52,627,246	23,885,380
Warrant reserve (note 11c)	1,551,691	3,581
Cumulative translation adjustment	(158)	-
Contributed surplus (note 11d)	875,947	62,262
	55,054,726	23,951,223
Deficit	(15,565,615)	(4,672,519)
	39,489,111	19,278,704
Total liabilities and equity	54,870,537	24,070,460
Commitments (note 13)		

Approved by the Board of Directors

_____ "signed" Nitin Kaushal _____ Director

_____ "signed" Thomas Gerstenecker _____ Director

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

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Condensed interm consolidated statements of changes in equity
(Unaudited - expressed in Canadian Dollars)

For the nine-month periods ended September 30, 2019 and 2018

	Number of Common Shares	Share capital	Contributed surplus	Warrant Reserve	Accumulated other comprehensive income	Retained Deficit	Total Equity
		\$	\$	\$	\$	\$	\$
Balance - January 1, 2018	100	100	-	-	-	30,938	31,038
Private placement of common shares (note 11b(i)(iv)(vi))	45,740,808	5,840,452	-	-	-	-	5,840,452
Private placement of units (note 11b(ii))	11,331,998	315,610	-	24,350	-	-	339,960
Common shares issued for services rendered (note 11b(iii))	470,258	47,025	-	-	-	-	47,025
Common shares issued as settlement (note 11b(iv))	860,000	140,000	-	-	-	-	140,000
Private placement of common shares (note 11b(i)(iv)(vi))	2,538,192	434,511	-	-	-	-	434,511
Common shares issued on exercise of warrants (note 11b(vii))	9,665,332	504,036	-	(20,769)	-	-	483,267
Common shares issued on exercise of options (note 11b(viii))	600,000	185,232	(35,232)	-	-	-	150,000
Issuance of stock options (note 11d(i)(ii))	-	-	97,494	-	-	-	97,494
Net loss for the period	-	-	-	-	-	(2,132,091)	(2,132,091)
Balance - September 30, 2018	71,206,688	7,466,966	62,262	3,581	-	(2,101,153)	5,431,656
Shares held in escrow at year-end (note 11b(ix))	20,590,000	16,418,414	-	-	-	-	16,418,414
Net loss for the year	-	-	-	-	-	(2,571,366)	(4,703,457)
Balance - December 31, 2018	91,796,688	23,885,380	62,262	3,581	-	(4,672,519)	19,278,704
RTO transaction with Petro Vista Energy Corp (note 11b(x))	2,601,301	1,326,664	-	-	-	-	1,326,664
Finders fee associated with RTO transaction (note 11b(xi))	350,000	300,000	-	-	-	-	300,000
Common shares issued for services rendered (note 11b(xiv))	1,297,969	376,250	-	-	-	-	376,250
Shares issued to acquire of INKAS assets (note 11b(xiii))	9,166,666	3,987,500	-	-	-	-	3,987,500
Amalgamation with Total Cannabis Security Solutions (note 11b(xii))	49,165,070	25,074,187	562,713	1,548,110	-	-	27,185,010
Additional cost on escrow shares	-	(2,322,735)	-	-	-	-	(2,322,735)
Stock-based compensation (note 11d)	-	-	250,972	-	-	-	250,972
Foreign exchange translation	-	-	-	-	(158)	-	(158)
Net comprehensive loss for the period	-	-	-	-	-	(10,893,096)	(10,893,096)
Balance - September 30, 2019	154,377,694	52,627,246	875,947	1,551,691	(158)	(15,565,615)	39,489,111

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

3 | Sixty Risk Solutions Ltd.

Condensed interim consolidated statements of loss and comprehensive loss

(Unaudited - expressed in Canadian Dollars)

For the three and nine-month periods ended September 30, 2019 and 2018

	Three month period ended September 30, 2019	Three month period ended September 30, 2018	Nine month period ended September 30, 2019	Nine month period ended September 30, 2018
	\$	\$	\$	\$
Revenue	8,579,505	2,017,420	19,570,911	3,074,967
Operating Expenses				
Wages and benefits (note 14)	6,726,868	1,615,709	16,317,705	3,061,133
Office and administrative	76,489	226,068	881,362	399,742
Depreciation and amortization (note 7 and note 8)	1,979,106	492,768	3,191,549	492,768
Consultants (note 14)	250,345	431,730	2,432,536	582,956
Vehicle	373,664	90,258	950,748	153,042
Travel	256,697	36,355	656,597	80,525
Advertising	156,341	98,664	1,158,167	131,465
Financing costs	191,244	19,239	404,503	49,828
Estimated credit loss (notes 6 and 16)	65,993	-	199,079	-
Stock-based compensation (note 11 and note 14)	78,611	-	250,972	-
Insurance	261,635	104,820	595,834	121,880
Information technology	135,981	27,357	312,512	34,917
Freight & storage	463,119	43,757	1,365,837	57,933
Training	36,112	20,344	125,529	40,869
Gain on sale of fixed assets	(83,573)	-	(83,573)	-
Income tax expense	88,343	-	88,343	-
Listing Expense (note 3(a))	-	-	1,616,149	-
	11,056,975	3,207,069	30,463,849	5,207,058
Operating loss	(2,477,470)	(1,189,649)	(10,892,938)	(2,132,091)
Cumulative translation adjustment	(1,567)	-	(158)	-
Net loss and comprehensive loss	(2,479,037)	(1,189,649)	(10,893,096)	(2,132,091)
Loss per share (note 12)	(0.02)	(0.02)	(0.08)	(0.04)
Weighted Average number of shares outstanding, basic and diluted	154,377,694	71,206,688	129,748,454	52,671,328

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

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Condensed interim consolidated statements of cash flows

(Unaudited - expressed in Canadian Dollars)

For the nine-month periods ended September 30, 2019 and 2018

	September 30, 2019	September 30, 2018
	\$	\$
Operating activities		
Net loss for the year	(10,893,096)	(2,132,091)
Adjustments for:		
Depreciation and amortization	3,191,549	492,768
Effects on foreign exchange transactions	(158)	-
Shares issued for services rendered	376,250	-
Listing expense	1,616,149	-
Share-based compensation	250,972	-
	(5,458,334)	(1,639,323)
Changes in non-cash working capital items:		
Amounts receivable	(3,357,652)	(2,575,814)
Work in progress	15,481	-
Prepays	(664,152)	-
Customer deposits	1,782,990	-
Amounts payable	2,737,920	317,441
	514,587	(2,258,373)
Net cash used in by operating activities	(4,943,747)	(3,897,696)
Investing activities		
Purchase of property and equipment	(3,606,482)	(4,064,608)
Sale of property and equipment	145,844	-
Acquisition of Inkas	(4,500,000)	-
Acquisition of TCSS (Net)	21,096	-
Cash received in reverse takeover transactions	17,619	-
Net cash used in investing activities	(7,921,923)	(4,064,608)
Financing activities		
Shares issued on private placement	-	7,466,767
Received from shareholder	51,428	(53,382)
Payment of lease liabilities	(438,747)	-
Change in long-term debt	(298,000)	3,144,568
Net cash provided (used in) provided by financing activities	(685,319)	10,557,953
Net change in cash, cash equivalents and restricted cash:	(13,550,989)	2,595,649
Balance at beginning of period	17,054,843	98,227
Balance at end of period	3,503,854	2,693,876

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Notes to the condensed interim consolidated financial statements

For the three and nine-month periods ended September 30, 2019 and 2018

1 CORPORATE INFORMATION

3 | Sixty Risk Solutions Ltd. (formerly Petro Vista Energy Corp.) (the “Company”) was incorporated on April 6, 2006 under the laws of British Columbia. The head office, principal address, records office, and registered address of the Company is located at 12-83 Little Bridge, Almonte, Ontario, K0A 1A0. The Company provides risk mitigation services to the public and private sectors. These services are primarily in the risk management spectrum, from providing secure transport services nationally, to embedding security specialists within Canada. The Company also is focused on physical security and transportation within the cannabis industry.

On January 4th, 2019, 3 | Sixty completed an amalgamation with Total Cannabis Security Solutions (“TCSS”), resulting in the creation of an Amalgamated Company (“Amalco”). The shareholders of 3 | Sixty received one Amalco share for each share held in 3 | Sixty, resulting in 71,206,688 Amalco shares issued to the shareholders of 3 | Sixty. Shareholders of TCSS received 0.353 Amalco shares for each share held in TCSS resulting in 49,165,070 Amalco shares issued to the shareholders of TCSS. Refer to Note 3(b).

Concurrent with this transaction, Amalco amalgamated with Petro Vista resulting in a reverse takeover (“RTO”) of Petro Vista by Amalco creating the resulting issuer, which subsequently changed its name to 3 | Sixty Risk Solutions Ltd. As a result of the RTO transaction, shareholders of Petro Vista received one share of the Company for every two shares of Petro Vista held, resulting in 2,601,301 shares issued in the Company to shareholders of Petro Vista and the shareholders in Amalco received one share of the Company for each share of Amalco, resulting in 120,371,741 shares in the Company issued to shareholders of Amalco. The common shares in the Company were listed on the Canadian Securities Exchange (“CSE”) under the ticker symbol SAFE.CN. In connection with the RTO transaction, the Company incurred issuance costs of \$1,898,116, of which \$297,500 were paid through the issuance of 350,000 common shares in the Company. Refer to Note 3.

In addition, concurrent with the completion of the RTO transaction, the Company completed a private placement, issuing 20,590,000 common shares in the Company which were held in escrow as at the December 31, 2018 (note 11 (b)(ix)). Each common share was issued at a price of \$0.85 per common share, resulting in gross proceeds of \$17,501,500. The Company incurred issuance costs of \$3,679,529 in relation to this private placement of common shares. Of the issuance costs incurred, \$1,083,086 were incurred during the year ended December 31, 2018 (note 11 (b)(ix)) and \$2,596,443 were payable as of the date of release of the escrow account, which occurred on January 4, 2019.

The accounting for the Transaction resulted in the following:

(i) The condensed interim consolidated financial statements of the combined entities are issued under the legal parent, 3 | Sixty Risk Solutions Ltd. (formerly Petro Vista Energy Corp.) but are considered a continuation of the financial statements of the legal subsidiary and accounting acquirer, 3 | Sixty Secure Corp.

(ii) Since 3 | Sixty Secure Corp. is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the condensed interim consolidated financial statements at their historical carrying values.

2 BASIS OF PREPARATION

a) Statement of compliance

The Company’s condensed interim consolidated financial statements have been prepared in accordance 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”) which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Chartered Professional Accountants of Canada Handbook – Accounting applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, Interim Financial Reporting. These condensed interim consolidated financial statements do not include all of the information required for full financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS.

The accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied in the preparation of the Company’s annual consolidated financial statements for the year ended December 31, 2018, except for the changes in accounting policies as described below in note 4. These condensed interim consolidated financial statements were approved by the Board of Directors on November 18, 2019.

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Notes to the condensed interim consolidated financial statements

For the three and nine-month periods ended September 30, 2019 and 2018

2 BASIS OF PREPARATION (Continued)

b) Basis of measurement

The condensed interim consolidated financial statements have been prepared in Canadian dollars on a historical cost basis. Historical cost is generally based upon the fair value of consideration given in exchange for assets.

c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary (collectively the "Company"), 3 | Sixty Secure (NV) Corp. ("3 | Sixty Nevada"), a company registered in the state of Nevada. Subsidiaries are entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company uses the acquisition method of accounting to account for business combinations. The fair value of the acquisition of a subsidiary is based on the fair value of the assets acquired, the liabilities assumed and the fair value of the consideration. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent assumed in a business combination are measured initially at their fair values on the acquisition date. The excess, if any, of the consideration over the fair value of the identifiable net assets acquired is recorded as goodwill.

Subsidiaries are fully consolidated from the date on which control is acquired by the Company and they are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared using the same reporting period as the parent using consistent accounting policies. All intercompany balances, revenues and expenses and earnings and losses resulting from intercompany transactions are eliminated on consolidation.

d) Critical accounting estimates and judgements

The preparation of the Company's condensed interim consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from those estimates.

Accounting estimates and judgements applied in these condensed interim consolidated financial statements are consistent with those applied in preparation of the Company's annual consolidated financial statements for the year ended December 31, 2018, except as described in note 4.

e) Presentation and functional currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company. The functional currency of the Company's subsidiary, 3 | Sixty Nevada, is the US dollar. Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the condensed interim consolidated statements of loss and comprehensive loss.

3 | Sixty Risk Solutions Ltd.

Notes to the condensed interim consolidated financial statements

For the three and nine-month periods ended September 30, 2019 and 2018

3 SIGNIFICANT TRANSACTIONS

a) Reverse take-over transaction

On January 4, 2019 Petro Vista Energy Corp. completed a three-cornered amalgamation between Petro Vista and Amalco, whereby Amalco amalgamated with Subco, a wholly owned subsidiary of Petro Vista, under the terms of OBCA and Amalco shareholders received securities of 3|Sixty Risk Solutions Ltd. on the basis of one (1) 3|Sixty Risk Solutions Ltd Share for each one(1) Amalco Share.

The legal acquisition of Petro Vista by 3|Sixty Secure Corp constitutes as a reverse asset acquisition as Petro Vista does not meet the definition of a business and its main attribute is its public listing. The transaction is accounted for in accordance with IFRS 2 "Share based payments". For accounting purposes, 3|Sixty Secure Corp is deemed to have acquired 100% of the outstanding shares of Petro Vista by issuing 2,601,301 shares to Petro Vista, estimated at \$0.85 per share, the value of shares based on the concurrent financing.

Petro Vista Energy Corp Consideration	
2,601,301 shares at a value of \$0.51 per share	1,326,664
Total purchase price	1,326,664
Net assets of Petro Vista Energy Corp.	
Cash	17,619
Amounts receivable	6,923
Prepaid expenses	8,023
Amounts and other payables	(22,050)
Total net assets assumed	10,515
Excess attributed to the cost of listing	1,316,149
Transaction costs related to the RTO	
Finders Fee	300,000
Listing Expense	1,616,149

b) Amalgamation with Total Cannabis Security Solutions Inc.

As described in note (1), 3|Sixty Secure Corp issued 49,165,070 common shares at a fair value of \$0.51 per common share, 3,459,400 warrants and 1,181,537 of options, in exchange for previously outstanding warrants and options of TCSS with a fair value estimate of \$0.493 and \$0.441 for the warrants and \$0.476 for the options using the Black-Scholes model. The assumptions used in the warrant model include a risk-free interest rate of 1.84% an estimated life between 1.19 and 1.42 years, an expected volatility of 48%, expected dividends of \$Nil and a dividend yield of 0%. In connection with this transaction, the Company incurred issuance costs of \$2,322,734. The total consideration of \$27,185,009 was allocated first to the fair value of the net assets acquired, with any excess to goodwill as follows in the preliminary purchase price allocation:

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Notes to the condensed interim consolidated financial statements

For the three and nine-month periods ended September 30, 2019 and 2018

b) Amalgamation with Total Cannabis Security Solutions Inc. (continued)

Total Cannabis Security Solutions - Preliminary Purchase Price allocation

Total purchase price	27,185,009
Net assets of Total Cannabis Security Solutions Inc.	
Cash and cash equivalents	2,343,830
Amounts receivable	846,737
Prepaid expenses	49,732
Work in progress	65,213
Fixed assets	108,796
Amounts and other payables	(643,002)
Total net assets acquired	2,771,306
Preliminary Purchase price to allocate	24,413,703
Customer list	14,320,000
Goodwill	10,093,703

c) Acquisition of the assets of INKAS® Security Services Ltd.

On April 2, 2019, 3|Sixty closed its acquisition of substantially all of the assets and business of INKAS® Security Services Ltd. ("ISSL") for \$13.75 million, payable in cash, shares, vendor take-back note and earn-out. The terms of the Agreement provide for a purchase of substantially all of ISSL's assets for an aggregate purchase price of \$13.75 million (the "Purchase Price"), including a \$1.75 million earn-out payable in common shares of the Company upon the purchased business achieving revenue targets of \$15 million and \$20 million in the first year and second year, respectively, following closing. The share consideration payable to ISSL, representing \$5.5 million of the purchase price, is subject to a holdback pending certain customer consents to the Transaction and will be satisfied, upon receipt of such consents, by issuance of up to 9,166,666 common shares in the capital of the Company. \$2 million of the purchase price was satisfied by the issuance of a vendor take-back note to be repaid on a quarterly basis over a two-year period following closing. The balance of the purchase price, being \$4.5 million, was paid in cash.

Inkas Security Services Ltd. - Preliminary Purchase Price Allocation

	Fair value
Share Consideration	3,987,500
Cash	4,500,000
Promissory Note	1,792,709
Earn-out	568,504
Post closing adjustment	637,285
Total Purchase price	11,485,998
Working capital receivable	637,285
Accounts receivable	5,576
Fixed assets	2,388,233
Tangible and financial assets acquired	3,031,094
Accounts payable and accrued charges	(217,861)
Total debt outstanding	(960,668)
Total net assets acquired	1,852,565
Purchase price to allocate	9,633,433
Customer list	1,450,000
Non compete	201,000
Goodwill	7,982,433

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Notes to the condensed interim consolidated financial statements

For the three and nine-month periods ended September 30, 2019 and 2018

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

Adoption of new accounting standards

Leases

IFRS 16, Leases was issued by the IASB on January 13, 2016, superseding IAS 17, Leases and IFRIC 4, Determining Whether an Arrangement Contains a Lease. The standard applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard removes the distinction between operating and finance leases with assets and liabilities recognized in respect of all leases. The standard became effective for the Company on January 1, 2019.

The Company recognizes a right of use asset and a lease liability at the lease commencement date.

The asset is initially measured at cost, comprised of the initial amount of the lease liability adjusted for any pre-commencement lease payments, plus any indirect costs incurred, less any lease incentive received. The asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The estimated useful lives of leased assets are determined on the same basis as those of property and equipment. The carrying amount of the leased asset is reduced by impairment losses and remeasurement of the lease liability, if any.

The lease liability is initially measured at the present value of future lease payments, discounted using the implicit interest rate in the lease, or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. In the event of a change in the Company's assessment of whether it will exercise a purchase extension or termination option, the lease liability will be remeasured and an adjustment will be made to the carrying value of the right-of-use asset, or recognized in the condensed interim consolidated statement of loss and comprehensive loss if the carrying value of the leased asset is zero. As at January 1, 2019, the Company recognized lease obligations and leased assets under existing operating leases of \$2,600,712, with no impact on total shareholders' equity. Each lease obligation was measured at the present value of the remaining lease payments, discounted using the Company's estimated weighted average incremental borrowing rate of 8%. Leased assets were recognized as right-of-use assets in property and equipment and were measured at the amount equal to the lease obligations.

The Company has elected to apply the practical expedient not to recognize rights-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets.

IFRS 16 was adopted using the modified retrospective approach. As a result of the application of the practical expedient, the Company recognized \$42,309 in lease payments as expense during the nine-month periods ended September 30, 2019 (September 30, 2018 - \$30,322).

5 RESTRICTED CASH

The Company offers services to certain of our customers where we manage some or all of their cash supply chains. In connection with this offering, we take temporary title to certain customers' cash, which is included as restricted cash in our financial statements due to customer agreement or regulation.

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Notes to the condensed interim consolidated financial statements

For the three and nine-month periods ended September 30, 2019 and 2018

6 AMOUNTS RECEIVABLE

	September 30, 2019	December 31, 2018
	\$	\$
Trade receivables	6,177,120	1,850,872
Other receivables	356,625	350,226
Estimated credit losses (note 15)	(155,540)	(39,781)
	6,378,205	2,161,317

For the three and nine-months period ended September 30, 2019, the Company recorded bad debt expense of \$65,993 and \$199,079 respectively (three and nine-month periods ended September 30, 2018 - nil and nil respectively). The movements in estimated credit loss were as follows for the periods below:

	September 30, 2019	December 31, 2018
	\$	\$
Estimated credit losses, beginning of year	-	-
Estimated credit losses incurred	155,540	39,781
Trade receivables written off during the period	-	-
Estimated credit loss	155,540	39,781

7 INTANGIBLE ASSETS

	September 30, 2019	December 31, 2018
	\$	\$
Balance - beginning of period	-	-
Additions (note 3b, note 3c)	15,971,000	-
Amortization	(660,671)	-
Balance - end of period	15,310,329	-

Intangible assets comprise customer lists and non-compete agreements which all have definite lives. Amortization of intangible assets of \$660,671 is included in depreciation and amortization expense for the three and nine-month periods ended September 30, 2019 (three and nine-months period ended September 30, 2018 - nil).

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Notes to the condensed interim consolidated financial statements

For the three and nine-month periods ended September 30, 2019 and 2018

8 PROPERTY AND EQUIPMENT

	Building & leaseholds	Furniture & equipment	Vehicles	Office equipment & information technology	Right of use assets	Total
	\$	\$	\$	\$	\$	\$
Cost - gross carrying amount						
Balance as at January 1, 2019	883,002	75,394	4,310,800	92,238	-	5,361,434
Opening balance of assets acquired	441,050	402,316	1,563,242	91,254	-	2,497,862
Additions	1,119,820	594,247	1,373,044	518,538	2,600,713	6,206,362
Disposals	-	-	(370,204)	-	-	(370,204)
Balance as at September 30, 2019	2,443,872	1,071,957	6,876,882	702,030	2,600,713	13,695,454
Accumulated depreciation						
Balance as at January 1, 2019	53,644	18,423	730,212	22,025	-	824,304
Depreciation	146,083	174,376	1,663,097	141,946	405,376	2,530,878
Disposals	-	-	(224,360)	-	-	(224,360)
Balance as at September 30, 2019	199,727	192,799	2,168,949	163,971	405,376	3,130,822
Net Book Value as at September 30, 2019	2,244,145	879,158	4,707,933	538,059	2,195,337	10,564,632
Cost - gross carrying amount						
Balance as at January 1, 2018	-	34,094	271,068	4,717	-	309,879
Additions	883,002	41,300	4,039,732	87,521	-	5,051,555
Disposals	-	-	-	-	-	-
Balance as at December 31, 2018	883,002	75,394	4,310,800	92,238	-	5,361,434
Accumulated depreciation						
Balance as at January 1, 2018	-	7,474	40,660	3,178	-	51,312
Depreciation	53,644	10,949	689,552	18,847	-	772,992
Disposals	-	-	-	-	-	-
Balance as at December 31, 2018	53,644	18,423	730,212	22,025	-	824,304
Net Book Value as at December 31, 2018	829,358	56,971	3,580,588	70,213	-	4,537,130

During the three and nine-months period ended September 30, 2019, the Company recorded depreciation expense of \$1,318,435 and \$2,530,878 respectively (three and nine-months period ended September 30, 2018 - \$492,768 was recorded).

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Notes to the condensed interim consolidated financial statements

For the three and nine-month periods ended September 30, 2019 and 2018

9 AMOUNTS PAYABLE

Amounts payable consist of:

	September 30, 2019	December 31, 2018
	\$	\$
Trade payables	1,856,240	544,881
Accrued liabilities	1,590,085	536,781
Earn-out payable	568,504	-
Other payables	1,396,459	140,289
	5,411,288	1,221,951

10 LONG-TERM DEBT

- i) On October 4, 2017, the Company entered into a corporate line of credit with PACE Credit Union ("PACE"). The line of credit is due on demand and subject to annual review and accrues interest at a rate of 5%, compounded monthly. On January 10, 2019 the Company paid off its outstanding balance with PACE.
- ii) During the year ended December 31, 2017, the Company entered into two credit facilities with PACE, all of which are under the same terms. The facilities mature in three years and accrue interest at a rate of 4.9%, compounded monthly, with a 10% balloon payment at maturity. All loans mature between the dates of October 4, 2020 and November 3, 2020. The principal and interest on these loan facilities are repaid via a monthly payment of \$4,383 cumulatively. The Company entered into these loans in order to acquire vehicles for business purposes and for working capital requirements. On January 10, 2019 the Company paid off its outstanding balance with PACE.
- iii) During the year ended December 31, 2018, the Company entered into two credit facilities with PACE, all of which are under the same terms. The facilities mature in three years and accrue interest at a rate of 4.9%, compounded monthly, with a 10% balloon payment at maturity. All loans mature between the dates of February 7, 2021 and May 23, 2021. The principal and interest on these loan facilities are repaid via a monthly payment of \$36,404 cumulatively. The Company entered into these loans in order to acquire vehicles for business purposes and for working capital requirements. On January 10, 2019 the Company paid off its outstanding balance with Pace credit union.
- iv) During the year ended December 31, 2018, the Company entered into three promissory note facilities with 2158815 Ontario Inc., all of which are under the same terms. The facilities mature in four years and accrue interest at a rate of 8%, compounded monthly. A lender fee of 1% of the principal was due upon execution of the facility agreement and an additional lender fee equal to 10% of the principal on the last payment date. All loans mature between the dates of June 29, 2022 and November 7, 2022. The principal and interest on these promissory notes are repaid via a monthly payment of \$56,771 cumulatively. The Company entered into these loans in order to acquire vehicles for business purposes.
- v) On March 27, 2019 the Company entered into a real estate financing agreement with the Bank of Montreal to secure a mortgage for its head office location. The facility matures in five years and accrues interest at a rate of 3.86%, compounded annually. The loan will mature on March 27, 2024. The principal and interest is repaid via a monthly payment of \$3,251.
- vi) On April 8, 2019 the Company entered into a promissory note facility with 2158815 Ontario Inc. The facility matures in four years and accrues interest at a rate of 8%, compounded monthly. The loan will mature on April 8, 2023. The principal and interest on the note is repaid via a monthly payment of \$4,883. The Company entered into these loans in order to acquire vehicles for business purposes.
- vii) On June 12 and June 27, 2019, the Company entered into a promissory note facility with 2158815 Ontario Inc. The facility matures in four years and accrues interest at a rate of 8%, compounded monthly. The loan will mature on June 12, 2023 and June 27, 2023. The principal and interest on the note is repaid via a monthly payment of \$9,036 and \$6,006 respectively. The Company entered into these loans in order to acquire vehicles for business purposes.

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Notes to the condensed interim consolidated financial statements

For the three and nine-month periods ended September 30, 2019 and 2018

10 LONG-TERM DEBT (Continued)

	September 30, 2019	December 31, 2018
	\$	\$
Finance lease obligation, at 4.9% interest rate payable monthly	-	689,396
Mortgage facility (note 8(v))	439,103	-
Finance lease obligation	396,758	-
Capital lease obligation (note 13)	1,517,505	-
Vendor take-back note payable (note 3(c))	792,709	-
Promissory note, at 8.0% interest rate payable monthly (note 8(iv)(vi)(vii))	2,360,403	1,747,451
	5,506,478	2,436,847
Current portion of long-term debt	2,680,670	983,447
PACE Line of Credit, at 4.9% interest rate payable monthly	-	149,511
	8,187,148	3,569,805

11 SHARE CAPITAL AND OTHER EQUITY

a) Shares issued and outstanding

The authorized share capital of the Company consists of an unlimited number of common shares. As of September 30, 2019, the Company has 154,377,694 common shares issued and outstanding and as of December 31, 2018, the Company had 91,796,588 common shares issued and outstanding.

	September 30, 2019		December 31, 2018	
	Number of common shares	Amount	Number of common shares	Amount
	#	\$	#	\$
Balance - beginning of year	91,796,688	23,885,380	100	100
Private placement \$0.001 (i)	-	-	20,000,000	121,500
Private placement \$0.03 (ii)	-	-	11,331,998	339,960
Private placement \$0.10 (iii)(iv)(v)	-	-	5,745,258	574,525
Private placement \$0.25 (vi)	-	-	23,864,000	5,765,964
Options exercised \$0.25 (viii)	-	-	600,000	150,000
Warrants exercised at \$0.05 (vii)	-	-	9,665,332	483,266
Private placement \$0.85 held in Escrow (ix)	-	-	20,590,000	16,418,414
RTO Transaction with Petro Vista (x)	2,601,301	1,326,664	-	-
Finders Fee associated with RTO Transaction (xi)	350,000	300,000	-	-
TCSS amalgamation shares issued (xii)	49,165,070	25,074,187	-	-
Additional cost on escrow shares	-	(2,322,735)	-	-
Common shares issued as consideration for (xiii)	9,166,666	3,987,500	-	-
Common shares issued for services rendered (xiv)	1,297,969	376,250	-	-
Stock Based Compensation	-	-	-	31,651
Balance – end of period	154,377,694	52,627,246	91,796,688	23,885,380

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Notes to the condensed interim consolidated financial statements

For the three and nine-month periods ended September 30, 2019 and 2018

11 SHARE CAPITAL AND OTHER EQUITY (Continued)

- b) Transactions:
- i) On March 26, 2018, the Company closed the first round of its non-brokered 'friends and family' financing with the issuance of 20,000,000 common shares of the Company for gross proceeds of \$121,500. Of the total issuance, 16,500,000 common shares were issued to a company controlled by a senior management member of the Company for a price of \$0.001 per common share. An additional 3,500,000 common shares were issued to consultants at a price of \$0.03 per common share.
 - ii) On April 25, 2018, the Company closed the second round of its non-brokered 'friends and family' financing with the issuance of 11,331,998 common share units of the Company for gross proceeds of \$339,960. Each Unit was issued at a price of \$0.03 per unit and consists of one common share of the Company and one transferable common share purchase warrant. Each warrant being exercisable into one common share of the Company at a price of \$0.05 per common share for a period of 36 months. The fair value allocated to the common share purchase warrants was determined to be \$24,350 using the Black-Scholes option pricing model with a market price per common share of \$0.03, a risk-free interest rate of 1.1%, an expected annualized volatility of 33% and expected dividend yield of 0%.
 - iii) On May 24, 2018, the Company issued 470,258 common shares as compensation for services rendered valued at \$47,025. The common shares were issued at a price of \$0.10 per common share.
 - iv) On May 24, 2018, the Company issued 4,775,000 common shares for gross proceeds of \$477,500, as part of a private placement financing. Each common share was issued at a price of \$0.10 per common share.
 - v) On June 28, 2018, the Company issued 860,000 shares with a value of \$140,000 in consideration of the full and final settlement of certain litigation claims against the Company. As per the settlement agreement, 500,000 common shares were issued at a price of \$0.10 per common share and 360,000 common shares were issued at a price of \$0.25 per common share.
 - vi) On July 5, 2018 the Company closed a common share private placement with the issuance of 23,504,000 common shares for gross proceeds of \$5,876,000. Each common share was issued at a price of \$0.25 per common share. The Company incurred issuance costs of \$200,037 in relation to this private placement of common shares.
 - vii) On September 18, 2018, the Company issued 9,665,332 common shares to settle the exercise of common share purchase warrants. Each common share purchase warrant was exercised at a price of \$0.05 per common share resulting in gross proceeds of \$483,267. The fair value allocated to the warrants exercised was \$20,769.
 - viii) On September 18, 2018, the Company issued 600,000 common shares to settle the exercise of compensation stock options. Each compensation stock option was exercised at a price of \$0.25 per common share resulting in gross proceeds of \$150,000. The fair value allocated to the stock options exercised was \$35,232.
 - ix) On October 26, 2018, the Company issued 20,590,000 common shares, to be held in escrow, for gross proceeds of \$17,501,500, as part of a private placement of subscription receipts. Each common share was issued at a price of \$0.85 per common share. The Company incurred issuance costs of \$1,083,086 in relation to this private placement of common shares. The funds were held in Escrow until the amalgamation and RTO transactions which closed subsequent to year end (note 16).
 - x) On January 4, 2019, the Company issued 2,601,301 common shares with a fair value of \$1,326,334, in relation to the RTO transaction with Petro Vista (Note 3). The common shares were issued at a price of \$0.51 per common share.
 - xi) On January 4, 2019, the Company issued 350,000 common shares to a third-party as compensation for commissions valued at \$350,000 in relation to the RTO transaction (Note 3). The common shares were issued at a price of \$0.85 per common share.
 - xii) On January 4, 2019, the Company issued 49,165,070 common shares with a fair value of \$25,074,186 in relation to the acquisition of TCSS (Note 3). The common shares were issued at a price of \$0.51 per common share.
 - xiii) On April 2, 2019, the Company completed the acquisition of the assets of INKAS® Security Services Ltd. ("ISSL") As part of the consideration paid (note 3(c)) 9,166,666 shares were held in escrow until consent was received from certain customers of Inkas. On May 9, and June 18, the consent was provided, and the funds released from escrow. The fair value of the share consideration was \$3,987,000.

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Notes to the condensed interim consolidated financial statements

For the three and nine-month periods ended September 30, 2019 and 2018

11 SHARE CAPITAL AND OTHER EQUITY (Continued)

xiv) On May 31, 2019, the Company issued 741,935 common shares to a third-party as compensation for consulting services rendered. The common shares were issued at a price of \$0.31 per common share. On June 6, 2019 the Company issued 181,034 common shares to a third-party as compensation for consulting services rendered. The common shares were issued at a price of \$0.29 per common share. On June 27, 2019 the Company issued 375,000 to a third-party as compensation for services rendered. The common shares were issued at a price of \$0.25 per common share.

c) Warrants

Warrant transactions as at September 30, 2019 and December 31, 2018 are as follows:

	September 30, 2019			December 31, 2018		
	Number of warrants	Exercise price	Fair Value	Number of warrants	Exercise price	Fair Value
		\$	\$		\$	\$
Outstanding	1,666,666	0.05	3,581	-	-	-
Issued	423,600	0.49	208,721	11,331,998	0.05	24,350
Issued	3,035,800	0.44	1,339,389	-	-	-
Exercised	-	-	-	(9,665,332)	0.05	(20,769)
Outstanding	5,126,066	0.32	1,551,691	1,666,666	0.05	3,581

On April 25, 2018, 11,331,998 warrants with an exercise price of \$0.05 were issued to corporate advisors for capital raising services in lieu of cash compensation. The warrants expire 3 years after the issuance date. The fair value was determined using the Black-Scholes model with the following estimates: stock price - \$0.03, risk-free interest rate - 1.1%, expected life - 3 years, expected volatility - 32.5% and dividend yield - 0%.

On January 4, 2019, 423,600 warrants with an exercise price of \$0.49 and 3,035,800 warrants with an exercise price of \$0.44 were issued to the former warrant holders of Total Cannabis Security Solutions Inc. under the terms of the amalgamation agreement signed with the Company. The warrants expire between March 12, 2020 and June 5, 2020. The fair value was determined using the Black-Scholes model with the following estimates: stock price - \$0.51, risk free rate - 1.84%, expected life - 1.1 - 1.4 years, expected volatility - 48% and dividend yield - 0%

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Notes to the condensed interim consolidated financial statements

For the three and nine-month periods ended September 30, 2019 and 2018

11 SHARE CAPITAL AND OTHER EQUITY (Continued)

d) Stock Option Compensation – Employee Share Option Plan

The Company has adopted a stock option plan (the “Plan”) for its directors, officer, employees and consultants to acquire common shares of the Company. The exercise price of each option is determined by the board of directors of the Company but, is not to be lower than the closing market price on the Canadian Securities Exchange on the trading day immediately preceding the date the option is granted. The terms and conditions of the options are determined by the board of directors of the Company pursuant to the rules of the Plan. All options are granted for a term not exceeding 3 years from the grant date. The total number of options that can be granted is limited to 10% of the issued and outstanding share capital of the Company.

	September 30, 2019		December 31, 2018	
	Number of stock Options	Exercise Price	Number of stock Options	Exercise Price
		\$		\$
Outstanding - beginning of the year	3,875,000	0.23	-	-
Granted	625,000	0.25	3,050,000	0.10
Granted	850,000	0.85	1,425,000	0.25
Granted	1,181,537	0.04	-	-
Granted	150,000	0.60	-	-
Granted	100,000	0.28	-	-
Exercised	-	-	(600,000)	0.25
Outstanding - end of the period	6,781,537	0.29	3,875,000	0.23

- i) On June 5, 2018, the Company issued 3,050,000 compensation stock options to key executives and directors of the Company. The options are exercisable into one common share at an exercise price of \$0.10 per common share and are exercisable for a period of 36 months. Options vest over a 24-month period with a quarter of the outstanding options vesting every 6 months. The fair value was determined using the Black-Scholes model with the following estimates: stock price - \$0.10, risk-free interest rate – 1.1%, expected life – 3 years, expected volatility – 32.5% and dividend yield – 0%.
- ii) On July 5, 2018, the Company issued 1,425,000 compensation stock options to consultants of the Company. The options are exercisable into one common share at an exercise price of \$0.25 per common share and are exercisable for a period of 36 months. Options vest over a 24-month period with a quarter of the outstanding options vesting every 6 months. The fair value was determined using the Black-Scholes model with the following estimates: stock price - \$0.25, risk-free interest rate – 1.1%, expected life – 3 years, expected volatility – 32.5% and dividend yield – 0%.
- iii) On September 18, 2018, 600,000 compensation stock options were exercised resulting in the issuance of 600,000 common shares at a price of \$0.25 per common share. As the options were not fully vested at the time of exercise, these options were approved for accelerated vesting in order to facilitate the exercise.
- iv) On January 2, 2019, the Company issued 125,000 compensation stock options to a key executive of the Company. The options are exercisable into one common share at an exercise price of \$0.25 per common share and are exercisable for a period of 36 months. Options vest over a 36-month period with a quarter of the outstanding options vesting every 3 months. The fair value was determined using the Black-Scholes model with the following estimates: stock price - \$0.25, risk-free interest rate – 1.1%, expected life – 3 years, expected volatility – 32.5% and dividend yield – 0%.
- v) On January 2, 2019, the Company issued 250,000 compensation stock options to a key executive of the Company. The options are exercisable into one common share at an exercise price of \$0.25 per common share and are exercisable for a period of 36 months. Options vest over a 36-month period with a quarter of the outstanding options vesting every 3 months. The fair value was determined using the Black-Scholes model with the following estimates: stock price - \$0.25, risk-free interest rate – 1.1%, expected life – 3 years, expected volatility – 32.5% and dividend yield – 0%.

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Notes to the condensed interim consolidated financial statements

For the three and nine-month periods ended September 30, 2019 and 2018

11 SHARE CAPITAL AND OTHER EQUITY (Continued)

- vi) On January 4, 2019, the Company issued 1,181,537 options with an exercise price of \$0.04 were issued to the former option holders of Total Cannabis Security Solutions Inc. under the terms of the amalgamation agreement signed with the Company. The options expire between May 28, 2021 and July 11, 2021. The fair value was determined using the Black-Scholes model with the following estimates: stock price - \$0.51, risk free rate – 1.84%, expected life – 1.1 – 1.4 years, expected volatility - 48% and dividend yield – 0%
- vii) On January 5, 2019, the Company issued 850,000 compensation stock options to key executives of the Company. The options are exercisable into one common share at an exercise price of \$0.85 per common share and are exercisable for a period of 36 months. Options vest over a 36-month period with a quarter of the outstanding options vesting every 3 months. The fair value was determined using the Black-Scholes model with the following estimates: stock price - \$0.85, risk-free interest rate – 1.1%, expected life – 3 years, expected volatility – 32.5% and dividend yield – 0%.
- viii) On February 4, 2019, the Company issued 250,000 compensation stock options to a key executive of the Company. The options are exercisable into one common share at an exercise price of \$0.25 per common share and are exercisable for a period of 36 months. Options vest over a 36-month period with a quarter of the outstanding options vesting every 3 months. The fair value was determined using the Black-Scholes model with the following estimates: stock price - \$0.25, risk-free interest rate – 1.1%, expected life – 3 years, expected volatility – 32.5% and dividend yield – 0%.
- ix) On March 13, 2019, the Company issued 100,000 compensation stock options to a third-party consultant for services to be performed. The options are exercisable into one common share at an exercise price of \$0.60 per common share and are exercisable for a period of 36 months. Options vest over a 36-month period with a quarter of the outstanding options vesting every 3 months. The fair value was determined using the Black-Scholes model with the following estimates: stock price - \$0.60, risk-free interest rate – 1.1%, expected life – 3 years, expected volatility – 32.5% and dividend yield – 0%.
- x) On June 12, 2019, the Company issued 100,000 compensation stock options to a third-party consultant for services to be performed. The options are exercisable into one common share at an exercise price of \$0.28 per common share and are exercisable for a period of 36 months. Options vest over a 36-month period with a quarter of the outstanding options vesting every 3 months. The fair value was determined using the Black-Scholes model with the following estimates: stock price - \$0.28, risk-free interest rate – 1.1%, expected life – 3 years, expected volatility – 32.5% and dividend yield – 0%.
- xi) On July 2, 2019, the Company issued 50,000 compensation stock options to a key executive of the Company. The options are exercisable into one common share at an exercise price of \$0.60 per common share and are exercisable for a period of 36 months. Options vest over a 36-month period with a quarter of the outstanding options vesting every 3 months. The fair value was determined using the Black-Scholes model with the following estimates: stock price - \$0.60, risk-free interest rate – 1.1%, expected life – 3 years, expected volatility – 32.5% and dividend yield – 0%.

The Company had stock-based compensation of \$78,611 for the three months period ended and recorded a \$250,972 stock-based compensation for the nine-month period ended September 30, 2019 (three and nine-month periods ended September 30, 2018 - \$nil).

12 LOSS PER SHARE

Basic loss per share is computed by dividing the net loss for the period attributable to common shareholders by the weighted-average number of shares outstanding during the period. Diluted loss per share is computed by dividing the net loss for the period by the weighted-average number of shares outstanding during the period and, when dilutive, adjusting for the effect of all potentially dilutive shares,

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Notes to the condensed interim consolidated financial statements

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including warrants and stock options, on an as-if-converted basis. The following table sets the computation for basic and diluted net loss per share for the following period:

	Three-month ended		Nine-month ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$	\$	\$	\$
Numerator				
Net loss and comprehensive loss for the year from continuing operations	(2,479,037)	(1,189,649)	(10,893,096)	(2,132,091)
Denominator				
Weighted-average number of shares outstanding, basic and diluted	154,377,694	71,206,688	129,748,454	52,671,328
Basic and diluted loss per share from continuing operations	(0.02)	(0.02)	(0.08)	(0.04)

For the three and nine-month periods ended September 30, 2019 and 2018, there were no differences in the weighted-average number of shares used for basic and diluted net loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive.

13 COMMITMENTS

a) Lease commitments

The Company's lease payments for land and facilities are payable as follows:

	September 30, 2019	September 30, 2018
	\$	\$
Maturity analysis - contractual undiscounted cash flows		
Less than one year	804,200	93,460
Between 1 and 5 years	1,640,157	1,150,544
More than 5 years	-	-
Total undiscounted lease liabilities	2,444,357	1,244,004
Lease liabilities in the statement of financial position	2,161,966	-
current lease liabilities	644,461	-
non-current lease liabilities	1,517,505	-

14 RELATED PARTY TRANSACTIONS

Due from Shareholder

For the year ended December 31, 2018, the Company provided an interest-free non-maturing loan to a member of key management and shareholder of the Company in the amount of \$51,428 for general business purposes. The balance was paid in full during the six-month period ended June 30, 2019.

Key management remuneration

The Company's related parties include key management. Key management includes: Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, President of Consulting Services and Chief of Security and Intelligence Officer. The remuneration of the Company recognized in the condensed interim consolidated statement of loss and comprehensive loss for the nine-month periods ended September 30, 2019 and 2018 were as follows:

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Notes to the condensed interim consolidated financial statements

For the three and nine-month periods ended September 30, 2019 and 2018

14 RELATED PARTY TRANSACTIONS (continued)

	Nine months ended	
	September 30, 2019	September 30, 2018
	\$	\$
Wages and benefits	1,029,777	217,500
Share-based compensation	250,972	-
Consulting fees	122,888	-
	1,403,637	217,500

15 FINANCIAL ASSETS AND LIABILITIES

Financial instruments recorded at fair value on the condensed interim consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted price 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).

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The fair value and the carrying value of all financial instruments as at September 30, 2019 and December 31, 2018 were equal.

16 RISK MANAGEMENT POLICIES AND OBJECTIVES

The Company's activities expose it to a variety of financial risks. Risk management is carried out by management under policies approved by the Company's Board of Directors. Management identifies and evaluates financial risks and the Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

a) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to amounts receivables and cash held in the Company's bank accounts. The carrying value of these assets represents the maximum credit exposure. The Company mitigates this risk by monitoring the credit worthiness of its customers and only dealing with creditworthy counterparties.

The Company believes that the trade receivables balance is fully collectable. As of September 30, 2019, \$6,177,120 in trade receivables remained outstanding (December 31, 2018 - \$1,850,872). The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The loss allowance is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate. The provision matrix below shows the expected credit loss rate at each aging category of trade receivables.

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Notes to the condensed interim consolidated financial statements

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16 RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

	Current	1-30	31-60	60-90	> 90	Total
Trade receivables outstanding at September 30, 2019	\$ 4,552,596	\$ 432,377	\$ 684,820	\$ 270,818	\$ 236,509	\$ 6,177,120
Expected loss rate	1.0%	2.0%	5.0%	10.0%	15.0%	0.0%
Loss allowance provision	\$ 45,526	\$ 8,648	\$ 34,241	\$ 27,082	\$ 35,476	\$ 150,973

At September 30, 2019, the Company has recorded an estimate credit loss of \$155,540 (December 31, 2018 - \$39,781).

b) Commodity price risk

Commodity price risk is the risk that local or global prices of a particular commodity will be such that the Company may not be able to recover its cost of production through sales of that production.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The following are the contract maturities of the financial liabilities as at September 30, 2019:

	Contractual Cash Flows	Less than 1 year	1-3 years	4-5 years	After 5 years
Amounts payable	\$ 5,411,288	\$ 5,411,288	-	-	-
Customer deposits	1,782,990	1,782,990	-	-	-
Long-term debt	8,187,340	2,680,670	5,506,670	-	-
	13,598,628	8,091,958	5,506,670	-	-

d) Concentration risk

The Company currently has heavy reliance on a small number of large customers for revenue. The Company continues to expand its customer base to reduce this reliance. The sales team has been expanded and new customers have been obtained in different provinces in Canada. Management will continue to monitor and reduce this reliance.

For the nine-month period ended September 30, 2019, the Company had eleven (2018 – six) customers representing over 59% (2018 – 80%) of total revenue.

17 CAPITAL MANAGEMENT

The Company defines capital as the sum of equity and borrowings less cash. The Company manages its capital to ensure sufficient operating funds are available to fund its business strategies and to fund capital expenditures. The Company manages its capital structure and adjusts it considering economic conditions. To maintain or modify the capital structure, the Company may arrange debt with new lenders or obtain additional financing.