SustainCo Inc.

Consolidated Financial Statements

For the years ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of SustainCo Inc.:

Opinion

We have audited the consolidated financial statements of SustainCo Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2020 and August 31, 2019, and the consolidated statements of (loss) income and comprehensive (loss) income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2020 and August 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss from continuing operations of $1,215,200 during the year ended August 31, 2020 and, as of that date, had an accumulated deficit of $22,187,008. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Kevin Spidle.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

November 26, 2020 — Licensed Public Accountants

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at August 31, 2020	As at August 31, 2019
	$	$
Assets		
Current assets		
Cash	**804,794**	276,603
Accounts receivables (Note 14)	**1,932,292**	3,876,199
Unbilled receivables (Note 22)	**281,571**	464,943
Inventories (Note 4)	**197,993**	245,455
Prepaid expenses	**99,122**	97,873
Total current assets	**3,315,772**	4,961,073
Property and equipment (Note 5)	**605,919**	89,386
Intangible assets (Note 6)	**-**	135,000
Goodwill (Note 7)	**-**	599,802
Total assets	**3,921,691**	5,785,261
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**1,142,154**	2,111,540
Deferred revenue (Note 22)	**164,077**	863,696
Promissory notes payable (Note 8)	**-**	545,000
Finance lease obligations (Note 9)	**219,506**	-
Total current liabilities	**1,525,737**	3,520,236
Finance lease obligations (Note 9)	**336,884**	-
Convertible debentures (Note 10)	**784,051**	-
Deferred income taxes (Note 23)	**-**	35,775
Total liabilities	**2,646,672**	3,556,011
Shareholders' equity		
Share capital (Note 11)	**21,011,132**	21,011,132
Equity component of convertible debentures (Note 10)	**16,105**	-
Share-based payments reserve (Note 12)	**1,777,174**	1,754,156
Warrants reserve (Note 13)	**657,616**	475,000
Accumulated deficit	**(22,187,008)**	(21,011,038)
Total shareholders' equity	**1,275,019**	2,229,250
Total liabilities and shareholders' equity	**3,921,691**	5,785,261

Nature of operations and going concern (Note 1)
Contingent liabilities and commitments (Note 20)
Subsequent events (Note 24)

Approved on behalf of the Board of Directors:

"Christopher Hazelton" (signed)
Director

"Al Quong" (signed)
Director

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

Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
(Expressed in Canadian Dollars)

	For the years ended August 31,	
	2020	2019
	$	$
Sales (Note 16)	**9,939,576**	12,732,867
Cost of sales (Note 4)	**7,860,138**	10,351,914
Gross profit	**2,079,438**	2,380,953
Expenses		
General and administrative (Note 17)	**2,893,940**	3,011,783
Impairment loss (Notes 6 and 7)	**734,802**	-
Depreciation (Notes 5 and 6)	**266,944**	49,237
Finance expense (Notes 9 and 10)	**105,536**	68,265
Inventory provision (Note 4)	**27,076**	58,989
Share-based payments (Note 12)	**23,018**	-
Gain on disposal of equipment (Note 5)	**(24,140)**	(6,425)
Gain on settlement of debt	**-**	(50,000)
Government assistance (Note 18)	**(647,622)**	-
Total Expenses	**3,379,554**	3,131,849
Loss from operations before income taxes and discontinued operations	**(1,300,116)**	(750,896)
Current tax recovery (expense) (Note 23)	**49,141**	(9,326)
Deferred tax recovery (Note 23)	**35,775**	4,678
Net (loss) from continuing operations	**(1,215,200)**	(755,544)
Income from discontinued operations (Note 19)	**39,230**	760,458
Net (loss) income and comprehensive (loss) income	**(1,175,970)**	4,914
Net (loss) income per share		
Basic and diluted - continuing operations	**(0.08)**	(0.05)
Basic and diluted - discontinued operations	**0.00**	0.05
Weighted average shares outstanding – Basic and diluted	**15,776,223**	15,776,223

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

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the years ended August 31,	
	2020	2019
	$	$
Operating activities		
Net loss for the year from continuing operations	**(1,215,200)**	(755,544)
Adjustments for non-cash items:		
Interest and accretion (Notes 9 and 10)	**88,588**	58,270
Impairment loss (Notes 6 and 7)	**734,802**	-
Depreciation (Notes 5 and 6)	**266,944**	49,237
Inventory provision (Note 4)	**27,076**	58,989
Share-based payments (Note 12)	**23,018**	-
Gain on disposal of equipment (Note 5)	**(24,140)**	(6,425)
Gain on settlement of debt	**-**	(50,000)
Deferred income taxes (Note 23)	**(35,775)**	(4,678)
	(134,687)	(650,151)
Changes in non-cash working capital:		
Accounts receivables	**1,935,633**	(232,012)
Unbilled receivables (Note 22)	**183,372**	37,853
Inventories	**20,386**	(7,418)
Prepaid expenses	**(1,249)**	(18,373)
Deferred revenue (Note 22)	**(699,619)**	(13,776)
Accounts payable and accrued liabilities	**(962,932)**	582,822
Income tax payable	**-**	(19,173)
Net cash provided by (used in) operating activities - continuing operations	**340,904**	(320,228)
Net cash provided by (used in) operating activities - discontinued operations	**(8,797)**	982,179
Net cash provided by operating activities	**332,107**	661,951
Financing activities		
Proceeds from private placement of convertible debentures (Note 10)	**1,059,942**	-
Finders' fees paid on private placement (Note 10)	**(100,559)**	-
Repayment of promissory notes payable (Note 8)	**(545,000)**	(131,600)
Bank overdraft repayment	**-**	(352,909)
Payment of finance lease obligations (Note 9)	**(271,207)**	-
Net cash provided by (used in) financing activities	**143,176**	(484,509)
Investing activities		
Additions of property and equipment (Note 5)	**(27,654)**	(20,231)
Proceeds from sale of property and equipment (Note 5)	**30,674**	8,210
Net cash provided by investing activities from continuing operations	**3,020**	(12,021)
Net cash provided by investing activities from discontinued operations	**-**	17,634
Proceeds from sale of CED (Note 19)	**50,000**	-
Cash disposed on sale of CED (Note 19)	**(112)**	-
Net cash provided by investing activities	**52,908**	5,613
Increase in cash	**528,191**	183,055
Cash, beginning of year	**276,603**	93,548
Cash, end of year	**804,794**	276,603

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

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital	Equity Component of Convertible Debentures	Share-Based Payment Reserve	Warrants Reserve	Deficit	Total
	$	$	$	$	$	$
Balance, August 31, 2018	**21,011,132**	**-**	**1,754,156**	**475,000**	**(21,015,952)**	**2,224,336**
Net income for the year	-	-	-	-	4,914	4,914
Balance, August 31, 2019	**21,011,132**	**-**	**1,754,156**	**475,000**	**(21,011,038)**	**2,229,250**
Warrants issued on private placement of debentures (Note 10)	-	-	-	186,374	-	186,374
Equity component of convertible debentures (Note 10)	-	16,105	-	-	-	16,105
Warrants issuance costs (Note 10)	-	-	-	(3,758)	-	(3,758)
Share-based payments (Note 12)	-	-	23,018	-	-	23,018
Net loss for the year	-	-	-	-	(1,175,970)	(1,175,970)
Balance, August 31, 2020	**21,011,132**	**16,105**	**1,777,174**	**657,616**	**(22,187,008)**	**1,275,019**

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

1. Nature of Operations and Going Concern

SustainCo Inc. (the "Company" or "SustainCo"), was incorporated under the *Canada Business Corporation Act* on August 22, 2008. The address of the Company's corporate office is 1 Royal Gate Blvd., Suite D, Vaughan, Ontario, Canada. The Company is listed on the TSX Venture Exchange under the trading symbol "SMS".

SustainCo conducts its operations through its wholly-owned subsidiary VCI CONTROLS Inc. ("VCI"). VCI is a supplier of building technologies and services that improve comfort, safety, energy efficiency, and occupant productivity. VCI is a developer of intelligent building technology, including the integration of all building systems utilizing the latest in communications technologies and standards. VCI's business focuses on digital controls and mechanical services, performance monitoring, and energy efficiency solutions.

These consolidated financial statements are prepared on the assumption that the Company is a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. During the year ended August 31, 2020, the Company reported a net loss from continuing operations of $1,215,200 (2019 – net loss from continuing operations of $755,544). As at August 31, 2020, the Company had a working capital of $1,790,035 (August 31, 2019 – $1,440,837) and an accumulated deficit of $22,187,008 (August 31, 2019 – $21,011,038). The Company's ability to continue as a going concern is dependent upon the Company's ability to increase revenues and to decrease costs and to obtain additional financing to support operations for the foreseeable future. It is not possible to predict whether financing efforts will be successful in the future. Failure to obtain such financing could result in delay or indefinite postponement of the Company's strategic goals, and the potential impact of the COVID-19 pandemic represent material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, and do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses, and classifications of statements of financial position that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Basis of Presentation

Statement of Compliance

The Company's 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 IFRS Interpretations Committee ("IFRIC"). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These consolidated financial statements were authorized for issuance by the Board of Directors (the "Board") of the Company on November 25, 2020.

Basis of Measurement and Functional Currency

These consolidated financial statements are prepared on the historical cost basis except as noted for certain financial instruments carried at fair value (as disclosed in Note 3). The consolidated financial statements are presented in Canadian dollars, the functional currency of the Company and its wholly-owned subsidiary, unless otherwise noted. The functional currency is the currency of the primary economic environment in which the Company operates.

3. Summary of Significant Accounting Policies

Principles of Consolidation

The Company consolidates its interest in entities which it controls. Control comprises the power to govern an entity's financial and operating policies and obtain benefits from its activities. Subsidiaries are fully consolidated from the date control is transferred to the Company and are-deconsolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its wholly-owned subsidiary after eliminating inter-entity balances and transactions.

Revenue Recognition

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of control of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, revenue is recognized as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

The Company derives revenue from construction contracts which require performance over a time span which may extend beyond one or more accounting periods. The Company recognizes revenue on construction contracts using the percentage-of-completion method. Contract revenue is based on the initial amount agreed in the contract plus any variations in contract if they can be estimated reliably. The percentage-of-completion of a contract is determined by reference to actual costs of work performed and estimates of remaining work to be completed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in the consolidated statements of (loss) income and comprehensive (loss) income.

On an ongoing basis, the estimated total costs for construction contracts are revised based on the information available at the end of the reporting period. Changes in estimated total costs are reflected in the percentage-of-completion calculation of applicable projects in the same period as the change in estimate occurs. Unbilled revenue represents revenue earned in excess of amounts billed on uncompleted contracts. Deferred revenue represents the excess of amounts billed to customers over revenue earned on uncompleted contracts.

Change orders and claims, referred to as contract modifications, are accounted for under IFRS 15, based, among other factors, on the fact that the contract modification is approved and it is highly probable that a significant reversal in the amount of cumulative revenue recognized on such contract modifications will not occur when the uncertainty is subsequently resolved.

Service revenue is recognized when services have been performed and collection of the receivable is reasonably assured.

Product revenue and repairs revenue are recognized when control is transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits will be received, and the costs incurred or to be incurred can be measured reliably.

3. Summary of Significant Accounting Policies (continued)

Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

On initial recognition, the Company determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss ("FVTPL")
3. Measured at fair value through other comprehensive income ("FVTOCI")

The classification under IFRS 9, *Financial Instruments* ("IFRS 9") is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met: (i) held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's classification of financial assets and financial liabilities under IFRS 9 are summarized below:

Cash	Amortized cost
Accounts receivables, excluding HST	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Promissory notes payable	Amortized cost
Convertible debentures	Amortized cost

Measurement

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition. Transaction costs related to FVTPL assets and liabilities are expensed as incurred.

3. Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Measurement (continued)

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses ("ECL"). The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

FVTPL – Changes in fair value after initial recognition, whether realized or not, are recognized through profit or loss. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of loss (income) and comprehensive (loss) income when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

FVTOCI – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of (loss) income and comprehensive (loss) income when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an ECL model. The ECL model requires the Company to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition.

The Company has applied the simplified approach to recognize lifetime ECL for its accounts receivable. In general, the Company anticipates that the application of the ECL model of IFRS 9 results in earlier recognition of credit losses for the respective items.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

Derecognition

Financial assets – The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred. Gains and losses from the derecognition are recognized in the consolidated statements of (loss) income and comprehensive (loss) income.

3. Summary of Significant Accounting Policies (continued)

Inventories

Inventories are valued at the lower of cost and net realizable value.

The costs incurred to bring each product to its present location and condition are accounted for as follows:

- Raw materials, equipment, and spare parts – purchased cost on a first in, first out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Income Taxes

Income tax comprises of current and deferred tax. Income tax expense is recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or in other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Management considers the Corporate office and the Controls and Mechanical Contracting Division to be its operating segments, as both segments continue to engage in business activities. Their operating results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated and assess their performance, for which discrete financial information available to facilitate the review.

Discontinued Operations

A discontinued operation is a component of the Company that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statements of (loss) income and comprehensive (loss) income.

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Provisions and Warranties

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of the economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance expense in the consolidated statements of (loss) income and comprehensive (loss) income.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment. Likewise, when a major inspection is performed, its cost is recognized in the carrying value of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of (loss) income and comprehensive (loss) income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a declining balance basis over the expected useful life of the asset at the following rates:

Office furniture and equipment	– 10 to 20%
Computer equipment	– 30 to 40%
Job equipment	– 20 to 30%
Vehicles	– 20 to 30%
Leasehold improvements	– straight-line over the expected lease term

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of (loss) income and comprehensive (loss) income in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed on an annual basis, and adjusted prospectively if appropriate.

Leased Assets

Effective September 1, 2019, the Company adopted IFRS 16, *Leases* ("IFRS 16") using the modified retrospective approach where prior periods are not restated. The new standard supersedes the requirements in IAS 17 – *Leases* ("IAS 17"), IFRIC 4 – *Determining whether an Arrangement contains a Lease*, and SIC 15 – *Operating Leases – Incentives*. IFRS 16 provides a new framework for lessee accounting that requires most right-of-use ("ROU") assets obtained through operating leases to be capitalized and a related liability to be recorded.

The Company primarily leases office facilities and equipment and vehicles. The Company assesses service arrangements to determine if an asset is explicitly or implicitly specified in the agreement and if the Company has the right to control the use of the identified asset.

3. Summary of Significant Accounting Policies (continued)

Leased Assets (continued)

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

The assets are depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. The Company elected to recognize expenses for leases with a term of 12 months or less on a straight-line basis over the lease term and lease of assets of low value, and not to recognize these short-term leases on the consolidated statements of financial position.

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

When the lease liability is remeasured, the amount of the remeasurement is recognized as a corresponding adjustment to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

Intangible Assets

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization expense on the intangible assets with finite lives is recognized in the consolidated statements of (loss) income and comprehensive (loss) income.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of (loss) income and comprehensive (loss) income when the asset is derecognized.

Intangible assets consist of customer relationships, exclusivity contracts, and brand names. Customer relationships are amortized over five years, and exclusivity contracts over the expected life of the contract. The brand name is an indefinite life intangible that is not amortized, which is tested for impairment annually.

Goodwill

Goodwill arises from business combinations and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. Goodwill is not amortized and is tested for impairment annually.

3. Summary of Significant Accounting Policies (continued)

Impairment of Non-Financial Assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset or cash-generating unit ("CGU") may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any indication exists, or when annual impairment testing for an asset or CGU is required, the Company estimates the recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use ("VIU"). Where the carrying value of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered to be impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU, using an appropriate valuation model. These calculations are corroborated by calculation multiples or other available fair value indicators.

Impairment losses are recognized in the consolidated statements of (loss) income and comprehensive (loss) income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses no longer exist or may be decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of (loss) income and comprehensive (loss) income.

Goodwill and indefinite life intangibles are tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill and indefinite life intangibles by assessing the recoverable amount of each CGU to which goodwill relates. Where the recoverable amount of the CGU, including goodwill and indefinite life intangibles, is less than its carrying value, an impairment loss is recognized. Impairment losses related to goodwill cannot be reversed in future periods (refer to Note 7 for additional details on Goodwill).

Compound Financial Instruments

Compound financial instruments issued by the Company comprise of convertible debentures that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at a fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized using the residual value method, at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component and is included within equity.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method.

The equity component of a compound financial instrument is not remeasured. Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

3. Summary of Significant Accounting Policies (continued)

Share-Based Payments Transactions

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of options is determined using the Black–Scholes options pricing model ("Black–Scholes"). The fair value of equity-settled share-based transactions are recognized as an expense with a corresponding increase in share-based payments reserve.

The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Amounts recorded for forfeited or expired unexercised options are transferred to retained earnings (accumulated deficit) in the period of forfeiture or expiry. Expired warrants are also transferred to retained earnings (accumulated deficit).

Net Income (Loss) per Share

Basic (loss) income per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the year. The Company applies the treasury stock method in the calculation of diluted (loss) income per share. Diluted (loss) income per share excludes all dilutive potential common shares if their effect is anti-dilutive.

For the years ended August 31, 2020 and 2019, no potential convertible securities are included in the computation as they are anti-dilutive.

Government Assistance

The benefits of tax incentives for government subsidy assistance are recognized in the year the qualifying claim is made providing there is reasonable assurance of recoverability. The grants and assistance are recorded based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities.

Government grants and assistance are recognized where there is a reasonable assurance that the grants and assistance will be received, and conditions will be complied with. Government grants and assistance are recognized in other income over the periods in which the Company recognizes expenses which the grants and assistance are intended to compensate.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. Summary of Significant Accounting Policies (continued)

Accounting Assumptions, Estimates and Judgments (continued)

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

Going concern

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources and future obligations. The global pandemic outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, store closures, self-imposed quarantine periods and social distancing, may cause material disruption to businesses globally resulting in an economic slowdown. COVID-19 has cast uncertainty on the assumptions used by management in making its judgments and estimates. The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Company is uncertain and difficult to predict at this time. Accordingly, there is a higher level of uncertainty with respect to management's judgments and estimates.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

Assessment of impairments

The Company's impairment tests for non-financial assets are based on the greater of VIU calculations that use a discounted cash flow ("DCF") model and estimated fair value less cost to sell. The VIU calculations employ the following key assumptions: future cash flows, growth projections including economic risk assumptions and estimates of achieving key operating metrics. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the asset or CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The estimated fair value less cost to sell is based on assessment of comparable company multiples and precedent transactions.

Allowances for expected credit losses

An ECL impairment model applies which requires a loss allowance to be recognized based on ECL. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statements of (loss) income and comprehensive (loss) income for the period.

3. Summary of Significant Accounting Policies (continued)

Accounting Assumptions, Estimates and Judgments (continued)

Allowance for expected credit losses (continued)

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through the consolidated statements of (loss) income and comprehensive (loss) income to the extent that the carrying amount of the financial instrument at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Stock-based compensation

The Company uses Black-Scholes to determine the amount of stock-based compensation. Such models require assumptions related to share price volatility, expected life of options and discount rate. Changes in these assumptions affects the fair value of the options and the amount of stock-based compensation to be recognized in profit or loss over the vesting period.

Deferred income taxes

Management uses estimates when determining deferred income assets and liabilities. Provisions for taxes are made by management using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future an additional liability could result from audits by taxation 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.

Estimated useful lives of intangible assets

Management estimates the useful lives of intangible assets based on the period during which the assets are expected to be available for use and also estimates their recoverability to assess if there has been an impairment. The amounts and timing of recorded expenses for amortization and impairments of intangible assets for any period are affected by these estimates. The estimates are reviewed at least annually and are updated if expectations change as a result of commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's intangible assets in the future.

Percentage of completion

The Company measures the percentage-of-completion using the cost input method in accounting for its contract revenues which requires the Company to determine the contract work performed to date as a proportion of the estimated total contract work to be performed and it is management's judgment that use of the costs to date in proportion to the total estimated costs provides the most appropriate measure of percentage of completion.

Litigation risk and claims risk

Disputes are common in the industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial, including the legal proceedings discussed in Note 20. The Company must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required. Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties.

3. Summary of Significant Accounting Policies (continued)

Accounting Assumptions, Estimates and Judgments (continued)

Litigation risk and claims risk (continued)

Management regularly analyzes current information about these matters, and external legal counsel are often used for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

Adoption of New Accounting Standards

The Company adopted the following new standards, effective September 1, 2019. These changes were made in accordance with the applicable transitional provisions:

IFRS 16, Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of September 1, 2019. Under this method, the standard is retrospectively applied with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company elected to use the following practical expedients:

(i) the transition application practical expedient allowing the standard to only be applied to contracts that were previously identified as leases applying IAS 17;
(ii) the transition application practical expedient to elect to not apply IFRS 16 to leases that expired within 12 months following the adoption date of September 1, 2019;
(iii) the recognition exemption to not apply IFRS 16 to lease contracts for which the underlying asset is of low value, and
(iv) the recognition exemption to not apply IFRS 16 to lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option.

Before the adoption of IFRS 16, the Company classified each of its leases at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized, and the lease payments were recognized as rent expense in the consolidated statements of (loss) income and comprehensive (loss) income on a straight-line basis over the lease term.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Company recognized lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

The Company recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Standards (continued)

IFRS 16, Leases ("IFRS 16") (continued)

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. ROU assets are subject to impairment.

Lease obligations – At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The adoption of IFRS 16 had the following impacts as at September 1, 2019:

	September 1, 2019	August 31, 2019
	$	$
Assets		
Property and equipment, net	**777,265**	89,386
Liabilities		
Current portion of finance lease obligations	**200,230**	-
Long-term portion of finance lease obligations	**487,649**	-
	687,879	-

Upon adoption of IFRS 16 on September 1, 2019, the Company recorded lease obligations and corresponding ROU assets for $687,879 (see Notes 5 and 9).

Recent Accounting Pronouncements

At the date of authorization of these consolidated financial statements, the IASB and the IFRIC have issued the following amendments which are effective for annual periods beginning on or after September 1, 2020:

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The Company had assessed that the adoption of these amendments will not have a material impact on the consolidated financial statements.

Reclassifications

Certain prior year balances have been reclassified to conform with the current year's presentation.

(Expressed in Canadian Dollars)

4. Inventories

The Company maintains inventories, which consist of raw materials, equipment, and spare parts for sale or for use.

During the year ended August 31, 2020, the total inventories charged to cost of sales was $1,774,683 (2019 – $2,705,396). During the year ended August 31, 2019, inventories of $234,539 charged to cost of the sales were related to the Company's wholly-owned subsidiary, Clean Energy Developments Corp. ("CleanEnergy"), had been reclassified and included in income from discontinued operations on disposal of CleanEnergy.

Inventories are stated at the lower of cost or market. The Company periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions. During the year ended August 31, 2020, the Company recorded a write-down of $27,076 (2019 – $58,989) on its inventories. Included in inventories is an allowance for obsolescence of $53,134 as at August 31, 2020 (August 31, 2019 – $53,284).

5. Property and Equipment

	Computer equipment	Equipment	Vehicles	Furniture & fixtures	Building & Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
Balance, August 31, 2018	186,401	120,672	15,011	233,079	9,341	564,504
Additions for the year	6,131	5,203	5,248	1,730	1,919	20,231
Disposals for the year	(20,547)	-	-	-	-	(20,547)
Balance, August 31, 2019	**171,985**	**125,875**	**20,259**	**234,809**	**11,260**	**564,188**
Change in accounting policy IFRS 16	-	-	190,868	-	497,011	687,879
Adjusted balance, September 1, 2019	**171,985**	**125,875**	**211,127**	**234,809**	**508,271**	**1,252,067**
Additions for the year	11,489	13,295	1,107	1,763	-	27,654
Additions for ROU assets	-	-	74,519	-	-	74,519
Disposals	-	(6,030)	(9,967)	-	-	(15,997)
Balance, August 31, 2020	**183,474**	**133,140**	**276,786**	**236,572**	**508,271**	**1,338,242**
Accumulated depreciation						
Balance, August 31, 2018	150,777	84,086	10,362	209,020	8,446	462,691
Depreciation for the year	12,577	13,214	2,534	1,565	983	30,873
Disposals for the year	(18,762)	-	-	-	-	(18,762)
Balance, August 31, 2019	**144,592**	**97,300**	**12,896**	**210,585**	**9,429**	**474,802**
Depreciation for the year	10,145	15,044	1,879	2,242	523	29,834
Depreciation of ROU assets	-	-	93,656	-	143,454	237,110
Disposals for the year	-	(3,584)	(5,838)	-	-	(9,423)
Balance, August 31, 2020	**154,737**	**108,760**	**102,593**	**212,827**	**153,406**	**732,324**
Net book value						
Balance, August 31, 2019	27,393	28,575	7,363	24,224	1,831	89,386
Balance, August 31, 2020	**28,737**	**24,380**	**174,193**	**23,745**	**354,864**	**605,919**

During the year ended August 31, 2020, the Company disposed of certain equipment and vehicles for total proceeds of $30,674 (2019 – $25,844), resulting in a gain of $24,140 (2019 – gain of $6,425).

(Expressed in Canadian Dollars)

6. Intangible Assets

	Customer Relationships	Brand or Trade Name	Total
	$	$	$
Cost at:			
As at August 31, 2018 and 2019	395,000	203,000	**598,000**
Disposal of CED (Note 19)	-	(68,000)	(68,000)
As at August 31, 2020	**395,000**	**135,000**	**530,000**
Accumulated depreciation and impairment at:			
August 31, 2018 and 2019	395,000	68,000	**463,000**
Disposal of CED (Note 19)	-	(68,000)	**(68,000)**
Impairment	-	135,000	**135,000**
As at August 31, 2020	**395,000**	**135,000**	**530,000**
Net book value	-	-	**-**

As of August 31, 2020, the Company performed its annual impairment tests for goodwill and intangible assets, and management determined impairment charges of $135,000 on the intangible assets, as the carrying value of the VCI CGU exceeded its recoverable amount. As a result, an impairment charge of $135,000 on the intangible assets was recognized in the consolidated statements of (loss) income and comprehensive (loss) income.

7. Goodwill

The Company completed the acquisition of VCI in fiscal 2014, resulting in goodwill of $599,802.

As at August 31, 2020, the Company performed its annual impairment tests, which compared the carrying amount of VCI to the recoverable amount. VCI is regarded as its own CGU, being the smallest identifiable group of assets that generates cash inflows, and includes VCI’s brand name, customer relationships, and goodwill.

Using a five-year discounted cash flow model, the Company determined the recoverable amount by calculating its VIU. As of August 31, 2020, management determined that the carrying value of VCI exceeded its recoverable amount and recognized an impairment loss of $734,802 (including the impairment loss of $135,000 on the intangible assets) (2019 – $nil) in the consolidated statements of (loss) income and comprehensive (loss) income.

The DCF model in fiscal 2020 included projections surrounding revenue, cost of sales, expenses, discount rate, growth rates, capital expenditures and working capital. The model used normalized revenues with an average annual revenue growth rates of 2%, gross margin of 25% and post-tax discount rates of 20%. Operating expenses were projected to grow in line with revenue growth.

Management also performed a sensitivity analysis on the key assumptions. An increase of $500,000 to normalized revenue would reduce the impairment expense by $35,000. A decrease in the post-tax discount rate by 1% would reduce the impairment expense by $81,000. An increase in gross margin from 25% to 26% would reduce the impairment expense by $475,000.

(Expressed in Canadian Dollars)

8. Promissory Notes Payable

In August 2016, the Company issued $834,500 of promissory notes payable (the "Notes"). The Notes have a three-year term and are non-interest bearing. The Company determined the fair value of the Notes on initial recognition to be $593,981 based on a discount rate of 12%. In 2018, the Notes were purchased from their respective noteholders by a related party to the Company.

In June and August 2020, the Company made payments of $500,000 and $45,000, respectively, to settle the Notes.

9. Finance Lease Obligations

Upon adoption of IFRS 16 on September 1, 2019, the Company recorded lease obligations for $687,879.

The carrying amounts of the Company's lease obligations and movements during the year ended August 31, 2020 were as follows:

	$
Balance, August 31, 2019	**-**
Balance recognized on adoption of IFRS 16	**687,879**
Balance, September 1, 2019	**687,879**
Additions of leases	**74,519**
Interest on lease obligations	**65,199**
Lease payments	**(271,207)**
Balance, August 31, 2020	**556,390**

	$
Current portion	**219,506**
Long-term portion	**336,884**
	556,390

See Note 14 for a summary of required cash flows on the Company's finance lease obligations.

The Company makes variable lease payments for maintenance on leased properties. During the year ended August 31, 2020, $58,103 was expensed through general and administrative expenses for the variable lease payments.

During the year ended August 31, 2020, included in general and administrative expenses are payments of $34,000 relating to low value and short-term lease agreements, which had been expensed directly to the consolidated statements of (loss) income and comprehensive (loss) income.

10. Convertible Debentures

On July 14, 2020, the Company closed a non-brokered private placement (the "Private Placement") of 2020 Series A secured convertible debentures (each, a "Convertible Debenture"), for proceeds in the principal amount of $1,059,942.

The principal amount of the Convertible Debentures will be repaid, in cash, by the Company on the third anniversary of issuance (the "Maturity Date") and will carry an interest rate of 12% per year compounded monthly and payable at the Maturity Date. The Convertible Debentures are convertible into common shares of the Company at $0.05 per share for the first year the Convertible Debentures are outstanding, and at $0.10 per share thereafter.

(Expressed in Canadian Dollars)

10. Convertible Debentures (continued)

In addition, each $1,000 of principal amount of the Convertible Debentures was issued 10,000 common share purchase warrants (each, a "Warrant"), for an aggregate of 10,599,422 Warrants issued. Each Warrant is exercisable into one common share at an exercise price of $0.10 per common share for a period of three years from the date of issuance (see Note 13 for more details).

The Convertible Debentures are secured by way of a general security agreement made in favour of a collateral agent acting as agent for all of the holders of the Convertible Debentures, granting a security interest in substantially all of the Company's assets. The Company will have the right to prepay any or part of the Convertible Debentures at any time prior to the Maturity Date by paying the principal amount of the Convertible Debentures.

In connection with the Private Placement, the Company paid total cash-based transaction costs of $100,559, including a cash finders' fee of $84,795, and issued 1,695,907 finders' warrants valued at $171,746 (see Note 13) for total transaction costs of $272,305.

The liability portion of the Convertible Debentures was assigned a value based on the present value of the contractually determined stream of future cash flows discounted at 14%. The rate is estimated to be equivalent market interest rate that would apply to a similar liability which does not contain an equity conversion option.

The difference between the principal amount of the Convertible Debentures and the discounted cash flows is allocated to the conversion feature and warrants, both of which are classified within equity, using the residual value method. The issuance costs directly attributable to the offering were allocated to the liability, the equity portion of the Convertible Debentures, and warrants reserves. Accretion of the liability portion and interest payable on the Convertible Debentures are included in finance expense in the consolidated statements of (loss) income and comprehensive (loss) income.

The following table reflects the continuity of the Debentures as at August 31, 2020:

	$
Balance, August 31, 2019	**-**
Face value of the debentures issued	1,059,942
Discount at 14% (attributed to warrant and conversion feature)	(36,301)
Issuance costs allocated to debt component	(262,979)
Accrued interest	16,787
Accretion	6,602
Balance, August 31, 2020	**784,051**

On initial recognition, the conversion feature of the Convertible Debentures was allocated a value of $16,105, net of issuance costs of $5,568, under the residual value method on a pro-rate basis relative to the fair value of the conversion feature and the Warrants.

11. Share Capital

Authorized shares

The Company is authorized to issue an unlimited number of common shares.

Issued shares

As of August 31, 2020, there were 15,776,223 common shares outstanding (August 31, 2019 – 15,776,223) and share capital of $21,011,132 (August 31, 2019 – $21,011,132).

(Expressed in Canadian Dollars)

12. Share-Based Payments Reserve

The Company adopted a stock option plan (the "Option Plan") under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options granted can be exercised for a maximum of five years and vest as determined at the discretion of the Board of the Company. Under the Option Plan, the exercise price of each option may not be less than the discounted fair market value of the common shares on the date of grant.

The following summarizes the stock option activity for the years ended August 31, 2020 and 2019:

	August 31, 2020		August 31, 2019	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**772,500**	**0.32**	772,500	0.32
Granted	**600,000**	**0.20**	-	-
Expired	**(72,500)**	**2.00**	-	-
Outstanding, end of year	**1,300,000**	**0.17**	772,500	0.32
Exercisable, end of year	**880,000**	**0.16**	772,500	0.32

Option grants for the year ended August 31, 2020

On August 26, 2020, the Company granted 600,000 options to certain of its directors, officers and consultants at an exercise price of $0.20, expiring on August 26, 2023. The options vest in the following schedule: 30% immediately, 25% on the 6-month anniversary of grant, and 35% on the 1-year anniversary of grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 161%, expected dividend yield of 0%, risk-free interest rate of 0.30% and an expected life of three years. The grant date fair value attributable to these options was $73,233, of which $23,018 was recorded as share-based payments in connection with the vesting of these options during the year ended August 31, 2020.

Option grants for the year ended August 31, 2019

No options were granted during the year ended August 31, 2019.

The following table summarizes information of stock options outstanding and exercisable as at August 31, 2020:

Date of expiry	**Number of options outstanding**	**Number of options exercisable**	**Exercise price**	**Weighted average remaining contractual life**
	#	**#**	**$**	**Years**
August 15, 2022	700,000	700,000	0.15	1.96
August 23, 2023	600,000	180,000	0.20	2.99
	1,300,000	**880,000**	**0.17**	**2.43**

(Expressed in Canadian Dollars)

13. Warrants Reserve

The following summarizes the warrant activity for the years ended August 31, 2020 and 2019:

	August 31, 2020		August 31, 2019	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**1,251,750**	**0.65**	1,251,750	0.65
Debentures warrants issued	**10,599,422**	**0.10**	-	-
Finders' warrants issued	**1,695,907**	**0.10**	-	-
Outstanding, end of year	**13,547,079**	**0.15**	1,251,750	0.65

Warrant issuances for the year ended August 31, 2020

On July 14, 2020, the Company issued 10,599,422 Warrants in conjunction with the Private Placement, as disclosed in Note 10. Each Warrant is exercisable at $0.10 to purchase one common share of the Company for a period of three years from closing of the Private Placement. Using the residual value method, the Warrants were allocated a value of $10,870 on a pro-rated basis relative to the fair value of the conversion feature and the Warrants.

In connection with the Private Placement, 1,695,907 Finder's Warrants were also issued as compensation. The Finder's Warrants are exercisable at $0.10 to purchase one common share of the Company. The Finder's Warrants are exercisable for a period of three years from closing of the Private Placement. The grant date fair value of the Finder's Warrants issued was estimated to be $171,746 using Black-Scholes with the following assumptions: expected volatility of 158%, expected dividend yield of 0%, risk-free interest rate of 0.30% and an expected life of three years, and was allocated to the liability, the equity portion of the Convertible Debentures, and warrants reserves on a pro-rated basis relative to their allocated values.

Warrant issuances for the year ended August 31, 2019

No warrants were issued during the year ended August 31, 2019.

The following summarizes the information of warrants outstanding as at August 31, 2020:

Date of expiry	**Number of warrants outstanding**	**Exercise price**	**Weighted average remaining contractual life**
	#	**$**	**Years**
August 8, 2021	1,251,750	0.65	0.94
July 14, 2023	12,295,329	0.10	2.87
	13,547,079	**0.15**	**2.69**

(Expressed in Canadian Dollars)

14. Financial Instruments and Risk Management

Capital Management

The Company's capital consists of debt and equity. Its principal sources of cash are from operations, and the issuance of common shares and debt. The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence.

The Company intends to maintain a flexible capital structure consistent with the objectives mentioned above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, raise secured debt or refinance existing debt with different characteristics.

Financial Instrument Risk Exposure and Management

Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company monitors and manages its cash flows to assess the liquidity necessary to fund operations.

As at August 31, 2020, the contractual maturities of the Company's financial liabilities are as follows:

	Less than 1	1 to 3 years	3 to 5 years	Total
	$	$	$	$
Accounts payable and accrued liabilities	1,142,154	-	-	**1,142,154**
Convertible debentures	-	1,516,569	-	**1,516,569**
Lease commitments	299,362	411,486	21,503	**732,351**
Total	**1,441,516**	**1,928,055**	**21,503**	**3,391,074**

Credit risk

The Company's cash is held with reputable chartered Canadian financial institutions, and in trust with the Company's legal counsel. Management reviews the strength of these institutions on a regular basis.

Accounts receivable are subject the Company to credit risk. The Company believes the recorded amounts will be collected. Holdbacks are received upon substantial completion of the projects.

The Company's aging of accounts receivable as at August 31, 2020 and 2019 is as follows:

Accounts Receivable Aging	**August 31, 2020**	August 31, 2019
	$	$
Within 30 days	**817,919**	1,499,380
31 to 60 days	**435,137**	1,240,054
61 to 90 days	**321,820**	298,498
Over 90 days	**283,367**	421,544
Holdbacks	**90,564**	444,407
Expected credit loss	**(16,515)**	(27,684)
Total Accounts Receivables	**1,932,292**	3,876,199

The maximum exposure is limited to the carrying amount of financial assets on the consolidated statements of financial position that includes cash and accounts receivable. For the year ended August 31, 2020, there was an allowance for ECL of $16,515 (2019 – $27,684).

14. Financial Instruments and Risk Management (continued)

Financial Instrument Risk Exposure and Management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's convertible debentures have fixed interest rates. As at August 31, 2020, the Company had no hedging agreements in place with respect to floating interest rates.

Concentration risk

The concentration of revenue generated from major customers is not significant, with the three largest customers combined accounting for more than 39% of gross revenue for the year ended August 31, 2020 (2019 – 25% of gross revenue).

As at August 31, 2020, one particular customer account comprises of approximately 16% of total outstanding accounts receivable, all of which is within 90 days aging.

Foreign exchange risk

The Company purchases a portion of its inventories in United States dollars ("USD") and does not currently engage in hedging activities. Accordingly, the Company is exposed to foreign exchange risk on a portion of its accounts payable and accrued liabilities and its USD bank account balances. However, the foreign exchange exposure to the Company at this time is not significant.

Categories and fair value of financial instruments

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. The Company's financial instruments consist of cash, accounts receivables (excluding HST), accounts payables and accrued liabilities, and convertible debentures. The fair value of cash, accounts receivables (excluding HST) and accounts payables and accrued liabilities are approximately equal to their carrying value due to their short-term nature. The fair value of the convertible debenture was determined on its initial recognition using discount rate of 14%. The Company does not believe this rate would have changed since initial recognition. The carrying value of the convertible debenture differs from its fair value because of the allocation of issuance costs (see Note 10).

The Company classifies fair value measurements 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 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at August 31, 2020, the Company did not have any financial instruments carried at fair value.

(Expressed in Canadian Dollars)

15. Related Party Transactions

Remuneration of key management personnel of the Company for the year ended August 31, 2020, included $365,410 of short-term compensation (2019 – $350,000). As at August 31, 2020, no balance was owed to any key management personnel (August 31, 2019 – $139,249, included in accounts payable and accrued liabilities).

Management service agreement

On June 8, 2020, the Company and Branson Corporate Services Ltd. ("Branson"), where Keith Li, the Chief Financial Officer ("CFO") of the Company is employed, entered into a management services agreement, providing for CFO services to the Company, as well as other accounting and administrative services, which are included in professional fees. In consideration for the services provided, the Company agreed to pay an annual fee of $55,000. During the year ended August 31, 2020, the Company was charged $17,180 (2019 – $2,000) for services provided by Branson. As at August 31, 2020, an amount of $6,388 (August 31, 2019 – $nil) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Share-based compensation

On August 26, 2020, the Company granted 600,000 options, of which 100,000 options were granted to each of Al Quong, a director, and the CFO of the Company. During the year ended August 31, 2020, share-based compensation of $7,673 attributable to these 200,000 options was recorded on the consolidated statements of (loss) income and comprehensive (loss) income in connection with the vesting of options.

16. Revenues

The Company's revenues from continuing operations for the years ended August 31, 2020 and 2019 were comprised of the following:

	2020	2019
	$	$
Construction and other project revenue	**6,578,895**	8,825,271
Repairs revenue	**889,918**	1,139,917
Service revenue	**2,468,557**	2,756,725
Product revenue	**2,206**	10,954
	9,939,576	12,732,867

A 2% increase in the total cost to complete for all active projects would affect revenue recognized by $258,588 (2019 – $133,595).

17. General and Administrative Expenses

General and administrative expenses for the years ended August 31, 2020 and 2019 were comprised of the following:

	2020	2019
	$	$
Salaries and wages	**1,976,370**	1,892,247
Office expenses	**545,678**	763,058
Professional and consulting fees	**309,494**	285,158
Travel	**7,427**	73,123
Bad debt (recovery)	**54,971**	(1,803)
	2,893,940	3,011,783

(Expressed in Canadian Dollars)

18. Government Assistance

On April 11, 2020, the Government of Canada enacted the Canada Emergency Wage Subsidy ("CEWS"), which provides a wage subsidy to eligible Canadian employers to enable them to continue to pay their Canadian employees through their payroll. To qualify for the CEWS, companies must satisfy certain eligibility criteria, including among others, a significant decline in revenue as compared to earlier periods. Eligible employers will have to sustain losses of "qualifying revenues" that meet pre-determined thresholds during the eligible periods.

During the year ended August 31, 2020, the Company received CEWS funding of $647,622, which has been recorded as government assistance on the consolidated statements of (loss) income and comprehensive (loss) income.

As at August 31, 2020, $130,327 of wage subsidy was included in accounts receivable and was received in September 2020.

19. Discontinued Operations

Sale of Clean Energy Developments

In April 2020, the Company entered into a definitive agreement (the "Agreement") with Groundheat Solar Wind Corp. (the "Purchaser") that provides for the sale (the "Transaction") of all of the issued and outstanding shares of its wholly-owned subsidiary, CleanEnergy, in consideration for which the Purchaser paid the Company an aggregate purchase price of $50,000 in cash.

The Transaction closed on April 27, 2020. As a result, the financial results of CleanEnergy have been re-presented as discontinued operations on the consolidated statements of (loss) income and comprehensive (loss) income and the consolidated statements of cash flows. The Company's existing business continues to be operated through VCI.

	2020	2019
	$	$
Proceeds from sale	**50,000**	-
Net assets sold	**(7,361)**	-
Gain on sale	**42,639**	-
Revenue	**-**	3,198,398
Cost of sales	**-**	(2,192,860)
Expenses	**(3,409)**	(245,080)
Income from discontinued operations	**39,230**	760,458

20. Contingent Liabilities and Commitments

During the year ended August 31, 2019, a lawsuit was filed against the Company by a former employee for a claim of approximately $815,000. The Company believes the employment was terminated for cause. Since it presently is not possible to determine the outcome of this matter, no provision has been made on the consolidated financial statements.

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business. Management is of the opinion, based on information currently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect to the Company's consolidated financial position, liquidity or results of operations.

(Expressed in Canadian Dollars)

21. Segmented Information

The Company's segments have been organized based on its principal business operations (Geoexchange Services, Controls and Mechanical Contracting, and Corporate), all within Canada.

Year ended August 31, 2020

	Corporate	Geoexchange Services	Controls and Mechanical Contracting	Total
	$	$	$	$
Capital expenditures	-	-	27,654	27,654
Total assets	486,876	-	3,434,815	3,921,691
Statement of operations				
Revenue	-	-	9,939,576	9,939,576
Cost of sales	-	-	(7,860,138)	(7,860,138)
General and administrative	(521,854)	-	(2,372,086)	(2,893,940)
Impairment loss	-	-	(734,802)	(734,802)
Depreciation	-	-	(266,944)	(266,944)
Finance expense	(23,733)	-	(81,803)	(105,536)
Inventory provision	-	-	(27,076)	(27,076)
Share-based payments	(23,018)	-	-	(23,018)
Gain on disposal of equipment	-	-	24,140	24,140
Government assistance	-	-	647,622	647,622
Discontinued operations (Note 19)	42,639	(3,409)	-	39,230
Current tax recovery	-	-	49,141	49,141
Deferred tax recovery	-	-	35,775	35,775
Segmented loss	**(525,966)**	**(3,409)**	**(646,595)**	**(1,175,970)**

Year ended August 31, 2019

	Corporate	Geoexchange Services	Controls and Mechanical Contracting	Total
	$	$	$	$
Capital expenditures	-	-	20,231	20,231
Total assets	251,325	27,467	5,506,469	5,785,261
Statement of operations				
Revenue	-	3,198,399	12,732,867	15,931,266
Cost of sales	-	(2,192,860)	(10,351,914)	(12,544,774)
General and administrative	(344,910)	(255,180)	(2,667,345)	(3,267,435)
Depreciation	-	(3,303)	(49,237)	(52,540)
Finance expense	(58,487)	(4,232)	(9,778)	(72,497)
Inventory provision	-	-	(58,989)	(58,989)
Gain on disposal of equipment	-	17,634	6,425	24,059
Gain on settlement of debt	50,000	-	-	50,000
Current tax (expense)	-	-	(9,326)	(9,326)
Deferred tax (expense)	-	-	(4,678)	(4,678)
Segmented income (loss)	**(353,397)**	**760,458**	**(411,975)**	**4,914**

(Expressed in Canadian Dollars)

22. Unbilled Receivables and Deferred Revenue

Unbilled receivables

	$
Balance, August 31, 2018	**702,039**
Excess of billings over revenue earned in the year	(237,096)
Balance, August 31, 2019	**464,943**
Excess of billings over revenue earned in the year	(183,372)
Balance, August 31, 2020	**281,571**

Deferred revenue

	$
Balance, August 31, 2018	**885,238**
Excess of revenue earned in the year over billings	(21,542)
Balance, August 31, 2019	**863,696**
Excess of revenue earned in the year over billings	(699,619)
Balance, August 31, 2020	**164,077**

23. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2019 – 26.5%) to the effective tax rate is as follows:

Provision for income tax

	2020	2019
	$	$
Net (loss) income before recovery of income taxes	**(1,260,886)**	9,562
Expected income tax (recovery) expense	**(334,135)**	2,610
Share-based compensation and non-deductible expenses	**11,695**	13,930
Sale of subsidiary	**143,337**	-
Impairment of goodwill	**158,948**	-
Change in tax benefits not recognized	**(64,761)**	(11,892)
Income tax (recovery) expense	**(84,916)**	4,648

The Company's income tax expense (recovery) is allocated as follows:

	2020	2019
	$	$
Current tax (recovery) expense	**(49,141)**	9,326
Deferred tax recovery	**(35,775)**	(4,678)
Income tax (recovery) expense	**(84,916)**	4,648

(Expressed in Canadian Dollars)

23. Income Taxes (continued)

Deferred tax

The following table summarizes the components of deferred tax:

	2020	2019
	$	$
Deferred Tax Assets		
Capital lease obligation	**147,364**	-
Share issuance costs	**57,752**	-
Non-capital losses carried forward	**19,808**	2,067
	224,924	2,067
Deferred Tax Liabilities		
Intangible assets	**-**	(35,775)
Property and equipment	**(147,364)**	(2,067)
Convertible debentures	**(77,560)**	-
	(224,924)	(37,842)
Net deferred tax liability	**-**	(35,775)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movements in net deferred tax liabilities

	2020	2019
	$	$
Balance, beginning of year	**(35,775)**	(40,453)
Recognized in profit or loss	**35,775**	4,678
Balance, end of year	**-**	(35,775)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2020	2019
	$	$
Property and equipment	**550**	7,860
Intangible assets	**-**	193,500
Capital lease obligations	**300**	-
Share issuance costs	**-**	1,460
Non-capital losses carried forward	**6,394,900**	9,479,910
Net capital loss carried forward	**11,842,270**	5,910,590
Other temporary differences	**19,120**	30,810

(Expressed in Canadian Dollars)

23. Income Taxes (continued)

The Canadian operating tax losses carry-forwards expire as noted in the table below. The capital loss carry-forward may be carried forward indefinitely, but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

	$
2033	433,300
2034	1,926,620
2035	1,571,600
2036	1,089,840
2037	252,120
2038	209,480
2039	344,870
2040	567,070
	6,394,900

24. Subsequent Events

Options

On October 27, 2020, the Company granted 270,000 options to certain officers and directors of the Company. The options are exercisable at an exercise price of $0.30 per common share for a period of three years. The options vest in the following schedule: 30% immediately, 25% on the 6-month anniversary of grant, and 35% on the 1-year anniversary of grant.