



**(FORMERLY ALEXANDRA CAPITAL CORP.)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As at and for the nine months ended August 31, 2020  
and 2019**

**(Unaudited - Expressed in Canadian Dollars)**

**PLYMOUTH ROCK TECHNOLOGIES INC.  
(FORMERLY ALEXANDRA CAPITAL CORP.)  
(the “Company”)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As at and for the nine months ended August 31, 2020**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Management of the Company is responsible for the preparation of the accompanying unaudited interim condensed consolidated financial statements. The unaudited interim condensed consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) for the preparation of interim condensed financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company’s auditor has not performed a review of these interim condensed consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity’s auditor.

**PLYMOUTH ROCK TECHNOLOGIES INC. (FORMERLY ALEXANDRA CAPITAL CORP.)**Interim Condensed Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

As at	Note	August 31, 2020	November 30, 2019
<b>ASSETS</b>			
Current assets			
Cash		\$ 191,732	\$ 583,119
Accounts receivable		348	1,488
Inventories		2,739	-
Sales tax receivable		18,381	12,310
Prepaid expenses	3	150,176	105,539
Due from related parties	7	-	25,070
Total current assets		363,376	727,526
Non-current assets			
Equipment	4	10,075	12,464
Total assets		\$ 373,451	\$ 739,990
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	6	\$ 217,522	\$ 217,023
Deferred income liability	8	23,449	-
Due to related parties	7	5,500	10,035
Total liabilities		246,471	227,058
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	6,924,012	5,676,498
Shares to be issued	14	22,811	22,811
Subscribed capital stock	10	163,300	-
Contributed surplus		1,186,417	736,271
Accumulated other comprehensive losses		95,082	46,244
Deficit		(8,264,642)	(5,968,892)
Total shareholders' equity (deficit)		126,980	512,932
Total liabilities and shareholders' equity (deficit)		\$ 373,451	\$ 739,990

Going concern - Note 1

Commitments – Note 15

Subsequent events – Note 16

These interim condensed consolidated financial statements are authorized for issuance by the Board of Directors on October 26, 2020. The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Approved on behalf of the Board:

*“Tim Crowhurst”*  
Tim Crowhurst, Director

*“Angelos Kostopoulos”*  
Angelos Kostopoulos, Director

**PLYMOUTH ROCK TECHNOLOGIES INC. (FORMERLY ALEXANDRA CAPITAL CORP.)**

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Note	Nine Months End August 31			Three months ended August 31		
		2020	2019	2018	2020	2019	2018
Sales	2	\$ 45,748	\$ 20,106	\$ -	\$20,765	\$ 20,106	\$ -
Cost of sales		23,084	4,102	-	14,282	4,102	-
Gross Profit		22,664	16,004	-	6,483	16,004	-
<b>OPERATING EXPENSES</b>							
Accounting and audit fees	7	35,282	34,151	29,298	15,556	3,682	8,173
Amortization	4	2,239	1,289	-	740	430	-
Business development		967,927	447,536	7,346	361,726	88,328	-
Consulting fees		104,720	181,064	131,896	71,481	53,376	13,346
General office expenses		88,464	36,979	20,495	16,718	10,779	6,127
Insurance		8,958	2,671	-	2,913	298	-
Legal fees		34,680	67,038	117,167	11,676	31,775	25,490
Management fees	7	74,125	93,800	50,224	19,875	31,139	16,012
Rent	14	46,726	57,597	22,500	8,686	19,243	7,500
Research and development		249,270	-	-	76,057	-	-
Stock-based compensation	7, 10	450,146	516,018	-	91,230	516,018	-
Transfer agent and filing fees		55,954	84,518	47,173	17,135	25,808	9,822
Wages, salaries and benefits	7	149,243	409,815	-	23,219	124,959	-
Total expenses		2,267,734	1,932,476	426,099	717,012	905,835	86,470
<b>OTHER INCOME (EXPENSES)</b>							
Interest income		170	12,726	2,664	12	2,685	798
Interest expense	8	-	(395)	-	-	-	-
Foreign exchange gain (loss)		(50,850)	(2,401)	(6,300)	(113,259)	1,340	-
<b>NET LOSS</b>		<b>(2,295,750)</b>	<b>(1,906,542)</b>	<b>(429,735)</b>	<b>(823,776)</b>	<b>(885,806)</b>	<b>(85,672)</b>
<b>OTHER COMPREHENSIVE LOSS</b>							
Foreign currency translation loss		(48,838)	(81,142)	-	(113,220)	(81,142)	-
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>\$ (2,344,588)</b>	<b>\$(1,987,684)</b>	<b>\$(429,735)</b>	<b>\$(936,996)</b>	<b>\$(966,948)</b>	<b>\$(85,672)</b>
<b>LOSS PER SHARE, Basic and Diluted</b>		<b>\$ (0.07)</b>	<b>\$ (0.06)</b>	<b>\$ (0.02)</b>	<b>\$(0.02)</b>	<b>\$ (0.03)</b>	<b>\$ (0.00)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, Basic and Diluted</b>		<b>35,872,559</b>	<b>31,966,020</b>	<b>23,874,477</b>	<b>40,086,156</b>	<b>32,238,067</b>	<b>28,051,908</b>

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

**PLYMOUTH ROCK TECHNOLOGIES INC. (FORMERLY ALEXANDRA CAPITAL CORP.)**

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity  
(Expressed in Canadian dollars)

	Share capital (Note 10)		Shares to be issued (Note 14)	Subscribed capital stock	Contributed Surplus	Deficit	Accumulated other comprehensive losses	Total
	Number of shares	Amount						
Balance, November 30, 2017	19,349,500	\$ 1,218,766	\$ -	\$ -	\$ 106,109	\$ (615,184)	\$ -	\$ 709,691
Net loss for the year	-	-	-	-	-	(429,735)	-	(429,735)
Shares issued for warrants exercised	2,045,000	204,500	-	-	-	-	-	204,500
Private placement	6,510,550	2,604,220	-	-	-	-	-	2,604,220
Shares issued for options exercised	625,000	87,500	-	-	-	-	-	87,500
Share issuance costs	-	(253,794)	-	-	128,995	-	-	(124,799)
Fair value of options exercised	-	50,080	-	-	(50,080)	-	-	-
<b>Balance, August 31, 2018</b>	<b>28,530,050</b>	<b>\$ 3,911,272</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 185,024</b>	<b>\$(1,044,919)</b>	<b>\$ -</b>	<b>\$ 3,051,377</b>
Balance, November 30, 2018	31,761,300	\$ 5,311,034	\$ -	\$ -	\$ 185,024	\$(1,602,085)	\$ -	\$ 3,893,973
Net loss for the year	-	-	-	-	-	(1,906,542)	-	(1,906,542)
Shares issued for warrants exercised	910,300	187,120	-	-	-	-	-	187,120
Stock-based compensation	-	-	-	-	516,018	-	-	516,018
Fair value of options exercised	-	127,254	-	-	(127,254)	-	-	-
Foreign currency translation losses	-	-	-	-	-	-	(81,142)	(81,142)
<b>Balance, August 31, 2019</b>	<b>32,671,600</b>	<b>\$ 5,625,408</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 573,788</b>	<b>\$(3,508,627)</b>	<b>\$ (81,142)</b>	<b>\$ 2,609,427</b>
Balance, November 30, 2019	32,796,600	\$ 5,676,498	\$ 22,811	\$ -	\$ 736,271	\$(5,968,892)	\$ 46,244	\$ 512,932
Net loss for the year	-	-	-	-	-	(2,295,750)	-	(2,295,750)
Foreign currency translation loss	-	-	-	-	-	-	48,838	48,838
Shares issued for warrants exercised	983,334	196,667	-	-	-	-	-	196,667
Private placements	6,847,165	1,027,075	-	163,300	-	-	-	1,190,375
Share issuance costs	-	(38,728)	-	-	-	-	-	(38,728)
Shares issued as compensation	250,000	62,500	-	-	-	-	-	62,500
Stock-based compensation	-	-	-	-	450,146	-	-	450,146
<b>Balance, August 31, 2020</b>	<b>40,877,099</b>	<b>\$ 6,924,012</b>	<b>\$ 22,811</b>	<b>\$ 163,300</b>	<b>\$1,186,417</b>	<b>\$(8,264,642)</b>	<b>\$ 95,082</b>	<b>\$ 126,980</b>

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

**PLYMOUTH ROCK TECHNOLOGIES INC. (FORMERLY ALEXANDRA CAPITAL CORP.)**Interim Condensed Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)

	<b>Nine Months Ended</b>		
	<b>August 31, 2020</b>	<b>August 31, 2019</b>	<b>August 31, 2018</b>
Cash Provided By (Used In)			
<b>Operating Activities</b>			
Net loss for the period	\$ (2,295,750)	\$ (1,906,542)	\$ (429,735)
Items not affecting cash:			
Stock based compensation	450,146	516,018	-
Amortization expense	2,389	1,289	-
Foreign exchange loss	48,941	-	-
Interest expense	-	395	-
Deferred income tax recovery	-	(111)	-
Changes in non-cash working capital:			
Sales tax receivable	(6,071)	6,745	(5,560)
Accounts receivable	1,140	-	-
Inventories	(2,739)	-	-
Prepaid expenses	(44,637)	(91,737)	(16,691)
Due from related parties	25,070	2,150	18,750
Due to related parties	(4,535)	595	3,000
Accounts payable and accrued liabilities	499	47,949	(3,772)
Deferred income liability	23,449	-	-
Net cash used in operating activities	(1,802,201)	(1,423,249)	(434,008)
<b>Investing Activities</b>			
Purchase of equipment	-	(14,173)	-
Development expenses on intangible assets	-	(173,891)	-
Net cash provided by (used in) investing activities	-	(188,064)	-
<b>Financing Activities</b>			
Common shares issued for cash, options and warrants exercised, net of share issuance costs	1,247,514	187,120	3,199,421
Subscription received, net of subscription receivable	163,300	-	-
Loan payable	-	(51,579)	-
Net cash provided by financing activities	1,410,814	135,541	3,199,421
Increase (decrease) in cash	(391,387)	(1,475,772)	2,765,413
Effect of foreign exchange rate changes on cash	-	(22,806)	-
Cash, beginning of the period	583,119	2,743,694	96,152
Cash, end of the period	\$ 191,732	\$ 1,245,116	\$ 2,861,565

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

**PLYMOUTH ROCK TECHNOLOGIES INC. (FORMERLY ALEXANDRA CAPITAL CORP.)**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**As at and for the period ended August 31, 2020**  
(Unaudited – Prepared by Management)  
(EXPRESSED IN CANADIAN DOLLARS)

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**1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN**

Plymouth Rock Technologies Inc. (the “Company”) was incorporated under the Business Corporations Act of British Columbia on October 17, 2011. The head office, principal address and registered and records office of the Company are located at 300 – 2015 Burrard Street, Vancouver, B.C., V6J 3H4.

On March 10, 2016, the Company’s common shares commenced trading on the CSE. On January 8, 2019, the Company’s common shares commenced trading on the Frankfurt Stock Exchange in Germany under the Symbol: 4XA, WKN# - A2N8RH. Effective August 27, 2019, the Company’s common shares commenced trading on the OTC Markets Group (“OTCQB”) under the symbol: PLRTF.

On October 31, 2018, the Company completed its business acquisition of Plymouth Rock Technologies Inc. (Plymouth Rock USA) and changed its name from Alexandra Capital Corp. to Plymouth Rock Technologies Inc. with new trading symbol “PRT” on November 1, 2018. As a result of the acquisition, the Company’s principal business activity through its subsidiary, Plymouth Rock USA, was changed to focus on developing technologies related to remotely detecting assault firearms and suicide bombs concealed on the person or a carry bag. The Company focuses on detection methods with and without the need for a checkpoint of the suspect who is being screened. The Company’s planned products encompass the very latest radar, imaging and Unmanned Aerial System (UAS) technologies for quickly detecting, locating and identifying the presence of threats and for search and rescue missions for law enforcement.

**Going Concern**

The Company incurred a net loss of \$2,295,750 (August 31, 2019 - \$1,906,542) for the nine months ended August 31, 2020. As at August 31, 2020, the Company had a history of losses and an accumulated deficit of \$8,264,642 (November 30, 2019 - \$5,968,892).

The ability of the Company to continue as a going concern is dependent on achieving profitable operations, commercializing its technologies, and obtaining the necessary financing in order to develop these technologies further. The outcome of these matters cannot be predicted at this time. The Company will continue to review the prospects of raising additional debt and equity financing to support its operations until such time that its operations become self-sustaining, to fund its research and development activities and to ensure the realization of its assets and discharge of its liabilities. While the Company is expanding its best efforts to achieve the above plans, there is no assurance that any such activity will generate sufficient funds for future operations. These factors indicate that a material uncertainty exists that casts significant doubt on the Company’s ability to continue as a going concern.

The Company is not expected to be profitable during the ensuing twelve months and therefore must rely on securing additional funds from either issuance of debt or equity financing for cash consideration. During the period ended August 31, 2020, the Company received net cash proceeds of \$1,410,814 (2019 - \$135,541) pursuant to financing activities. Management has been successful in raising capital through periodic private placements of the Company’s common shares in the past, however there is no certainty that financing will be available in the future of that management’s planned actions to address this situation will be successful.

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future rather than a process of forced liquidation. These interim condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments could be material.

**PLYMOUTH ROCK TECHNOLOGIES INC. (FORMERLY ALEXANDRA CAPITAL CORP.)**  
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**1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN (Continued)**

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. The expected impacts on global commerce are expected to be far reaching. Material uncertainties may come into existence that could influence management's going concern assumption. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its subsidiary, in future periods, such as:

- This will and has impacted demand and testing for the Company's products and services in the near term and will and has impacted the Company's supply chains.
- It may and has also impacted the availability of external funding sources during this period.
- the effect on labour availability due to the severity and the length of potential measures taken by governments to manage the spread of the disease.

Management is closely evaluating the impact of COVID-19 on the Company's business.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

These interim condensed consolidated financial statements ("Financial Statements") have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standard Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, using accounting policies that the Company expects to adopt in its annual consolidated financial statements for the period ended August 31, 2020. These interim condensed consolidated financial statements do not include all the information required for the annual consolidated financial statements and should be read in conjunction with the Company's most recent audited consolidated financial statements for the year ended November 30, 2019, which are available on [www.sedar.com](http://www.sedar.com).

These Financial Statements are authorized for issue by the Board of Directors on October 26, 2020.

These Financial Statements have been prepared on the historical cost basis. In addition, these Financial Statements have been prepared using the accrual basis of accounting.

These Financial Statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of Plymouth Rock USA is U.S. Dollars. The assets and liabilities of Plymouth Rock USA are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their income and expense items are translated at average exchange rates for the period. Exchange differences arising on the translation are recognized in other comprehensive income.

**Significant accounting judgments, estimates and assumptions**

The preparation of these Financial Statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of income and expenses during the period. Actual results could differ from these estimates.



## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Significant accounting judgments, estimates and assumptions (continued)**

Significant estimates used in preparing the Financial Statements include, but are not limited to the following:

(i) Deferred taxes

The calculation of deferred tax is based on the ability of the Company to generate future taxable income, the estimation of which is subject to significant uncertainty as to the amount and timing. The calculation of deferred tax is also based on assumptions, which are subject to uncertainty as to timing and which tax rates are expected to apply when temporary differences reverse. Deferred tax recorded is also subject to uncertainty regarding the magnitude on non-capital losses available for carry forward and of the balances in various tax pools as the corporate tax returns have not been prepared as of the date of financial statement preparation.

(ii) Share-based payments

The fair value of stock options and finders' warrants issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the expected lift, volatility of share prices, risk-free rate and dividend yield, changes in subjective input assumptions can materially affect the fair value estimate.

(iii) Fair values of identifiable assets acquired and liabilities assumed

The estimates of fair values of the identifiable assets acquired and liabilities assumed in a business combination require management to make estimates about the price that could be received to sell the assets acquired or discharge the liabilities assumed. Management uses an appropriate methodology (e.g. market, income or cost approach) to estimate the fair values of identifiable intangible assets acquired.

(iv) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

At November 30, 2019, the intangible assets acquired and the goodwill generated from the business acquisition determined to be impaired, therefore an impairment loss of \$1,572,552 was charged for 2019 year end. Management was unable to project cash flows that can be generated from the CGUs, and consequently a full impairment loss has been recognized. No impairment loss was booked during the period ended August 31, 2020.

Significant judgments used in the preparation of these Financial Statements include, but are not limited to the following:

(i) Going concern

Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing its Financial Statements for the period ended August 31, 2020. Management prepares the Financial Statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so.

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Significant accounting judgments, estimates and assumptions (continued)**

(i) Going concern (continued)

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

(ii) Business combinations

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – Business Combinations. Based on an assessment of the relevant facts and circumstances, the Company concluded that the acquisition disclosed in Note 13 met the criteria for accounting as a business combination.

(iii) Intangible assets

Intangible assets can be capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. To determine if the future economic benefit is probable depends on the successful commercialization of its technologies and that in turn depends on the management's judgement and knowledge. As at August 31, 2020, the development costs are not capitalized as management was unable to demonstrate the future economic benefits to be generated from the utilization of the associated expenditures.

**Cash**

Cash consists of amounts held in banks and cashable highly liquid investments with limited interest and credit risk.

**Consolidation**

The Financial Statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany balances, transactions and any unrealized gains and losses arising from intercompany transactions, have been eliminated. The Company's subsidiary is presented in the table below. Plymouth Rock USA was incorporated under the General Corporation Law of the State of Delaware on March 22, 2018.

Entity	Country of Incorporation	Effective Economic Interest
Plymouth Rock Technologies Inc. ("Plymouth Rock USA")	USA	100%

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Intangible assets**

Intangible assets that are reflected in the consolidated statements of financial position consist of assets acquired through business combinations. Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Accordingly, the Company does not amortize these intangible assets, but reviews them for impairment, annually or more frequently if events or changes in circumstances indicate that the assets might be impaired.

Development costs for internally-generated intangible assets are capitalized when all of the following conditions are met:

- technical feasibility can be demonstrated;
- management has the intention to complete the intangible asset and use it;
- management can demonstrate the ability to use the intangible asset;
- it is probable that the intangible asset will generate future economic benefits;
- the Company can demonstrate the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and
- costs attributable to the asset can be measured reliably.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditures are charged to the consolidated statements of loss and comprehensive loss in the period in which they are incurred.

### **Equipment**

#### *Recognition and measurement*

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing the items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

#### *Gains and losses*

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income in profit or loss.

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Equipment (Continued)**

*Depreciation*

Half of the normal depreciation is taken in the year of acquisition for equipment with declining balance method. The depreciation rates applicable to each category of property and equipment are as follows:

Computer equipment	55% declining balance
Furniture	20% declining balance

**Inventories**

The Company values inventories at the lower of cost and net realizable value. Cost includes the costs of purchases net of vendor allowances plus other costs, such as transportation, that are directly incurred to bring the inventories to their present location and condition.

**Business combinations**

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of acquisition, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Company. The acquiree's identifiable assets and liabilities assumed are recognized at their fair value at the acquisition date. Acquisition related costs are recognized in profit or loss as incurred. The excess of the consideration over the fair value of the net identifiable assets and liabilities acquired is recorded as goodwill. Any gain on a bargain purchase is recorded in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Any goodwill that arises is tested annually for impairment.

**Share capital**

The Company records proceeds from the issuance of its common shares as equity. Proceeds received on the issuance of units, consisting of common shares and warrants are allocated between the common share and warrant component. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted price on the issuance date. The remaining proceeds, if any, are allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. Management does not expect to record a value to the warrant in most equity issuances as unit private placements are commonly priced at market or at a permitted discount to market. If the warrants are issued as share issuance costs, the fair value of agent's warrants are measured using the Black-Scholes option pricing model and recognized in equity as a deduction from the proceeds.

If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in warrant reserve.

Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Share-based payment**

The Company recognizes share-based payment expense for the estimated fair value of equity-based instruments granted to both employees and non-employees. Compensation expense is recognized when the options are granted with the same amount being recorded as contributed surplus. The expense is determined using an option pricing model that takes into account the exercise price, the term of the option, the current share price, the expected volatility of the underlying shares, the expected dividend yield, and the risk-free interest rate for the term of the option. If the options are exercised, contributed surplus will be reduced by the applicable amount. Share-based payment calculations have no effect in the Company's cash position.

### **Share purchase warrants**

The Company bifurcates units consisting of common shares and share purchase warrants using the residual value approach whereby it first measures the common share component of the unit at fair value using market prices as input values and then allocates any residual amount to the warrant component of the unit. The residual value of the warrant component is credited to reserves. When warrants are exercised, the corresponding residual value is transferred from reserves to share capital. If the warrants are issued as share issuance costs, the fair value of agent's warrants are measured using the Black-Scholes option pricing model and recognized in equity as a deduction from the proceeds.

### **Earnings / loss per share**

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are calculated using the treasury stock method. This method assumes that common shares are issued for the exercise of options, warrants and convertible securities and that the assumed proceeds from the exercise of options, warrants and convertible securities are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding. No exercise or conversion is assumed during the periods in which a net loss is incurred as the effect is anti-dilutive.

### **Financial instruments**

#### **Financial assets**

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Subsequent to initial recognition, all financial assets are classified and subsequently measured at amortized cost. Interest income is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash, accounts receivable and due from related parties.

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Financial assets (Continued)**

The Company reclassifies debt instruments only when its business model for managing those financial assets has changed. Reclassifications are applied prospectively from the reclassification date and any previously recognized gains, losses or interest are not restated.

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for accounts receivable that do not contain a significant financing component. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

### **Financial liabilities**

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss. Financial liabilities measured at amortized cost are comprised of accounts payable, due to related parties, and loan payable.

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

### **Interest**

Interest income and expense are recognized in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets.

The 'amortized cost' of a financial asset or financial liability is the amount at which the instrument is measured on initial recognition minus principal repayments, plus or minus any cumulative amortization using the effective interest method of any difference between the initial amount and maturity amount and adjusted for any expected credit loss allowance. The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit losses.

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Interest (Continued)**

Interest income and expense is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the asset is not credit-impaired) or the amortized cost of the financial liability.

Where a financial asset has become credit-impaired subsequent to initial recognition, interest income is calculated in subsequent periods by applying the effective interest method to the amortized cost of the financial asset. If the asset subsequently ceases to be credit-impaired, calculation of interest income reverts to the gross basis.

### **Offsetting**

Financial assets and financial liabilities are offset, with the net amount presented in the statement of financial position, when, and only when, the Company has a current and legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or when arising from a group of similar transactions if the resulting income and expenses are not material.

### **Goodwill**

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. Separately recognized goodwill is tested for impairment on an annual basis or when there is an indication of impairment. Impairment losses on goodwill are not reversed.

### **Revenue recognition**

Revenue is recognized by applying the five-step model under IFRS 15. The Company recognizes revenue when, or as the goods or services are transferred to the control of the customer and performance obligations are satisfied. The Company's revenue is comprised of sales of its radar systems, radar components and engineering design and development services. The Company's revenue is recognized when control of the goods has been transferred, being when the goods are delivered to customers and when all performance obligations have been fulfilled. The amounts recognized as revenue represent the fair values of the considerations received or receivable from third parties on the sales of goods to customers, net of goods and services taxes and less returns, and discounts, at which time there are no conditions for the payment to become due other than the passage of time. For its engineering design and development services, revenue is recognized when the service has been rendered.

### **Government Grants**

Government grants are recognized at fair value once there is reasonable assurance that the Company will comply with the conditions attached to the grants and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. A forgivable loan from government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to equity items, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting profit (loss) nor taxable profit (loss); and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### **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 and 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.

## **Change in accounting policies**

### ***IFRS 16, Leases***

IFRS 16, Leases is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. IFRS 16 is applicable to annual reporting periods beginning on or after January 1, 2019. The impact of this standard is immaterial for all periods presented.



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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Accounting standards, amendments and interpretations not yet effective**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the IFRIC during the year but are not yet effective. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

**IAS 1** – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“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 amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

**IFRIC 23** – Uncertainty over Income Tax Treatments – clarifies the accounting for uncertainties in income taxes. This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.

These new and amended standards do not have a material impact on the Company’s Financial Statements.

**3. PREPAID EXPENSES**

As at August 31, 2020 and November 30, 2019, the Company’s prepaid expenses relate to the following:

	<b>August 31, 2020</b>	November 30, 2019
Advertising and Promotions	\$ 59,143	\$ 38,146
Rent	10,534	17,043
Demo equipment	57,859	-
Others	22,640	50,350
	<b>\$ 150,176</b>	<b>\$ 105,539</b>

Demo items amounting to \$57,859 refer to cost of model items which are being built for marketing purposes (2019 – \$Nil).

Others for the period ended August 31, 2020 include \$4,000 (November 30, 2019 - \$26,578) prepayment to related parties (Note 7).

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**4. EQUIPMENT**

	Computer \$	Furniture \$	Total \$
<b>Cost:</b>			
Balance at November 30, 2018	-	-	-
Additions	1,720	12,453	14,173
Foreign currency translation adjustment	6	2	8
Balance at November 30, 2019	1,726	12,455	14,181
Foreign currency translation adjustment	(31)	(232)	(263)
Balance at August 31, 2020	1,695	12,223	13,918
<b>Accumulated Depreciation:</b>			
Balance at November 30, 2018	-	-	-
Amortization	474	1,245	1,719
Foreign currency translation adjustment	(1)	(1)	(2)
Balance at November 30, 2019	473	1,244	1,717
Amortization	526	1,713	2,239
Foreign currency translation adjustment	(28)	(85)	(113)
Balance at August 31, 2020	971	2,872	3,843
<b>Net Book Value:</b>			
At November 30, 2019	1,253	11,211	12,464
At August 31, 2020	724	9,351	10,075

**5. INTANGIBLE ASSETS AND GOODWILL**

The Company's intangible assets were composed of the assets acquired from the business acquisition of Plymouth Rock USA (Note 13). The Company is in the process of developing and commercializing the following intangible assets: (1) A Millimeter Remote Imaging from Airborne Drone ("Drone X1 System"); (2) A compact microwave radar system for scanning shoe's ("Shoe-Scanner"); and (3) Wi-Fi radar techniques for threat detection screening in Wi-Fi enabled zones in buildings and places, such as airports, shopping malls, schools and sports venues ("Wi-Ti"). These assets can remotely detect, locate and identify the presence of threats.

	Drone X1 System \$	Shoe- Scanner \$	Wi-Ti \$	Total \$
<b>Balance at November 30, 2018</b>	<b>868,547</b>	<b>-</b>	<b>372,234</b>	<b>1,240,781</b>
Additions	-	30,000	-	30,000
Impairment	(900,260)	(29,592)	(385,826)	(1,315,678)
Foreign currency translation adjustment	31,713	(408)	13,592	44,897
<b>Balance at November 30, 2019 and August 31 31, 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**5. INTANGIBLE ASSETS AND GOODWILL (continued)**

For impairment testing purpose, the Company identified that each intangible asset is a separate cash-generating unit ("CGU"). Management was unable to project cash flows that could be generated from each of the CGUs, and consequently a full impairment loss was recognized. As of November 30, 2019, the intangible assets acquired from the business acquisition were determined to be fully impaired, and an impairment loss of \$1,315,678 was charged for the year ended November 30, 2019.

For impairment testing purposes, goodwill was allocated to the CGUs, and the entire goodwill balance was impaired as management was unable to project cash flows that could be generated from each of the CGUs.

During the year ended November 30, 2019, the development costs of \$399,720 were expensed as management was unable to demonstrate the future economic benefits to be generated from the utilization of the assets.

**6. ACCOUNTS PAYABLE**

As at August 31, 2020 and November 30, 2019, the Company's accounts payable relate to the following:

	<b>August 31, 2020</b>	November 30, 2019
Professional fees	\$ 30,069	\$ 80,216
Funds to be returned to investors	38,646	38,646
Advertising costs	11,402	8,556
Development costs	115,293	42,430
Others	22,112	47,174
	<b>\$ 217,522</b>	<b>\$ 217,023</b>

**7. RELATED PARTY TRANSACTIONS**

The amounts due to and from related parties are due to the directors and officers of the Company. The balances are unsecured, non-interest bearing and due on demand. These transactions are in the normal course of operations and have been valued in these interim condensed consolidated financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at August 31, 2020, \$5,500 (November 30, 2019 - \$10,035) was due to directors and officers of the Company:

	<b>August 31, 2020</b>	November 30, 2019
Company controlled by CFO	\$ 5,500	\$ 5,000
CEO of the Company	-	5,035
	<b>\$ 5,500</b>	<b>\$ 10,035</b>

As at August 31, 2020, \$Nil (November 30, 2019 - \$25,070) was due from directors and officers of the Company:

	<b>August 31, 2020</b>	November 30, 2019
Company controlled by Corporate Secretary	\$ -	\$ 5,250
Director	-	19,820
	<b>\$ -</b>	<b>\$ 25,070</b>

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**7. RELATED PARTY TRANSACTIONS (continued)**

As at August 31, 2020, a \$4,000 (November 30, 2019 - \$Nil) prepayment had been made to a company controlled by the CFO and a \$Nil (November 30, 2019 - \$26,578) prepayment had been made to the CEO of the Company (Note 3).

During the period ended August 31, 2020, 2019 and 2018, the Company entered into the following transactions with related parties:

	<b>August 31, 2020</b>	August 31, 2019	August 31, 2018
Management fees	\$ 74,125	\$ 62,661	\$ 34,212
Consulting fees	62,500	-	-
Accounting fees	22,852	14,534	10,410
Rent	20,000	-	-
Share-based payments	255,230	-	-
Salaries and benefits to CEO	109,303	173,463	-
	<b>\$ 544,010</b>	<b>\$ 250,658</b>	<b>\$ 44,622</b>

During the year ended November 30, 2019, the Company granted 1,500,000 options to the CEO, CFO, the Corporate Secretary, and the Company's directors. The amount recognized as expense for these options for the period ended August 31, 2020 (August 31, 2019 - \$Nil) is as follows:

	<b>August 31, 2020</b>		August 31, 2019	
	Number of options granted	Expense for the period (vested)	Number of options granted	Expense for the period (vested)
CEO	400,000	\$ 40,553	400,000	\$ 81,060
CFO	100,000	10,138	100,000	20,265
Corporate Secretary	100,000	10,138	100,000	20,265
Former Director	450,000	99,550	-	-
Directors	600,000	94,851	250,000	50,662
	<b>1,650,000</b>	<b>\$ 255,230</b>	<b>850,000</b>	<b>\$ 172,252</b>

As at August 31, 2020, 2,031,250 options were vested, and stock-based compensation amounting to \$450,146 was recognized in profit or loss (2019 – \$516,018); of which \$255,230 (2019 – \$172,252) were for the Company's officers and directors as above (Note 10).

Management fees consisted of the following:

	<b>August 31, 2020</b>	May 31, 2019	May 31, 2018
Company controlled by Corporate Secretary	\$ 34,125	\$ 32,661	\$ 16,712
Company controlled by CFO	40,000	30,000	12,500
Director fees paid to Former Director	-	-	5,000
	<b>\$ 74,125</b>	<b>\$ 62,661</b>	<b>\$ 34,212</b>

Accounting fees of \$22,852 (2019 – \$14,534) were paid to a Company controlled by the CFO and rent of \$20,000 (2019 – \$Nil) was paid to a Company controlled by a Former director.

On August 21, 2020, the Company issued 250,000 common shares valued at \$62,500 to a Director as compensation for consulting services (Note 10).

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**8. DEFERRED INCOME LIABILITY**

On May 4, 2020, the Company received a CARES Act Paycheck Protection Program Loan (“PPP Loan”) of USD75,000. The PPP Loan bears interest at 1% per annum and is repayable monthly starting on December 4, 2020. The loan is forgivable if PRT USA meets the requirements outlined below.

- i) The loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 24-week period after the loan is made; and
- ii) Employee and compensation levels are maintained. Payroll costs are capped at \$100,000 on an annualized basis for each employee

There is reasonable assurance that the Company will meet the term for forgiveness of the loan; therefore the PPP loan is treated as a government grant and is recognized in profit or loss on a systematic basis over the periods during which the Company incurs the qualifying expenses.

During the period ended August 31, 2020, the Company incurred the following qualifying expenses

- Wages, salaries, and benefits of \$60,898 (USD 45,000)
- Rent of \$16,267 (USD 12,020)

These above amounts have been recognized as PPP loan amounts forgiven during the nine-month period ending August 31, 2020 and have been recorded as deductions to the above-listed expenses on the Interim Condensed Consolidated Statement of Loss and Comprehensive Loss.

The deferred income liability balance of \$23,449 (USD 17,980) as at August 31, 2020 represents the portion of the PPP Loan not yet applied to qualified expenses.

**9. CAPITAL MANAGEMENT**

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company’s objectives when managing capital are to (i) maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern; (ii) maintain a capital structure that allows the Company to pursue the development of its projects and products; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company’s financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire or dispose of assets.

**10. SHARE CAPITAL**

- (a) Common Shares

Authorized: Unlimited number of common shares without par value

As at August 31, 2020, there were 40,877,099 common shares issued and outstanding (November 30, 2019 – 32,796,600).

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**10. SHARE CAPITAL (continued)**

(a) Common Shares (continued)

During the period ended August 31, 2020:

On August 21, 2020, the Company issued 250,000 common shares were issued as compensation for consulting fees to a Director (Note 7) valued at a total of \$62,500.

On August 13, 2020, the Company issued 483,334 common shares pursuant to the exercise of 483,334 share purchase warrants at \$0.20 per share.

On July 3, 2020, the Company issued 500,000 common shares pursuant to the exercise of 500,000 share purchase warrants at \$0.20 per share.

On May 15, 2020, the Company issued an aggregate of 3,718,831 units at a price of CDN\$0.15 per unit for gross proceeds of \$557,825. Each unit consists of one common share in the capital of the Company and one whole transferable common share purchase warrant (a "Warrant"). Each whole Warrant is exercisable to acquire one common share at an exercise price of CDN \$0.20 per share until May 15, 2022.

On April 24, 2020, the Company issued an aggregate of 3,128,334 units at a price of CDN \$0.15 per unit for gross proceeds of \$469,250.10. Each unit consists of one common share in the capital of the Company and one whole transferable common share purchase warrant (a "Warrant"). Each whole Warrant is exercisable to acquire one common share at an exercise price of CDN \$0.20 per share until April 24, 2022.

In connection with the April 24, 2020 and May 15, 2020 private placements, the Company paid \$38,728 in share issuance costs.

On February 4, 2020, the Company announced that it has arranged a non-brokered private placement financing of up to 10,000,000 units of securities at a price of \$0.40 CAD per Unit for aggregate gross proceeds of up to \$4,000,000 CAD (the "Offering"). Each Unit will be comprised of one common share and one-half of one non-transferable common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of \$0.80 CAD for two years from closing of the Offering. On March 16, 2020, due to the instability in the financial markets caused by the COVID-19 pandemic, the Company cancelled this private placement. As at August 31, 2020, the Company holds \$4,400 in connection with this cancelled private placement. These funds are payable to investors and have been reclassified to accounts payable and accrued liabilities.

During the year ended November 30, 2019:

During the year ended November 30, 2019, the Company issued a total of 910,300 common shares for gross proceeds of \$187,120 for 7,500 warrants exercised at a price of \$0.60 per share, 307,800 warrants exercised at a price of \$0.40 per share and 595,000 warrants exercised at a price of \$0.10 per share. The Company also issued a total of 125,000 common shares for gross proceeds of \$37,500 for 125,000 options exercised at a price of \$0.30 per share.

During the year ended November 30, 2018:

During the year ended November 30, 2018, the Company issued a total of 2,045,000 common shares for gross proceeds of \$204,500 for warrants exercised at a price of \$0.10 per share.

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**10. SHARE CAPITAL (continued)**

(a) Common Shares (continued)

During the year ended November 30, 2018 (continued):

On April 25, 2018, the Company closed the first tranche of its previously announced non-brokered private placement. The Company issued 4,475,000 units at a price of \$0.40 per unit for gross proceeds of \$1,790,000. Each unit consists of one common share and one-half share purchase warrant with each whole warrant entitling the holder to purchase one common share of the Company at a price of \$0.60 for 1 year from closing. On April 15, 2019, the share purchase warrants were extended to nine months. The new expiry date of the warrants is October 25, 2019. Finder's fees of cash equal to 6% of proceeds and finder's warrants equal to 6% of the number of units issued were paid to five finders. Each finder's warrant will be exercisable to acquire one common share for a period of one year from closing at a price of \$0.40. All securities issued are subject to a four month hold period expiring August 25, 2018.

266,850 finder's warrants were granted at an estimated fair value of \$110,574, which has been included in contributed surplus. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 1 year, volatility 166%, risk-free rate 1.88%, dividend yield 0%.

On May 18, 2018, the Company closed the second and final tranche of its previously announced non-brokered private placement. The Company issued 2,035,550 units at a price of \$0.40 per unit for gross proceeds of \$814,220. Each unit consists of one common share and one-half share purchase warrant with each whole warrant entitling the holder to purchase one common share of the Company at a price of \$0.60 for 1 year from closing. On April 15, 2019, the share purchase warrants were extended to nine months. The new expiry date of the warrants is November 18, 2019. Finder's fees of cash in an amount equal to 6% of proceeds and finder's warrants equal to 6% of the number of units issued were paid to four finders. Each finder's warrant will be exercisable to acquire one common share for a period of one year from closing at a price of \$0.40. All securities issued are subject to a four month hold period expiring September 18, 2018. 45,150 finder's warrants were granted at an estimated fair value of \$18,420, which has been included in contributed surplus. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected life 1 year, volatility 168%, risk-free rate 1.99%, dividend yield 0%. With the closure of the second and final tranche of its previously announced non-brokered private placement, the subscription received of \$38,646 has been reclassified to accounts payable and accrued liabilities since investors overpaid for their subscription.

On May 29, 2018, the Company issued a total of 125,000 common shares at \$0.30 per share, for gross proceeds of \$37,500, for options exercised by a former director of the Company.

On August 23, 2018, the Company issued 500,000 common shares at a price of \$0.10 per share, for gross proceeds of \$50,000, for options exercised by a former director of the Company.

On October 31, 2018, the Company issued 3,000,000 common shares at \$0.41 per share for the acquisition of Plymouth Rock USA (Note 13). In addition, on November 1, 2018, the Company issued 231,250 common shares at \$0.69 per share as finder's fees to complete the acquisition.

As at August 31, 2020, the Company has 607,500 common shares (November 30, 2019 – 810,000) held in escrow.

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**10. SHARE CAPITAL (continued)**

(b) Stock Options

On November 12, 2014 the Company adopted an incentive stock option plan (the “Option Plan”) which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees, and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares in the capital of the Company at the time of granting of options.

On January 16, 2019, the Company granted 2,300,000 stock options, which are exercisable for a period of five years, at a price of \$0.60 per share. During the year, 150,000 of these stock options were cancelled. The remaining 2,150,000 stock options vest as follows: (i) 1,075,000 options on January 15, 2020, (ii) 268,750 options on April 15, 2020, (iii) 268,750 options on July 15, 2020, (iv) 268,750 options on October 15, 2020, and (v) 268,750 options on January 15, 2021. The fair value was estimated using the Black-Scholes pricing model with estimated, stock price of \$0.54, volatility 100%, risk-free rate 1.93%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$913,140, which will be expensed over the vesting period.

On March 21, 2019, the Company granted an aggregate of 350,000 incentive stock options to consultants of the Company with an exercise price of \$0.60 per share for a period of five years from the date of grant. The stock options vest as follows: (i) 175,000 options on March 20, 2020, (ii) 43,750 options on June 20, 2020, (iii) 43,750 options on December 20, 2020, (iv) 43,750 options on March 20, 2021, and (v) 43,750 options on June 20, 2021. The fair value was estimated using the Black-Scholes pricing model with estimated, stock price of \$0.57, volatility 100%, risk-free rate 1.56%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$147,613, which will be expensed over the vesting period.

On November 29, 2019, the Company granted an aggregate of 650,000 incentive stock options to consultants and a director of the Company with an exercise price of \$0.50 per share for a period of five years from the date of grant. The stock options vest as follows: (i) 325,000 options on November 30, 2020 and (ii) 325,000 options on November 30, 2021. The fair value was estimated using the Black-Scholes pricing model with estimated, stock price of \$0.49, volatility 100%, risk-free rate 1.49%, dividend yield 0%, and expected life of 5 years. With these assumptions, the fair value of options was determined to be \$236,809, which will be expensed over the vesting period.

During the year ended November 30, 2019, 150,000 options issued to a director and a consultant were cancelled before vesting.

Stock-based compensation recognized in profit or loss for the period ended August 31, 2020 amounted to \$450,146 (2019 - \$516,018).



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**10. SHARE CAPITAL (continued)**

(b) Stock Options (continued)

Stock option transactions and the number of stock options outstanding as at August 31, 2020, November 30, 2019 and 2018 are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, November 30, 2018	125,000	\$0.30
Granted	3,300,000	\$0.58
Exercised	(125,000)	\$0.30
Expired	(150,000)	\$0.60
<b>Balance, November 30, 2019 and August 31, 2020</b>	<b>3,150,000</b>	<b>\$0.58</b>

Expiry Date	Exercise Price	Numbers of options outstanding	Numbers of options exercisable	Weighted average remaining contractual life (year)	Weighted average exercise price
	\$				\$
January 15, 2024	0.60	2,150,000	1,343,750	2.48	0.41
March 20, 2024	0.60	350,000	175,000	0.42	0.07
November 28, 2024	0.50	650,000	-	0.93	0.10
		3,150,000	1,518,750	3.83	0.58

(c) Share purchase warrants

On April 24, 2020, the Company granted 3,128,334 common share purchase warrants as part of a non-brokered private placement. Each warrant is exercisable to acquire one common share at an exercise price of CDN \$0.20 per share until April 24, 2022.

On May 15, 2020, the Company granted 3,718,831 common share purchase warrants as part of a non-brokered private placement. Each warrant is exercisable to acquire one common share at an exercise price of CDN \$0.20 per share until May 15, 2022.

During the period ended August 31, 2020, 983,334 warrants were exercised at \$0.20 per share.

Share purchase warrant transactions and the number of share purchase warrants outstanding as at August 31, 2020, November 30, 2019 and 2018 are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, November 30, 2018	4,162,275	\$0.51
Warrants expired	(3,251,975)	\$0.60
Warrants exercised	(910,300)	\$0.21
<b>Balance, November 30, 2019</b>	<b>-</b>	<b>-</b>
Warrants granted	6,847,165	\$0.20
Warrants exercised	(983,334)	\$0.20
<b>Balance, August 31, 2020</b>	<b>5,863,831</b>	<b>\$0.20</b>

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**10. SHARE CAPITAL (continued)**

(a) Share purchase warrants (continued)

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Numbers of warrants outstanding and exercisable</b>	<b>Weighted average remaining contractual life (year)</b>	<b>Weighted average exercise price</b>
	\$			\$
April 24, 2022	0.20	2,145,000	0.60	0.07
May 15, 2022	0.20	3,718,831	1.08	0.13
		5,863,831	1.68	0.20

**11. FINANCIAL RISK MANAGEMENT**

The Company's financial assets consist of cash, and due from related parties. The estimated fair values of cash, subscription receivable, and due from related parties approximate their respective carrying values due to the short period to maturity.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs that are not based on observable market data.

For the periods ended August 31, 2020, November 30, 2019 and 2018, the fair value of the cash, accounts receivable, accounts payable, and due to and from related parties approximate the book value due to the short-term nature.

As at August 31, 2020 and November 30, 2019, the Company's financial instruments are classified as follows:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>As at August 31, 2020</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets at fair value</b>				
Cash	191,732	-	-	191,732
Accounts receivable	348	-	-	348
<b>Total financial assets at fair value</b>	<b>192,080</b>	<b>-</b>	<b>-</b>	<b>192,080</b>
<b>Financial liabilities at amortized cost</b>				
Accounts payable	221,922	-	-	221,922
Due to related parties	5,500	-	-	5,500
Loan payable	-	-	-	-
<b>Total financial liabilities at fair value</b>	<b>227,422</b>	<b>-</b>	<b>-</b>	<b>227,422</b>

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**11. FINANCIAL RISK MANAGEMENT (Continued)**

As at November 30, 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value				
Cash	583,119	-	-	583,119
Accounts receivable	1,488	-	-	1,488
Due from related parties	25,070	-	-	25,070
Total financial assets at fair value	609,677	-	-	609,677
Financial liabilities at amortized cost				
Accounts payable	217,023	-	-	217,023
Due to related parties	10,035	-	-	10,035
Loan payable	-	-	-	-
Total financial liabilities at fair value	227,058	-	-	227,058

The Company is exposed to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company believes that these sources will be sufficient to cover the likely short-term cash requirements.

The Company's cash is currently invested in business accounts which is available on demand by the Company for its operations.

*Interest Rate Risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has no significant interest rate risk due to the short-term nature of its interest generating assets.

*Credit Risk*

Credit risk is the risk of a loss when a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is limited to its cash. The Company limits its exposure to credit risk by holding its cash in deposits with high credit quality Canadian financial institutions.

*Foreign Currency Risk*

The Company is exposed to foreign currency risk on fluctuations related to cash, due from related parties and accounts payable and accrued liabilities that are denominated in US dollars. 10% fluctuations in the US dollar against the Canadian dollar have affected comprehensive loss for the nine-month period by approximately \$7,085 (2019 – \$30,500).

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**12. SUPPLEMENTAL CASH FLOW INFORMATION**

During the period ended August 31, 2020, 2019 and 2018, the Company has the following non-cash investing and financing activities:

	March 31, 2020		
	2020	2019	2018
Non-cash financing activities:			
Fair value of options granted and vested	\$ 450,146	\$ -	\$ -
Shares issued as compensation	62,500	-	-

**13. BUSINESS ACQUISITION**

On October 31, 2018, the Company completed the acquisition of private Delaware corporation Plymouth Rock Technologies Inc. ("Plymouth Rock USA") in consideration of the issuance of 3,000,000 common shares of the Company (the "Transaction") at \$0.413 per share. The Transaction has been accounted for as a business combination, using the acquisition method. The Financial Statements include the financial statements of the Company and from the date of acquisition its 100% interest in Plymouth Rock USA. To account for the Transaction, the Company determined the fair value of assets and liabilities of Plymouth Rock USA at the date of the acquisition.

The purchase price allocation of Plymouth Rock USA is as follows:

<b>Consideration</b>	
Common shares	\$ 1,240,200
<b>Purchase Price Allocation:</b>	1,240,200
Cash	47,467
Prepaid	2,626
<b>Intangible assets:</b>	
Development assets	304,000
Intellectual and engineering development	936,781
Loan	(50,674)
	1,240,200
Deferred tax liability	(253,975)
Net identifiable assets acquired	986,225
Goodwill	253,975
	\$ 1,240,200

These fair value assessments require management to make significant estimates and assumptions as well as applying judgement in selecting appropriate valuation techniques. The Company issued 231,250 common shares at \$0.69 per share as finder's fees to complete the acquisition and the cost related to acquisition were recognized as an expense in the year ended November 30, 2018.

During the year ended November 30, 2019, the Company recognized an impairment of Goodwill amounting to \$256,874 which brought down the carrying value of Goodwill to \$Nil as at November 30, 2019.

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#### **14. COMMITMENTS**

In November 2018, Plymouth Rock USA entered into two-year lease agreement for leased premises in Plymouth, Massachusetts, commencing December 1, 2018 and ending on November 30, 2020. The minimum base rent is US\$2,917 per month for the period from December 1, 2018 to November 30, 2019 and US\$3,005 per month from December 1, 2019 to November 30, 2020. Total remaining lease payments as of August 31, 2020 amounted to USD 9,015.

On October 17, 2019, the Company entered into a binding agreement to acquire the intellectual property, finished goods and inventory and name rights from Massachusetts based aerospace and scientific component manufacturer Aerowave Corporation (“Aerowave”). The acquisition is an asset acquisition. Under the terms of the agreement, Plymouth Rock will pay Aerowave’s principals 50,000 common shares. The shares will be restricted securities under the US Securities Act and subject to Canadian securities legislation. The fair value of these shares amounting to \$22,811 is presented separately as shares to be issued in the interim consolidated statements of financial position – equity section. The entire purchase consideration was allocated to finished goods as of the acquisition date. As the Company was not able to sell any of the acquired inventory, and it has no evidence to support the value of these finished goods either, the entire amount has been expensed during the year ended February 29, 2020.

On January 2, 2020, the Company entered into an advertising agreement with an arm’s length party for 12 months. The Company shall pay a total of \$36,000 in four equal installments – \$9,000 on February 2, 2020, \$9,000 on May 2, 2020, \$9,000 on August 2, 2020 and \$9,000 on November 2, 2020. As at August 31, 2020 the payment due on August 2, 2020 was outstanding (Note 6) and was subsequently paid.

On April 1, 2020 the Company entered into an agreement with a Director of the Company to provide consulting services. In line with this, the Company shall pay \$250,000 annually either through cash in 12 monthly installments at the end of each calendar month or through the issuance of 1,000,000 common shares of the Company in four equal quarterly installments, in arrears (Note 7).

On June 1, 2020, the Company signed a consulting agreement with an arm’s length third party for the purpose of obtaining public relations and corporate communications services such as digital marketing/consultation, media consulting and website development. The agreement shall be for a period of six months. The Company paid \$65,000 upon signing of the agreement, with balance of \$32,500 recorded as part of Prepaid expenses as at August 31, 2020 (Note 3).

On June 1, 2020, the Company signed a consulting agreement with an arm’s length third party to provide business consulting, corporate communications including but not limited to, business introductions, creating strategic alliances and financing, joint venture sourcing and assistance, property acquisitions sourcing and assistance, financing sourcing and assistance, video marketing creative, sourcing and assistance, strategic business introductions, website creative, sourcing and assistance. The agreement shall be for a period of six months. The Company paid \$35,000 upon signing of the agreement with balance of \$17,500 recorded as part of Prepaid expenses as at August 31, 2020 (Note 3).

## **15. SEGMENTED INFORMATION**

The Company operates in one business segment, focusing on developing technologies as described in Note 1. With the acquisition of PRT USA, the Company's principal business activity through its subsidiary was changed to focus on developing technologies related to remotely detecting assault firearms and suicide bombs concealed on the person or a carry bag. The Company now focuses on detection methods with and without the need for a checkpoint of the suspect who is being screened. The Company's planned technologies encompass the very latest radar, imaging and Unmanned Aerial System (UAS) technologies for quickly detecting, locating and identifying the presence of threats and for search and rescue missions for law enforcement.

The Company's revenues were generated in the US and were mostly composed of sales of engineering design services and radar components to well-known US government agencies and prime contractors. All the long-lived assets are located in the U.S. as of August 31, 2020 and November 30, 2019.

## **16. SUBSEQUENT EVENTS**

On September 14, 2020, the Company signed a letter of partnership with an arm's length party to collaborate on the market readiness, alternative use and sale of stand-off threat detection solutions to the US and international markets.

On September 30, 2020, the Company completed the first tranche of its non-brokered private placement financing of up to 1,385,165 units of securities at a price of \$0.30 per Unit for aggregate gross proceeds of \$415,550 (the "Offering"). Each Unit consists of one common share and one-half of one non-transferable common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of \$0.50 for two years until September 30, 2022. The Company paid \$5,964 in cash for finders' fees in connection with the transaction.