



**PATRIOT ONE TECHNOLOGIES INC.**

Condensed Consolidated Interim Financial Statements

Three months ended October 31, 2020 and 2019

(Expressed in Canadian Dollars)



**Notice of No Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed consolidated interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these unaudited condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

***"Karen Hersh"***

---

Chief Financial Officer

***"Peter Evans"***

---

Director, Chief Executive Officer

December 10, 2020

# PATRIOT ONE TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Financial Position  
(Unaudited)  
(Expressed in Canadian Dollars)

	October 31, 2020	July 31, 2020
<b>Assets</b>		
Current assets		
Cash	\$ 18,931,092	\$ 22,407,251
Receivables (Note 5)	2,273,653	1,623,148
Prepaid expenses and deposits	738,376	956,615
Inventory (Note 6)	1,536,809	1,521,666
Investment in Sotech (Note 7)	3,995,400	4,021,200
	<u>27,475,330</u>	<u>30,529,880</u>
Property and equipment	1,584,306	1,537,783
Intangible assets (Note 8)	7,234,925	7,388,317
Right of use assets (Note 9)	1,311,440	972,448
Goodwill	25,582,433	25,582,433
	<u>25,582,433</u>	<u>25,582,433</u>
<b>Total assets</b>	<b>\$ 63,188,434</b>	<b>\$ 66,010,861</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,198,249	\$ 2,348,697
Deferred revenue (Note 11)	340,464	428,289
Current portion of lease liability (Note 9)	413,259	418,215
	<u>2,951,972</u>	<u>3,195,201</u>
Non-current portion of lease liability (Note 9)	947,131	595,211
	<u>947,131</u>	<u>595,211</u>
	<u>3,899,103</u>	<u>3,790,412</u>
<b>Shareholders' equity</b>		
Share capital (Note 10)	114,597,731	114,597,731
Contributed surplus	10,902,270	10,507,920
Accumulated deficit	(66,210,670)	(62,885,202)
	<u>59,289,331</u>	<u>62,220,449</u>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 63,188,434</b>	<b>\$ 66,010,861</b>

Reporting entity (Note 1)  
Basis of preparation (Note 2)  
Subsequent event (Note 17)

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

Approved on behalf of the Board:

**"Peter Evans"**

Director, Chief Executive Officer

**"Peter van der Gracht"**

Director, Chairman of the Board

## PATRIOT ONE TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited)

(Expressed in Canadian Dollars)

	Three months ended October 31,	
	<u>2020</u>	<u>2019</u>
<b>Revenue</b> (Note 11)	\$ 376,152	\$ 116,574
<b>Expenses</b>		
Sales and marketing	452,379	1,405,253
Research and development	218,824	1,161,909
General and administration	632,858	692,639
Personnel costs	1,163,212	940,756
Professional fees	377,083	1,894,140
Amortization (Note 8)	228,392	251,058
Depreciation	244,448	262,769
Share-based compensation (Note 10)	394,350	458,956
	<u>3,711,546</u>	<u>7,067,480</u>
<b>Loss from operations</b>	3,335,394	6,950,906
Proportionate share of loss on investment (Note 7)	-	561,161
Unrealized loss on fair value investment (Note 7)	25,800	-
Interest income	(35,726)	(204,490)
<b>Loss and comprehensive loss for the period</b>	<u>\$ 3,325,468</u>	<u>\$ 7,307,577</u>
<b>Weighted average number of shares</b>	<u>150,728,622</u>	<u>145,765,769</u>
<b>Basic and diluted loss per share</b>	<u>\$ 0.02</u>	<u>\$ 0.05</u>

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

## PATRIOT ONE TECHNOLOGIES INC.

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

	Share Capital		Contributed surplus	Accumulated deficit	Total
	Number of shares	Amount			
Balance - July 31, 2020	150,728,622	\$ 114,597,731	\$ 10,507,920	\$ (62,885,202)	\$ 62,220,449
Share-based compensation (Note 10)	-	-	394,350	-	394,350
Loss for the period	-	-	-	(3,325,468)	(3,325,468)
Balance - October 31, 2020	150,728,622	\$ 114,597,731	\$ 10,902,270	\$ (66,210,670)	\$ 59,289,331
Balance - July 31, 2019	139,999,937	\$ 96,243,400	\$ 8,925,171	\$ (37,758,806)	\$ 67,409,765
Shares issued on the exercise of warrants	534,942	1,203,206	(568,239)	-	634,967
Shares issued on the exercise of stock options	11,108	8,849	(1,073)	-	7,776
Shares issued on the acquisition of Xtract (Note 4)	9,422,956	16,867,090	-	-	16,867,090
Share-based compensation (Note 10)	-	-	458,956	-	458,956
Loss for the period	-	-	-	(7,307,577)	(7,307,577)
Balance - Oct 31, 2019	149,968,943	\$ 114,322,545	\$ 8,814,815	\$ (45,066,383)	\$ 78,070,977

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

# PATRIOT ONE TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Cash Flows  
(Unaudited)  
(Expressed in Canadian Dollars)

	Three months ended October 31,	
	2020	2019
<b>Cash flow used in operating activities</b>		
Loss and comprehensive loss for the period	\$ (3,325,468)	\$ (7,307,577)
Adjustment for:		
Share-based compensation (Note 10)	394,350	458,956
Depreciation	244,448	262,769
Amortization (Note 8)	228,392	251,058
Finance cost (Note 9)	28,809	-
Unrealized loss on Sotech investment (Note 7)	25,800	561,161
	(2,403,669)	(5,773,633)
Changes in non-cash operating working capital		
Receivables	(650,505)	374,166
Prepaid expenses and deposits	218,239	78,599
Inventory	(15,143)	(1,980)
Accounts payable and accrued liabilities	(150,448)	1,559,034
Deferred revenue	(87,825)	-
Cash used in operating activities	(3,089,351)	(3,763,814)
<b>Cash flow used in investing activities</b>		
Purchase of property and equipment	(163,404)	(655,633)
Cash payments and funding of Sotech investment	-	(1,767,305)
Development of intangible assets	-	(115,000)
Acquisition of EcoMine option (Note 8)	(75,000)	-
Cash consideration to acquire Xtract net of cash received	-	(6,764,050)
Lease liabilities, net of lease assets	(148,404)	14,745
Cash used in investing activities	(386,808)	(9,287,243)
<b>Cash flow from financing activities</b>		
Proceeds on issue of share capital, net of share issue costs	-	642,743
Cash received from financing activities	-	642,743
<b>Change in cash for the period</b>	<b>\$ (3,476,159)</b>	<b>\$ (12,408,314)</b>
<b>Cash beginning of period</b>	<b>22,407,251</b>	<b>50,637,942</b>
<b>Cash end of period</b>	<b>\$ 18,931,092</b>	<b>\$ 38,229,628</b>

Supplemental cash flow information (Note 13)

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

# **PATRIOT ONE TECHNOLOGIES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

## **1. Reporting entity**

Patriot One Technologies Inc. (the "Company") was incorporated under the Business Corporation Act of British Columbia. Its common shares are listed under the trading symbol "PAT" on the Toronto Stock Exchange in Canada, "PTOTF" on the OTCQX in the United States, and "OPL" on the Frankfurt Stock Exchange in Germany. The Company's wholly-owned subsidiaries include Patriot One Detection Ltd. ("Patriot"), Patriot One (UK) Limited ("Patriot UK"), Patriot One Detection Technologies Inc. ("Patriot US"), EhEye Inc. ("EhEye") and Xtract Technologies Inc. ("Xtract"), which was acquired on September 6, 2019 (Note 4). The principal business of the Company is to commercialize an integrated, layered, multi-sensor platform of technologies, referred to as the "PATSCAN™ platform", with the aim of enhancing public health and safety.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

The Company's head office is located at 400-257 Adelaide Street West, Toronto, Ontario, Canada, M5H 1X9 and its registered and records office is located at 400-725 Granville Street, Vancouver, British Columbia, Canada, V7Y 1G5.

## **2. Basis of preparation**

### *(a) Statement of compliance*

These condensed consolidated interim financial statements, including the comparative period, have been prepared in accordance with International Accounting Standard ("IAS 34"), *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards have been omitted or condensed. These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on December 10, 2020.

### *(b) Principles of consolidation*

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Patriot, Patriot UK, Patriot US, EhEye and Xtract. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken in account in the assessment of whether control exists. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

All significant intercompany balances and transactions have been eliminated on consolidation.

### *(c) Functional and presentation currency*

The functional currency of the Company and its subsidiaries is the Canadian dollar and these condensed consolidated interim financial statements are presented in Canadian dollars.

# **PATRIOT ONE TECHNOLOGIES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

## *(d) Basis of measurement*

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

## *(e) Change in classification*

During the three month period ended October 31, 2020, the Company modified the classification of certain operating expenses on the condensed consolidated interim statements of loss and comprehensive loss. Advertising and marketing, business development and conferences and tradeshows expenses were reclassified to sales and marketing to more appropriately reflect the Company's current operations. Licensing expense was reclassified to research and development to more appropriately reflect the nature of the expense. Comparative amounts in the condensed consolidated interim statements of loss and comprehensive loss were reclassified for consistency, which resulted in \$1,405,253 being reclassified to sales and marketing and \$5,110 being reclassified to research and development for the three month period ended October 31, 2019.

Since these amounts are reclassifications within operating activities in the condensed consolidated interim statements of loss and comprehensive loss, this reclassification did not have any effect on the condensed consolidated interim statements of financial position or the condensed consolidated interim statements of cash flows.

### **3. Significant accounting policies**

The accounting policies, estimates and judgements used in the preparation of these condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended July 31, 2020 as these condensed consolidated interim financial statements follow the same accounting policies and methods of application.

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

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

## **PATRIOT ONE TECHNOLOGIES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

Significant areas requiring the use of management estimates and judgements include:

### *Share-based payments*

The fair value of stock options granted is measured using Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and risk-free interest rate. These estimates will impact the valuation of share-based payments.

### *Treatment of development costs*

Costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically, and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible.

### *Inventories*

Inventories are valued at the lower of cost and net realizable value. Cost of inventory includes cost of purchase (purchase price, import duties, transport, handling, and other costs directly attributable to the acquisition of inventories), and other costs incurred in bringing the inventories to their present location and condition. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in profit or loss in the period for any difference between book value and net realizable value.

### *Impairment of Goodwill*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, management must make critical estimates and use assumptions to project the value of each cash generating unit. Assumptions include future sales, profit margin and an appropriate discount rate. These assumptions will impact the valuation and impairment of goodwill.

### *Business combinations*

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. Judgement is also required to assess whether the amounts paid on achievement of milestones represents contingent consideration or compensation for post-acquisition services. Judgment is also required to assess whether contingent consideration should be classified as equity or a liability. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration is recognized in profit and loss.

### *Control, joint control, or level of influence*

When determining the appropriate basis of accounting for the Company's interests in affiliates, the Company makes judgments about the degree of influence that it exerts directly or through an arrangement over the investees' relevant activities. Information about these judgments is included in Note 7.

## **PATRIOT ONE TECHNOLOGIES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

### *Estimated useful lives, depreciation and amortization of property and equipment and intangible assets*

Depreciation and amortization of property and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

### *Right of use lease assets and liabilities*

The right of use assets and liabilities are measured at the present value of future lease payments discounted using the rate implicit in the lease or incremental borrowing rate for the Company if the rate implicit in the lease is not readily determined. The Company did not have any outstanding debt during the three months ended October 31, 2020; therefore, the rate was estimated based on comparable companies' borrowing rates. These assumptions will impact the valuation of right of use assets and liabilities and interest expense.

(b)

(b) *New accounting standard adopted during the period*

### *Definition of a business (Amendments to IFRS 3)*

The Company has adopted new amendments to IFRS 3 effective August 1, 2020 to clarify the definition of a business for the purpose of determining whether a transaction should be accounted for as an asset acquisition or a business combination. The amendments:

- (i) Clarify the minimum attributes that the acquired assets and activities must have to be considered a business;
- (ii) Remove the assessment of whether market participants can acquire the business and replace missing inputs or processes to enable them to continue to produce outputs;
- (iii) Narrow the definition of a business and the definition of outputs; and
- (iv) Add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business.

The adoption of the new amendments did not have a significant impact on the condensed consolidated interim financial statements.

## PATRIOT ONE TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

### 4. Acquisition of Xtract

Effective September 6, 2019, the Company acquired 100% of the issued and outstanding shares of Xtract, a private company incorporated in British Columbia. Xtract develops and commercializes artificial intelligence, machine learning, deep neural network and predictive solutions utilizing its proprietary technology for public institutions and private enterprises. The purpose of this acquisition was to integrate the Xtract data science team to progress the various PATSCAN sensor technologies and platform. The purchase price included a cash payment of \$6,000,000, a working capital adjustment and option holder payout of \$1,546,526 and the issuance of 9,422,956 common shares of the Company ("Consideration Shares") at a fair value of \$16,867,090. Subject to certain exceptions based on the business of the Company or the performance of the Company's common share price, the Consideration Shares will be subject to escrow restrictions and released on a quarterly basis over the next 12 consecutive fiscal quarters of the Company. The acquisition was accounted for under *IFRS 3 – Business combinations* and not as an asset acquisition.

The consideration paid and the preliminary allocation of the consideration to the fair value of the assets acquired and liabilities assumed in the acquisition on September 6, 2019 are as follows:

Consideration		
Cash	\$	6,000,000
Working capital adjustment and option holder payout		1,546,526
Shares issued (Note 13)		16,867,090
<hr/>		
Total consideration	\$	24,413,616
<hr/>		
Net assets acquired		
Cash	\$	791,271
Accounts receivable and unbilled revenue		513,613
Property and equipment		8,806
Right of use assets		63,752
Government contracts		355,875
Accounts payable and accrued liabilities		(249,505)
Right of use liabilities		(64,015)
Goodwill		22,993,819
<hr/>		
Total	\$	24,413,616
<hr/>		

Amongst other things, the goodwill recognized reflects the Xtract data science team's involvement in the enhancement of the PATSCAN platform and expected growth in the underlying markets in which the Company operates. The goodwill is not tax deductible.

## PATRIOT ONE TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

### 5. Receivables

Receivables are comprised of:

	<u>October 31, 2020</u>	<u>July 31, 2020</u>
Trade receivables	\$ 564,751	\$ 372,803
ITB funding receivable (Note 15)	1,366,800	1,021,000
Taxes receivable	273,178	229,345
Other receivables	68,924	-
	<u>\$ 2,273,653</u>	<u>\$ 1,623,148</u>

As at October 31, 2020, the Company has not taken a provision for uncollectible accounts (July 31, 2020 - \$nil).

### 6. Inventory

The Company's inventory consists primarily of hardware components that will be used in its security product offerings:

	<u>October 31, 2020</u>	<u>July 31, 2020</u>
Components and work-in-progress	\$ 260,082	\$ 244,939
Finished goods	1,276,727	1,276,727
	<u>\$ 1,536,809</u>	<u>\$ 1,521,666</u>

During the three months ended October 31, 2020, there was no inventory recognized as an expense in hardware (2019 - \$nil).

### 7. Investment in Sotech Secure, LLC

As at October 31, 2020, the Company owned a 49% interest in Sotech Secure, LLC ("Sotech"), a Delaware Limited Liability Company with NanoBio Detection Systems LLC owning the remaining 51% interest.

During the previous fiscal year, management determined that the Company no longer held significant influence or joint control over Sotech and discontinued the use of the equity method for the investment. The Company's interest in Sotech has been recorded in the condensed consolidated interim financial statements at its expected fair value of \$3,995,400 (USD \$3,000,000). Despite the change in accounting treatment, management will continue to pursue all measures necessary to recover value from this investment.

## PATRIOT ONE TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

The carrying value of the investment in Sotech is comprised of:

Carrying value at July 31, 2019	\$ 3,386,390
Funding advances	3,184,254
Proportionate share of loss	(1,531,817)
Loss on investment upon fair value recognition	(1,017,627)
<b>Carrying value at July 31, 2020</b>	<b>\$ 4,021,200</b>
Foreign exchange adjustment	(25,800)
<b>Carrying value at October 31, 2020</b>	<b>\$ 3,995,400</b>

### 8. Intangible assets

The carrying values of intangible assets are as follows:

	Externally Acquired Intangible Assets					Internally Developed Intellectual Property*	Total
	Quasar Licensed Distribution Rights	EhEye Intellectual Property	Xtract Government Contracts	EcoMine Intellectual Property Rights			
<b>Cost</b>							
Balance at July 31, 2019	\$ 6,574,000	\$ 1,250,000	\$ -	\$ -	\$ 120,000	\$ 7,944,000	
Additions	-	-	-	100,000	115,000	215,000	
Additions through acquisitions (Note 4)	-	-	355,875	-	-	355,875	
Balance at July 31, 2020	6,574,000	1,250,000	355,875	100,000	235,000	8,514,875	
Additions	-	-	-	75,000	-	75,000	
Balance at October 31, 2020	\$ 6,574,000	\$ 1,250,000	\$ 355,875	\$ 175,000	\$ 235,000	\$ 8,589,875	
<b>Accumulated Amortization</b>							
Balance at July 31, 2019	\$ 28,825	\$ -	\$ -	\$ -	\$ -	\$ 28,825	
Amortization	657,400	93,750	328,958	-	17,625	1,097,733	
Balance at July 31, 2020	686,225	93,750	328,958	-	17,625	1,126,558	
Amortization	164,350	31,250	26,917	-	5,875	228,392	
Balance at October 31, 2020	\$ 850,575	\$ 125,000	\$ 355,875	\$ -	\$ 23,500	\$ 1,354,950	
Carrying amount as at July 31, 2020	\$ 5,887,775	\$ 1,156,250	\$ 26,917	\$ 100,000	\$ 217,375	\$ 7,388,317	
Carrying amount as at October 31, 2020	\$ 5,723,425	\$ 1,125,000	\$ -	\$ 175,000	\$ 211,500	\$ 7,234,925	

\* Internally developed intellectual property includes capitalized development costs for the PATSCAN platform.

#### *Quasar - Licensed distribution rights*

In June 2019, the Company entered into a licensing agreement with Quasar Federal Systems, Inc. ("Quasar") receiving a perpetual, worldwide, exclusive, fully paid-up, transferable and irrevocable license (with a right of sublicense) to use Quasar's intellectual property in exchange for an aggregate cash consideration of \$6,574,000 (US\$5,000,000). The Quasar license includes access to patented sensor technology and patent-pending magnetic detection and security screening technology. The Company also has the right to engage Quasar's development team to assist with future modifications to the technology, as well as manufacturing and implementation engineering. The license was recognized as an intangible asset and is amortized over its estimated useful life of 10 years.

## PATRIOT ONE TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

### *EhEye - Intellectual property*

The Company has determined the fair value of the intellectual property acquired in connection with the acquisition of EhEye to be \$1,250,000. In addition, the Company determined \$235,000 of directly attributable development expenditures met the criteria for capitalization. As of November 1, 2019, the Company determined that this technology was ready for commercial use and began amortizing the acquired intellectual property and capitalized development costs over the technology's estimated useful life of 10 years.

### *Xtract - Government contracts*

The Company determined the fair value of the government contracts acquired in connection with the acquisition of Xtract to be \$355,875 (Note 4). The Company amortized the acquired contracts over their term.

### *EcoMine - Intellectual property rights*

The Company entered into an agreement with EcoMine Technologies Inc. ("EcoMine") whereby the Company funded \$175,000 towards specified research and development in exchange for the Company receiving the exclusive option to license the intellectual property developed. The agreement and the Company's exclusive option to license the intellectual property expired as of September 30, 2020. The Company is in discussion with EcoMine on extending the agreement or reaching an alternative arrangement, which could include converting the license right into an equity ownership stake, a distribution arrangement, or other such mutually amicable arrangement.

## 9. Right of use assets and lease liabilities

The Company has recorded right of use assets and lease liabilities in its statement of financial position related to eight properties for which the Company has entered into office lease agreements that have an initial term of one year or more. These leases have been classified as a single class of right of use assets under office leases.

<u>Fiscal year</u>	<u>Amount</u>
2021	\$ 388,528
2022	428,181
2023	371,457
2024	250,139
2025	129,810
Effects of discounting	(207,725)
Right of use liabilities	\$ 1,360,390
Current portion of right of use liabilities	(413,259)
Non-current portion of right of use liabilities	\$ 947,131

## PATRIOT ONE TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

The carrying amounts of the Company's right-of-use assets, liabilities and the movements during the three month period ended October 31, 2020 are as follows:

	Right of use asset	Right of use liabilities
Adoption of IFRS 16	\$ 1,172,544	\$ 1,172,544
Additions	344,685	344,685
Additions through acquisition	63,752	64,015
Lease termination adjustments	(81,959)	(83,449)
Depreciation	(526,574)	-
Interest costs	-	97,673
Payments	-	(582,042)
<b>As at July 31, 2020</b>	<b>972,448</b>	<b>1,013,426</b>
Additions (Note 13)	466,559	466,559
Depreciation	(127,567)	-
Interest costs	-	28,809
Payments	-	(148,404)
<b>As at October 31, 2020</b>	<b>\$ 1,311,440</b>	<b>\$ 1,360,390</b>

### 10. Share capital

#### *Authorized*

The authorized share capital of the Company consists of an unlimited number of common shares with no par value.

#### *Share Capital*

The issued and outstanding share capital is as follows:

	Three months ended October 31, 2020		Year ended July 31, 2020	
	Number of shares	Amount	Number of shares	Amount
Balance beginning of period	150,728,622	\$ 114,597,731	139,999,937	\$ 96,243,400
Shares issued on the exercise of warrants	-	-	617,192	1,208,459
Shares issued on the exercise of stock options	-	-	688,537	278,782
Shares issued for the acquisition of Xtract (Note 4)	-	-	9,422,956	16,867,090
<b>Balance end of period</b>	<b>150,728,622</b>	<b>\$ 114,597,731</b>	<b>150,728,622</b>	<b>\$ 114,597,731</b>

## PATRIOT ONE TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

### Warrants

Warrant activity for the three months ended October 31, 2020 and the year ended July 31, 2020 is as follows:

	Three months ended October 31, 2020		Year ended July 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance beginning of period	30,959,050	\$ 2.60	35,963,432	\$ 2.60
Exercised	-	-	(617,192)	1.16
Expired	(4,796,150)	1.70	(4,387,190)	1.40
Balance end of period	26,162,900	\$ 2.79	30,959,050	\$ 2.60

Details of the outstanding warrants as at October 31, 2020 are as follows:

Number of warrants outstanding	Weighted average exercise price	Expiry date	Weighted average life remaining (months)
150,000	\$ 1.00	November 18, 2020	0.5
1,288,000	\$ 2.50	November 21, 2020	0.5
18,400,000	\$ 3.25	November 21, 2020	0.5
6,324,900	\$ 2.40	February 16, 2021	3.5
26,162,900	\$ 2.79		4.0

## PATRIOT ONE TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

### Stock options

The Company offers an incentive stock option plan that provides for the granting of options up to 10% of its issued and outstanding common shares to directors, officers, employees and consultants. The exercise price of each option is equal to the quoted market price of the Company's common shares on the trading day immediately preceding the date of grant and the maximum term is five years. Vesting terms, if any, are set at the discretion of the Board.

The stock option activity for the three months ended October 31, 2020 and year ended July 31, 2020 is as follows:

	Three months ended October 31, 2020		Year ended July 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance beginning of period	9,873,631	\$ 1.24	7,414,553	\$ 1.15
Granted	645,000	0.74	3,712,963	1.26
Exercised	-	-	(688,537)	0.24
Forfeited / Expired	(206,255)	1.79	(565,348)	1.41
Balance end of period	10,312,376	\$ 1.20	9,873,631	\$ 1.24

During the three month period ended October 31, 2020, the Company recognized share-based compensation related to stock options of \$394,350 (2019 - \$458,956). Fair value of options granted during the period were determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three months ended October 31, 2020	
	2020	2019
Expected life	3.8 years	4.4 years
Expected market volatility of shares (%)	85.0%	90.0%
Expected dividend rate	0%	0%
Risk-free interest rate	0.56%	1.29%
Weighted average fair value per option granted	\$ 0.439	\$ 1.162

## PATRIOT ONE TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

Details of the outstanding stock options as at October 31, 2020 are as follows:

Number of stock options outstanding	Weighted average exercise price	Expiry date	Weighted average life remaining (months)	Number of stock options exercisable	Weighted average exercise price
200,000	\$ 1.44	December 14, 2020	1.5	200,000	\$ 1.44
150,000	\$ 1.71	February 22, 2021	3.5	150,000	\$ 1.71
345,000	\$ 1.30	June 22, 2021	7.5	323,334	\$ 1.30
250,000	\$ 1.35	July 10, 2021	8.5	250,000	\$ 1.35
250,000	\$ 0.30	August 1, 2021	9.0	250,000	\$ 0.30
300,000	\$ 0.185	October 3, 2021	11.0	300,000	\$ 0.185
890,000	\$ 0.30	October 3, 2021	11.0	890,000	\$ 0.30
122,222	\$ 0.70	December 15, 2021	13.5	84,018	\$ 0.70
884,000	\$ 0.65	May 18, 2022	18.5	884,000	\$ 0.65
250,000	\$ 2.00	May 29, 2022	19.0	170,000	\$ 2.00
11,111	\$ 0.70	June 20, 2022	19.5	7,634	\$ 0.70
27,777	\$ 0.70	August 9, 2022	21.5	13,880	\$ 0.70
125,000	\$ 0.65	September 5, 2022	22.0	125,000	\$ 0.65
49,305	\$ 0.70	September 14, 2022	22.5	32,626	\$ 0.70
65,000	\$ 1.47	November 1, 2022	24.0	65,000	\$ 1.47
250,000	\$ 1.29	January 1, 2023	26.0	90,000	\$ 1.29
300,000	\$ 1.49	February 7, 2023	27.5	75,000	\$ 1.49
150,000	\$ 1.82	March 22, 2023	28.5	150,000	\$ 1.82
75,000	\$ 1.61	April 4, 2023	29.0	75,000	\$ 1.61
50,000	\$ 1.62	August 27, 2023	34.0	50,000	\$ 1.62
200,000	\$ 1.80	September 1, 2023	34.0	100,000	\$ 1.80
505,000	\$ 2.48	October 15, 2023	35.0	505,000	\$ 2.48
234,998	\$ 2.01	December 11, 2023	37.5	172,498	\$ 2.01
75,000	\$ 1.80	June 18, 2024	43.5	37,500	\$ 1.80
922,500	\$ 1.81	July 3, 2024	44.0	737,500	\$ 1.81
60,000	\$ 1.83	July 25, 2024	45.0	30,000	\$ 1.83
37,500	\$ 1.78	August 22, 2024	45.5	37,500	\$ 1.78
70,000	\$ 1.81	September 6, 2024	46.0	35,000	\$ 1.81
50,000	\$ 1.43	October 15, 2024	47.5	25,000	\$ 1.43
50,000	\$ 1.88	October 29, 2024	48.0	25,000	\$ 1.88
100,000	\$ 1.47	November 12, 2024	48.5	25,000	\$ 1.47
37,000	\$ 1.46	December 9, 2024	19.5	9,250	\$ 1.46
795,000	\$ 1.21	December 23, 2024	50.0	198,750	\$ 1.21
130,963	\$ 1.31	January 20, 2025	50.5	32,741	\$ 1.31
80,000	\$ 1.37	January 21, 2025	50.5	20,000	\$ 1.37
600,000	\$ 1.49	February 7, 2025	51.5	150,000	\$ 1.49
705,000	\$ 0.76	April 13, 2025	53.5	176,250	\$ 0.76
145,000	\$ 0.69	May 11, 2025	54.5	36,250	\$ 0.69
125,000	\$ 1.16	June 9, 2025	55.5	31,250	\$ 1.16
250,000	\$ 0.97	August 10, 2025	57.5	37,500	\$ 0.97
105,000	\$ 0.69	September 15, 2025	58.5	26,250	\$ 0.69
290,000	\$ 0.56	October 29, 2025	60.0	72,500	\$ 0.56
<b>10,312,376</b>	<b>\$ 1.20</b>		<b>32.9</b>	<b>6,706,231</b>	<b>\$ 1.18</b>

# **PATRIOT ONE TECHNOLOGIES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

## *Loss per share*

Stock options and warrants are not included in the determination of fully diluted loss per share for the three month periods ended October 31, 2020 and 2019 as these instruments are anti-dilutive.

## **11. Revenue and deferred revenue**

Revenue recognized during the three month period ended October 31, 2020 relates to Xtract contract revenue.

The Company has recognized \$376,152 in revenue from Xtract during the three month period ended October 31, 2020. As at October 31, 2020, accounts receivable for work completed on contracts was \$263,907. The majority of the balance is receivable from the federal government and is not subject to significant collection risk. Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized ("contracted not yet recognized") and includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. Contracted not yet recognized as revenue was \$346,379 as of October 31, 2020, of which we expect to recognize 100% as revenue over the next twelve months. Xtract has also collected \$31,917 for work it has not yet performed which has been recorded as deferred revenue as of October 31, 2020.

The Company has not recognized any revenue related to the sale of the PATSCAN platform during the three month period ended October 31, 2020. In prior periods, the Company billed and collected cash for the sale of the PATSCAN product hardware and software licenses to a select number of early adopter resellers and end-user customers. The cash received on these sales was \$308,547 is recorded as deferred revenue on the consolidated interim statement of financial position as at October 31, 2020. Contracted not yet recognized revenue was \$564,457 as of October 31, 2020, of which the Company expects to recognize 100% as revenue over the next twelve months. Covid-19 related circumstances have prevented the Company from fulfilling its performance obligations related to these sales. The deferred revenue will be recognized as revenue when the Company is able to fulfil its performance obligations.

## **12. Related party transactions**

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers. Key management compensation paid to officers and directors of the Company during the three month period ended October 31, 2020 was \$398,265 (2019 - \$273,662). In addition, share-based compensation expense relating to officers and directors for the three month period ended October 31, 2020 was \$166,118 (2019 - \$33,571).

As at October 31, 2020, there is no outstanding amount (2019 - \$6,667) in accounts payable and accrued liabilities due to officers and directors of the Company or to companies controlled by directors and officers of the Company.

## **PATRIOT ONE TECHNOLOGIES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

### **13. Supplemental cash flow Information**

Non-cash activities during the three months ended October 31, 2020 were conducted by the Company as follows:

Additions to right of use assets for IFRS 16 (Note 9)	\$ 466,559
Additions to right of use liabilities for IFRS 16 (Note 9)	\$ 466,559

Non-cash activities during the three months ended October 31, 2019 were conducted by the Company as follows:

Fair value of shares issued on acquisition of Xtract (Note 4)	\$16,867,090
Transfer of contributed surplus on exercise of broker warrants	\$ 422,789
Transfer of contributed surplus on exercise of stock options	\$ 1,073

No cash was paid towards taxes during the three months ended October 31, 2020 and 2019. The Company paid interest expense of \$28,809 during the three months ended October 31, 2020 (2019 - \$24,893).

### **14. Financial instruments and risk management**

As at October 31, 2020, the Company's financial instruments comprise cash, receivables, investment in Sotech, accounts payable and accrued liabilities. The fair values of receivables, accounts payable and accrued liabilities approximate fair value due to the short-term nature of the instrument. The Company's other financial instruments, cash and investment in Sotech are carried at fair value. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

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

The Company has segregated all financial assets that are measured at fair value into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date:

## PATRIOT ONE TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

	As at October 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Cash	\$ 18,931,092	\$ -	\$ -	\$ 18,931,092
Investment in Sotech	-	3,995,400	-	3,995,400
Balance end of year	\$ 18,931,092	\$ 3,995,400	\$ -	\$ 22,926,492

	As at July 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash	\$ 22,407,251	\$ -	\$ -	\$ 22,407,251
Investment in Sotech	-	4,021,200	-	4,021,200
Balance end of year	\$ 22,407,251	\$ 4,021,200	\$ -	\$ 26,428,451

As at October 31, 2020, the fair value of cash held by the Company was based on Level 1 of the fair value hierarchy. The fair value of investment in Sotech was based on Level 2 of the fair value hierarchy and was determined based the fair value of the Company's 49% ownership.

Risks to the Company's financial instruments and their potential impact on the Company's financial instruments are summarized below:

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is 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 are sufficient to cover the likely short-term cash requirements, but that further funding or net income from operating activities will be required to meet long-term requirements. As at October 31, 2020, the Company had cash of \$18,931,092 (July 31, 2020 - \$22,407,251) to settle current liabilities of \$2,951,972 (July 31, 2020 - \$3,195,201). All of the Company's financial liabilities have contractual maturities of 30 days or less and are subject to normal trade terms.

### Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and receivables. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset-backed commercial paper. The Company's receivables primarily consist of sales tax refundable from the Canada Revenue Agency and accounts receivable under the Canadian Industrial & Technological Benefits ("ITB") program and is not subject to significant credit risk.

### Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices.

## **PATRIOT ONE TECHNOLOGIES INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

### *i. Interest rate risk*

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risk is insignificant.

### *ii. Foreign currency risk*

Foreign currency risk is the risk that is related to the fluctuation of foreign exchange rates. Most of the Company's assets, liabilities and operations are denominated in Canadian dollars. As at October 31, 2020, the Company did not have any material monetary assets or liabilities denominated in a foreign currency and consequently is not exposed to significant foreign currency risk. The Company holds an investment in Sotech at its expected fair value of \$3,995,400 (USD \$3,000,000) which is subject to foreign currency risk (Note 7).

### *iii. Price risk*

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## **15. Raytheon Canada Ltd. Canadian Industrial and Technological Benefits Program Funding**

Raytheon Canada Ltd. ("Raytheon") agreed to provide the Company with \$3,000,000 in non-dilutive cash financing for research and development through the Industrial and Technological Benefits program. The Company has received \$1,500,000 in funding to date and is eligible to receive an additional \$1,500,000 based on research and development performed in the calendar year ended December 31, 2020. As of October 31, 2020, the Company has accrued a receivable of \$1,366,800 related to qualifying expenditures from January 1, 2020 through October 31, 2020 (Note 5). Research and development costs have been recorded net of the \$345,800 of accrued non-dilutive funding for the three month period ended October 31, 2020 (2019 - \$360,000).

## **16. Segmented information**

### *Operating segments*

The Company currently has two distinct operating segments, Patriot Threat Detection and Xtract. Patriot Threat Detection develops and commercializes a platform of multi-sensor threat detection technologies. Xtract develops and commercializes artificial intelligence solutions for customers.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies (Note 3). The Company currently has no intersegment sales. Xtract labour costs incurred in the development of Patriot technologies are allocated to the Patriot Threat Detection business unit at cost.

## PATRIOT ONE TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

Segmented reporting information is presented for both of the Company's distinct operating units. The following tables summarize the operations and current financial position of each segment for the three month periods ended October 31, 2020 and October 31, 2019.

	For the three months ended October 31, 2020		
	Patriot Threat Detection	Xtract	Total
<b>Revenue</b>	\$ -	\$ 376,152	\$ 376,152
<b>Expenses</b>			
Sales and marketing	407,681	44,698	452,379
Research and development	309,347	(90,523)	218,824
General and administration	626,630	6,228	632,858
Personnel costs	1,063,120	100,092	1,163,212
Professional fees	283,662	93,421	377,083
Amortisation	228,392	-	228,392
Depreciation	210,825	33,623	244,448
Share-based compensation	331,336	63,014	394,350
	3,460,993	250,553	3,711,546
<b>Loss (profit) from operations</b>	3,460,993	(125,599)	3,335,394
Unrealized loss on fair value investment	25,800	-	25,800
Interest income	(35,726)	-	(35,726)
<b>Loss (profit) and comprehensive loss for the period</b>	\$ 3,451,067	\$ (125,599)	\$ 3,325,468
Non-current asset additions	\$ 42,694	120,710	\$ 163,404
Finance cost*	\$ 19,618	9,191	\$ 28,809
<b>As at October 31, 2020</b>			
Current assets	\$ 26,624,706	\$ 850,624	\$ 27,475,330
Current liabilities	\$ 2,496,358	\$ 455,614	\$ 2,951,972

\* Finance costs relate to imbedded interest in our office lease commitments (Note 9) and are included in general and administrative expenses.

## PATRIOT ONE TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

	For the three months ended October 31, 2019		
	Patriot Threat Detection	Xtract (Sept 6 - Oct 31)	Total
<b>Revenue</b>	\$ -	\$ 116,574	\$ 116,574
<b>Expenses</b>			
Sales and Marketing	1,402,393	2,860	1,405,253
Research and development	1,085,566	76,343	1,161,909
General and administration	624,495	68,144	692,639
Personnel costs	940,756	-	940,756
Professional fees	1,864,987	29,153	1,894,140
Amortization	251,058	-	251,058
Depreciation	250,684	12,085	262,769
Share-based compensation	458,956	-	458,956
	6,878,895	188,585	7,067,480
<b>Loss from operations</b>	6,878,895	72,011	6,950,906
Equity loss on joint venture	561,161	-	561,161
Interest income	(204,281)	(209)	(204,490)
<b>Loss and comprehensive loss for the period</b>	\$ 7,235,775	\$ 71,802	\$ 7,307,577
Non-current asset additions	\$ 616,176	\$ 11,471	\$ 627,647
Finance cost*	\$ 23,518	\$ 1,311	\$ 24,829
<b>As at October 31, 2019</b>			
Current assets	\$ 40,408,084	\$ 1,075,631	\$ 41,483,715
Current liabilities	\$ 4,157,776	\$ 156,229	\$ 4,314,005

\* Finance costs relate to imbedded interest in our office lease commitments and are included in general and administrative expenses.

## PATRIOT ONE TECHNOLOGIES INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the three months ended October 31, 2020 and 2019  
(Unaudited)  
(Expressed in Canadian Dollars)

### *Geographic Breakdown*

Patriot Threat Detection currently operates in Canada and the United States. Xtract currently only operates within Canada.

Geographic location	Three month period ended October 31, 2020			As at October 31, 2020		
	Revenue			Non-current assets		
	Patriot Threat			Patriot Threat		
	Detection	Xtract	Total	Detection	Xtract	Total
Canada	\$ -	\$ 376,152	\$ 376,152	\$ 29,296,517	\$ 592,313	\$ 29,888,830
United States	-	-	-	5,824,274	-	5,824,274
<b>Total</b>	<b>\$ -</b>	<b>\$ 376,152</b>	<b>\$ 376,152</b>	<b>\$ 35,120,791</b>	<b>\$ 592,313</b>	<b>\$ 35,713,104</b>

  

Geographic location	Three month period ended October 31, 2019			As at October 31, 2019		
	Revenue			Non-current assets		
	Patriot Threat			Patriot Threat		
	Detection	Xtract	Total	Detection	Xtract	Total
Canada	\$ -	\$ 116,574	\$ 116,574	\$ 29,898,511	\$ 341,112	\$ 30,239,623
United States	-	-	-	11,205,160	-	11,205,160
United Kingdom	-	-	-	159,774	-	159,774
<b>Total</b>	<b>\$ -</b>	<b>\$ 116,574</b>	<b>\$ 116,574</b>	<b>\$ 41,263,445</b>	<b>\$ 341,112</b>	<b>\$ 41,604,557</b>

### *Major Customers*

The majority of revenue recognized by Xtract during the three month periods ended October 31, 2020 and 2019 was earned from the Canadian Federal Government.

## 17. Subsequent event

Subsequent to the period, the Company granted 720,000 stock options to an officer of the Company with an exercise price of \$0.57 per share. These options were granted for a term of five years and a vesting period over three years.