HISTORICAL FINANCIAL INFORMATION

Consolidated Statement of Income and Comprehensive Income

	Note	Twelve months ended 31 May 2018	Twelve months ended 31 May 2019	Seven months ended 31 December 2019	Twelve months ended 31 December 2020
			($ thousands)		
REVENUE					
Product and maintenance	6	3,449	6,872	9,313	44,197
Consulting	6	39	40	-	-
		3,488	**6,912**	**9,313**	**44,197**
EXPENSES					
Salaries	7, 10	(528)	(2,127)	(2,040)	(7,345)
Subscriptions		(419)	(1,336)	(1,786)	(4,916)
Subcontracting		(824)	(567)	(673)	(2,613)
Professional fees	9	(241)	(426)	(397)	(1,500)
Prototype		-	(626)	(106)	(1,130)
Depreciation of right-of-use asset	16	-	-	(401)	(991)
Stock-based payment	10, 23	(6)	(45)	(79)	(758)
Office		(117)	(258)	(372)	(627)
Depreciation of property and equipment	14	(21)	(56)	(66)	(229)
Advertising and promotion		(14)	(102)	(116)	(137)
Insurance		(13)	(32)	(22)	(40)
Equipment rentals		-	(371)	-	-
Rental		(72)	(288)	-	-
		(2,255)	**(6,234)**	**(6,058)**	**(20,286)**
OPERATING PROFIT		**1,233**	**678**	**3,255**	**23,911**
Other Income (loss)					
Interest income		-	9	5	266
Interest expense		-	-	(72)	(262)
Foreign currency translation gain (loss)		(8)	205	(221)	(1,317)
PROFIT BEFORE TAX		**1,225**	**892**	**2,967**	**22,598**
RECOVERY OF (PROVISION FOR) INCOME TAXES					
Current	11	(71)	(276)	(868)	(5,875)
Deferred	11	(210)	(104)	37	(350)
		(281)	**(380)**	**(831)**	**(6,225)**
TOTAL PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR		**944**	**512**	**2,136**	**16,373**
Basic income per share	12	0.05	0.03	0.13	0.89
Diluted income per share	12	0.05	0.02	0.11	0.75

Consolidated Statement of Financial Position

	Note	As at 31 May		As at 31 December	
		2018	2019	2019	2020
		($ thousands)			
ASSETS					
NON-CURRENT					
Property and equipment	14	96	196	260	525
Intangible asset	15	-	-	-	178
Right-of-use asset	16	-	-	1,149	8,804
		96	**196**	**1,409**	**9,507**
CURRENT					
Cash and cash equivalents	13	5,242	5,014	7,307	17,875
Accounts receivable		-	1,488	2,273	6,628
Government remittances recoverable		142	204	258	833
Investment tax credit receivable		948	1,437	1,533	2,418
Work-in-process		-	-	1,006	13,148
Notes receivable	17	-	-	270	545
Prepaid expenses		113	132	178	444
Capitalized contract costs		-	-	-	308
		6,445	**8,275**	**12,825**	**42,199**
TOTAL ASSETS		**6,541**	**8,471**	**14,234**	**51,706**
LIABILITIES					
CURRENT					
Bank indebtedness	18	-	-	2,909	-
Accounts payable and accrued liabilities	19	338	529	340	2,810
Income taxes payable	11	71	51	680	4,520
Current portion of long-term debt	21	-	-	-	35
Deferred revenue	20	4,971	6,037	4,786	12,371
Current portion of lease liabilities	16	-	-	586	2,128
		5,380	**6,617**	**9,301**	**21,864**
NON-CURRENT					
Long-term debt	21	-	-	-	35
Deferred income taxes	11	210	314	277	627
Lease liabilities	16	-	-	657	6,529
		210	**314**	**934**	**7,191**
TOTAL LIABILITIES		**5,590**	**6,931**	**10,235**	**29,055**
SHAREHOLDERS' EQUITY					
Share capital	22	1	36	491	2,395
Share-based payment reserve		6	48	46	421
Retained earnings		944	1,456	3,462	19,835
TOTAL SHAREHOLDERS' EQUITY		**951**	**1,540**	**3,999**	**22,651**
		6,541	**8,471**	**14,234**	**51,706**

Consolidated Statement of Changes in Equity

	Number of shares	Share capital	Share-based payment reserve	Retained earnings	Total
			($ thousands except shares)		
Balance as at 31 May 2017	23,400,000	1	-	-	1
Net income and comprehensive income for the year	-	-	-	944	944
Share-based payment expense	-	-	6	-	6
Balance as at 31 May 2018	**23,400,000**	**1**	**6**	**944**	**951**
					-
Net income and comprehensive income for the year	-	-	-	512	512
Issuance of shares	1,392,083	35	(3)	-	32
Share-based payment expense	-	-	45	-	45
Balance as at 31 May 2019	**24,792,083**	**36**	**48**	**1,456**	**1,540**
					-
Net income and comprehensive income for the year	-	-	-	2,136	2,136
One-time adjustment to retained earnings upon adoption of IFRS 16	-	-	-	(130)	(130)
Issuance of shares	1,024,336	455	(82)	-	373
Share-based payment expense	-	-	80	-	80
Balance as at 31 December 2019	**25,816,419**	**491**	**46**	**3,462**	**3,999**
					-
Net income and comprehensive income for the year	-	-	-	16,373	16,373
Issuance of shares	2,110,833	1,904	(383)	-	1,521
Share-based payment expense	-	-	758	-	758
Balance as at 31 December 2020	**27,927,252**	**2,395**	**421**	**19,835**	**22,651**

Consolidated Statement of Cash Flows

	Note	Twelve months ended 31 May 2018	Twelve months ended 31 May 2019	Seven months ended 31 December 2019	Twelve months ended 31 December 2020
			($ thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income		944	512	2,136	16,373
Items not affecting cash:					
Depreciation of property and equipment		21	56	66	229
Depreciation of right-of-use asset		-	-	401	991
Share-based payment		6	45	80	758
Subcontracting expense obtained for common shares	22	-	18	23	40
Deferred income taxes	11	210	104	(37)	350
Lease interest	16	-	-	48	111
Unrealized foreign exchange gain on cash		(50)	(265)	(43)	302
		1,131	**470**	**2,674**	**19,154**
Changes in working capital		**4,178**	**(821)**	**(2,798)**	**(4,636)**
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES		**5,309**	**(351)**	**(124)**	**14,518**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(118)	(155)	(130)	(494)
Collection of notes receivable		-	-	42	48
Purchase of intangible asset		-	-	-	(178)
NET CASH USED IN INVESTING ACTIVITIES		**(118)**	**(155)**	**(88)**	**(624)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Issuance of common shares	22	1	13	38	1,159
Increase (decrease) in bank indebtedness	18	-	-	2,910	(2,910)
Increase in long-term debt	21	-	-	-	70
Payment of lease liabilities	16	-	-	(486)	(1,343)
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES		**1**	**13**	**2,462**	**(3,024)**
NET INCREASE / (DECREASE) IN CASH FOR THE PERIOD		**5,192**	**(493)**	**2,250**	**10,870**
CASH - BEGINNING OF PERIOD		-	5,242	5,014	7,307
Foreign exchange gain (loss) on cash held in foreign currency		50	265	43	(302)
CASH - END OF PERIOD		**5,242**	**5,014**	**7,307**	**17,875**
CASH FLOWS SUPPLEMENTARY INFORMATION					
Interest received		-	9	5	266
Interest paid		-	-	24	151
Income taxes paid		-	71	66	781

1 Description of Operations

These consolidated financial statements represent the consolidated financial statements of Alphawave IP Inc. and its wholly owned subsidiary Alphawave IP Corp. (together, the "Group").

Alphawave IP Inc. was incorporated on May 19, 2017 under the laws of the Province of Ontario. Alphawave IP Corp. was incorporated on April 19, 2018 under the laws of the State of Delaware. The principal address of the Group is 170 University Avenue, Toronto ON. The Group's principal business activity is developing and licensing high performance connectivity intellectual property for the semiconductor industry.

2 Basis of Preparation

Statement of compliance-

The consolidated financial statements were prepared for the purposes of the Registration Document in accordance with the requirements of the Listing Rules and in accordance with UK-adopted International Financial Reporting Standards ("IFRS") (see note 4(r) for pending accounting pronouncements).

Basis of consolidation-

These consolidated financial statements include the accounts of Alphawave IP Inc. and its wholly owned subsidiary Alphawave IP Corp. All intercompany balances and transactions have been eliminated on consolidation.

Basis of organisation-

The Group's management has performed its evaluation for reporting its reportable segments, if any, and concluded that the Group's business constitutes only one operating segment as all its products and services are of similar nature and focus on customers from the same industry. Its entire revenues, expenses, assets and liabilities pertain to the one business as a whole. In addition, the Group's business is located only in one geographic segment i.e. Canada. Therefore, there was no information to be disclosed for operating segments.

Functional currency-

These consolidated financial statements are presented in Canadian dollars, which is the Group's functional currency.

Basis of measurement-

These consolidated financial statements are prepared on a historical cost basis, except for certain financial instruments and share-based payment reserve that are measured at fair value.

Going concern-

As of 31 December 2020 the Group had cash and cash equivalents of $17.9 million. Considering the Group's financial position as of 31 December 2020 and its principal risks and opportunities, a going concern analysis has been prepared for at least the twelve-month period from the date of signing the consolidated financial statements ("the going concern period") utilising realistic scenarios and applying a severe but plausible downside scenario. Even under the downside scenario, the analysis demonstrates the Group continue to maintain sufficient liquidity headroom and continues to comply with all financial obligations. Therefore, the Directors believe the Group is adequately resourced to continue in operational existence for at least the twelve-month period from the date of signing the consolidated financial statements. Accordingly, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Use of estimates and judgement-

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Beginning in March 2020 the Governments of Canada and Ontario, as well as foreign governments instituted emergency measures as a result of the COVID-19 virus. The Group has continued to operate with limited impact on its financial position and cash flows. Management believes that the Group's accounting estimates are fairly determined, however, the ongoing uncertainty due to the unpredictable nature of COVID-19 may affect some of the significant estimates in the next fiscal year.

The areas which require management to make significant estimates in determining carrying values include, but are not limited to:

(a) Revenue recognition

In the determination of allocation of revenues to work-in-process and deferred revenues, management must assess the stage of completion of custom IP license contracts based on hours completed compared to total estimated hours to complete. Such judgments are inherently uncertain due to unforeseen delays in technological research. Changes in these assumptions affect the fair value estimates. See note 6.

The areas which require management to make significant judgements and assumptions in determining carrying values include, but are not limited to:

(a) Revenue

Judgements are exercised when determining the correct amount of revenue to be recognised. This includes making certain judgements when determining the appropriate accounting treatment of key customer contract terms in accordance with the applicable accounting standards. In particular, judgement is required to determine the performance obligations in a contract (if promised goods and services are distinct or not) and timing of revenue recognition (on delivery or over a period of time).

(b) Share-based payments

Judgement is used in determining the fair value of the share options at the grant date, including determining comparable listed companies against which the future volatility of the share price is compared and expected dividend yield. Such judgments are inherently uncertain and changes in these affect the fair value determination.

(c) Research and development costs

Judgement is exercised in determining whether costs incurred should be capitalised in line with IAS 38. The judgement includes whether it is technically feasible to complete the relevant assets on which costs are incurred so that it will be available for use or sale. Refer to note 8.

3 Changes in Accounting Policies

IFRS 9 – Financial Instruments

On June 1, 2018 the Group adopted IFRS 9, Financial Instruments ("IFRS 9") and the related consequential amendments to other IFRS standards that are effective for annual periods beginning on or after January 1, 2018. The transition provisions of IFRS 9 allow an entity to apply the new standard on a prospective basis without any adjustments to comparative figures. Accordingly, the Group has decided not to restate its comparative figures, which are presented under IAS 39, Financial Instruments: recognition and measurement ("IAS 39").

IFRS 9 introduced new requirements for:

(1) Classification and measurement of financial assets and financial liabilities,
(2) Impairment of financial assets, and
(3) General hedge accounting.

The impact of these new requirements on the Group's financial statements are described below.

All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The following table summarizes the classification of Group's financial instruments under both standards:

	IAS 39	IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The above changes in classification of Group's financial instruments had no impact on the carrying amounts of the financial instruments.

IFRS 15 – Revenue from contracts with customers

On June 1, 2018, the Group adopted IFRS 15, Revenue from contracts with customers ("IFRS 15"). IFRS 15 provides a single, principles-based, five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

The Group's revenue streams include revenue on consulting where the Group has one performance obligation i.e. the completion of the underlying sales transaction.

Revenues from products derives from contracts for which there is typically one performance obligation. However, the performance obligation on annual maintenance contracts is typically satisfied evenly throughout the term of the contract. As such, the Group will continue to recognize products income over the term of the contract as the services are rendered.

Therefore, there was no material impact on timing and amount recognized in revenues as a result of adoption of IFRS 15.

IFRS 16 - Leases

On June 1, 2019, the Group adopted IFRS 16 Leases ("IFRS 16") to replace IAS 17 Leases ("IAS 17"). Classification of leases by the lessor under IFRS 16 continues as either an operating or a finance lease, as was the treatment under IAS 17. The treatment of leases by the lessee requires capitalization of all leases resulting in accounting treatment similar to finance leases under IAS 17.

The Group, as permitted, have applied the modified retrospective approach and is not required to restate comparative information for the year ended May 31, 2019. It remains as previously reported under IAS 17 and related interpretations.

The Group has elected to apply the following practical expedients proposed by the standard:

- Reliance on the previous identification of a lease (as provided by IAS 17) for all contracts that existed on the date of initial application;
- the ROU assets for all leases were recognized at an amount equal to the lease liability plus prepaid lease payments immediately before the date of initial application;
- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics. The key differential considered in determining the discount rate is the length of the lease;
- the use of hindsight when determining the lease term, if the contract contains an option to extend or terminate the lease; and
- on initial application, initial direct costs are excluded from the measurement of the ROU asset;
- approach not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

Operating lease commitments disclosed in the Group's financial statements for the year ended May 31, 2019 under IAS 17 in the amount of $1,804,423 were discounted using the Group's incremental borrowing rate at June 1, 2019. In respect of leases outstanding at prior year-end, total lease liability (and corresponding right-of-use asset) of $2,162,657 with accumulated depreciation for $611,692 was recognized at June 1, 2019 as a result of transition. Adjustment of $130,125 was recorded in December 31, 2019 period's opening retained earnings on adoption of IFRS 16.

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

4 Summary of Significant Accounting Policies

(a) Cash and cash equivalents-

Cash and cash equivalents include cash and liquid investments with a term to maturity of 90 days or less when acquired.

(b) Revenue recognition-

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Group expects to be entitled in exchange for promised goods or services. The cumulative effects of revisions to contract revenues and estimated completion costs are recorded in the accounting period in which the amounts become evident and can be reasonably estimated. These revisions can include such items as the effects of change orders.

The Group enters into contracts that can include various combinations of products (i.e. custom IP licenses) and maintenance, some of which are distinct and are accounted for as separate performance obligations. For contracts with multiple performance obligations, the Group allocates the transaction price of the contract to each performance obligation, generally on a relative basis using its best estimate of the stand alone selling price to each distinct good or service in the contract.

Products and maintenance

Revenue from products and maintenance includes the Group's products and the related maintenance on these products. The products are delivered as contracted projects with contract terms of less than one year to more than three years. The customer controls all of the work-in-process as product is developed and integrated. On partially completed contracts, the Group recognizes revenue based on stage of completion of the project, which is estimated by comparing the number of hours actually spent on the project with the total number of hours expected to complete the project (i.e. an input-based method). This is considered a fair basis of the transfer of services as the contract pricing is typically based on the anticipated hours to complete the projects. The maintenance on the product is recognized over the term of the contract as control is transferred to the customer and includes software updates that become available during the term. The transaction price includes amounts expected to be received in exchange for the goods or services plus any contract amendments that are expected to be received. Payment terms are based on completion of milestones throughout the project life for fixed price contracts and annually for maintenance on the anniversary of the contract effective date. Payment is generally due within 30 days of the invoice date.

Consulting

Revenue from consulting services comprises one performance obligation i.e. completion of underlying transaction and is recognized when control of the goods and services has been transferred, the Group’s performance obligations to the customers have been satisfied and related costs are measured reliably. Payment is generally either due immediately or within 30 days.

The timing of delivering the services to the customer may differ from the timing of the customer’s payment. Revenue amounts received for which the services are not yet delivered, and recognition conditions do not meet as at the reporting date, are recorded as deferred revenue. Revenue amounts for which the services are delivered, and recognition conditions are met, however no amounts have been billed and collected, are recorded as work-in-process.

Interest income is recorded on accrual basis.

(c) Investment tax credits-

Investment tax credits receivable are amounts recoverable from the Canadian federal and provincial government under the SRED incentive program. The amounts claimed under the program represent the amounts submitted by management based on research and development costs paid during the year and included a number of estimates and assumptions made by management in determining the eligible expenditures. ITC's are recorded when there is reasonable assurance that the Group will realize the ITC's and are netted against the related expenditure. Recorded ITC's are subject to review and approval by tax authorities and therefore, amounts eventually received may be different from the amounts recorded.

(d) Work-in-process-

Work-in-process includes unbilled amounts typically resulting from sales under long-term contracts when the cost-to-cost method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer accounted for under IFRS 15. At any given period-end, a large portion of the balance in this account represents the accumulation of labour, materials and other costs that have not been billed due to timing, whereby the accumulation of each month’s costs and earnings are administratively billed in subsequent months. Also included in the account are amounts that will become billable according to contract terms, which usually require the consideration of the passage of time, achievement of milestones or completion of the project.

(e) Share-based payments-

The Group issues share options in accordance with its approved shares-settled 'Equity Incentive Plan'. Share options granted to employees are accounted for under the fair value-based method of accounting using fair value for underlying equity instrument. Fair values are determined in accordance with the Black-Scholes-Merton option-pricing model ("BSM"). Management exercises judgment in determining the underlying share price volatility, expected forfeitures and other parameters of the calculations. Share options granted to service providers are valued using fair value of services obtained, and if that is not determinable, at the fair value of underlying equity instrument as per BSM. Share costs of share-based payments are recognized over the vesting period as an increase to share-based payment expense and share-based payment reserve.

Upon the exercise of the options, consideration received together with the amount previously recognized in share-based payment reserve is recorded as an increase to share capital.

Upon expiry of the options, the value that had been ascribed to the expired options remains in the share-based payment reserve.

When terms of the options are modified at a future date, the fair value of the options must be adjusted for the new terms using the BSM. Any difference in fair value must be adjusted as a change to share-based payment reserve and shared-based payment expense.

(f) Capitalized contract costs-

The Group records an asset for the incremental costs of obtaining a contract with a customer, including direct sales commissions that are earned upon execution of the contract. The cost of direct sales commissions is measured as a percentage of the contract price. The group recognizes the cost to fulfil a contract only when the costs relate directly to a contract or to an anticipated contact that the Group can specifically identify, the cost generate or enhance resources of the Group that will be used in satisfying performance obligations in the future, and the costs are expected to be recovered. The Group recognizes the amortization expense related to these capitalized costs related to initial contracts and such expense is recognized over a period associated with the revenue of the related contract which is recognized on a stage of completion basis, which is generally one to two years. Capitalized contract costs are tested for impairment on an ongoing basis when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized to the extent that the amount of the capitalized contract costs exceeds the remaining expected gross margin (remaining revenue less remaining direct costs) on the goods and services to which the capitalized contract costs relates.

(g) Foreign currency translation-

Transactions in foreign currencies are translated to functional currency at the foreign exchange rate prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognized in the statement of income and comprehensive income as foreign currency translation gains or losses in the period in which they occur.

(h) Property and equipment-

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes initial cost and subsequent expenditures that are directly attributable to the related asset when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to consolidated statement of income and comprehensive income during the year they are incurred. Property and equipment are depreciated over their estimated useful life on a declining balance basis at the following rates:

Computer equipment	50%
Furniture and fixtures	20%
Leasehold improvements	40%

Property and equipment acquired during the year are depreciated from the date the asset is available for use as intended until the date of de-recognition. The residual values and useful lives are reviewed by the management at each financial year-end and adjusted if impact on depreciation is significant. Property and equipment are regularly reviewed to eliminate obsolete items.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in consolidated statement of income and comprehensive income in the year the asset is de-recognized.

(i) Intangible assets-

Intangible asset is purchased IP carried at cost less accumulated amortization and impairments. The intangible asset will be amortized on a straight line basis over the term of the license which is 5 years from the date of completion.

Intangible assets are not amortized until the date the asset is available for use. An intangible asset that is under development and not yet available for use is tested for impairment annually by comparing its carrying amount with its recoverable amount. The residual values and useful lives are reviewed by management at each reporting date and those estimates are adjusted if required.

(j) Leases-

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognizes a ROU asset and a lease liability at the lease commencement date, which is the date the leased asset is available for use. The Group has elected not to separate lease and non-lease components and instead treats them all as lease payments and a single lease component.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The incremental borrowing rate is the rate which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. The lease liability is measured at amortized cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset unless it has been reduced to zero. Any further reduction in the lease liability is then recognized in profit or loss.

The ROU asset is initially measured based on the initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The ROU assets are depreciated over the shorter of the lease term and the useful life of the underlying asset using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits. In addition, the ROU asset can be periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Group will remeasure the lease liability using the Group's incremental borrowing rate on the date of modification, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset.

The lease payments associated with short term and low value leases are recognized as an expense on a straight-line basis over the lease term as the Group has elected the relevant practical expedients. Short term leases are those with a lease term of 12 months or less. Low value asset leases are those leases where the asset being leased when new has a value of less than $10,000.

(k) Research and development-

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the asset and to use or sell it;
- the ability to use or sell the intangible asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

As of 31 December 2020, 31 December 2019, 31 May 2019 and 31 May 2018, the Group has not capitalized any development costs as technical feasibility has not been reached.

(l) Income taxes-

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for changes to tax payable with regards to previous years.

Deferred tax is recorded using the asset and 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 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 statements of 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 Group intends to settle its current tax assets and liabilities on a net basis.

(m) 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, 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.

(n) Impairment-

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in consolidated statement of income and comprehensive income. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in statement of income and comprehensive income.

(o) Provisions-

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

(p) Government assistance-

Government assistance is recognized when eligibility criteria are met and are recognized as an asset and offset against the relevant expenditures. Please also refer to note 4(c) Investment tax credits.

(q) Financial instruments-

Financial assets and financial liabilities are recognized in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Except for financial assets and financial liabilities at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, upon initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets:

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets. The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets are classified in one of the three categories: (i) amortized cost; (ii) FVTOCI; or (iii) FVTPL.

(i) Amortized cost-

Financial assets that are debt instruments and are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are measured at amortized cost at each subsequent reporting period. The Group classifies accounts receivable and notes receivable as financial assets that are subsequently measured at amortized cost.

(ii) FVTOCI-

Financial assets that are debt instruments and are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal outstanding, are measured at FVTOCI. Currently, the Group does not have any FVTOCI financial assets. In addition, the Group may, at initial recognition, make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity instrument is held for trading.

(iii) FVTPL-

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured subsequently at FVTPL. Trading financial instruments are mandatorily measured at FVTPL as they are held for trading purposes or are part of a business model with a pattern of short-term profit taking. Non-trading financial assets are also mandatorily measured at FVTPL if their contractual cash flow characteristics do not meet the SPPI test or if they are managed together with other financial instruments on a fair value basis. In addition, the Group may, at initial recognition, make an irrevocable election to designate a financial asset as FVTPL. A financial asset is designated as FVTPL when such classification eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring the financial asset on different basis. Gains and losses realized on disposition and unrealized gains and losses from changes in fair value of the financial assets are recognized in the consolidated statement of loss and comprehensive loss. Currently, the Group classifies cash as FVTPL financial assets.

Impairment of financial assets:

The Group recognizes a loss allowance for expected credit losses (“ECL”) on accounts receivables that are measured at amortized cost. The Group applies the simplified approach for accounts receivables and recognizes the lifetime ECL for these assets. The ECL on accounts receivables is estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the customers, general economic conditions and an assessment of both the current as well as the forecasted direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets measured at amortized cost or FVTOCI, the Group recognizes lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on such financial instruments has not increased significantly since initial recognition, the Group measures the loss allowance on those financial instruments at an amount equal to 12-months ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial asset. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial asset that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset at the reporting date with the risk of default occurring at the initial recognition. The Group considers both quantitative and qualitative factors that are supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Group presumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default:

For internal credit risk management purposes, the Group considers a financial asset not recoverable if the customer balance owing is 180 days past due and information obtained from the customer and other external factors indicate that the customer is unlikely to pay its creditors in full.

Credit impaired financial assets:

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the counter-party;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the debtor will enter bankruptcy or other financial reorganization;

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy:

The Group writes off and derecognizes a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Derecognition of financial assets:

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has designated on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities:

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term or on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking, or it is a derivative financial liability.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial liabilities classified or designated at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss. However, for financial liabilities that are designated as FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the issuer is recognized in other comprehensive loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive loss would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive loss are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

The Group classifies bank indebtedness, accounts payable and accrued liabilities, and lease liabilities at amortized cost.

Derecognition of financial liabilities:

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(r) Recent accounting pronouncements-

At the date of authorization of these financial statements, the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee have issued the following new and revised Standards and Interpretations which the Group reasonably expects to be applicable at a future date and intends to adopt when they become effective:

Classification of liabilities as current or non-current (amendment to IAS 1)

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether or not an entity will exercise their right to defer settlement of a liability. The amendments further clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The adoption of these amendments is not expected to have a significant impact on the consolidated financial statements.

COVID-19 related rent concessions (amendment to IFRS 16)

IFRS 16 Leases has been revised to incorporate an amendment issued by the IASB in May 2020. The amendment permits lessees not to assess whether particular COVID-19 related rent concessions are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. In addition, the amendment to IFRS 16 provides specific disclosure requirements regarding COVID-19 related rent concessions. The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. The Group does not expect the adoption of these amendments to have any impact on the consolidated financial statements.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 Provisions, Contingent Liabilities and Contingent Assets has been revised to incorporate amendments issued by the IASB in May 2020. The amendments specify which costs an entity includes in determining the costs of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Group is currently assessing the impact of these amendments.

(s) Events after the reporting date-

Events between the reporting date and the date on which the consolidated financial statements are approved, favourable and unfavourable, providing evidence of conditions that existed at the reporting date, adjust the amounts recognised in the consolidated financial statements. Those that indicate conditions arising after the reporting date are disclosed but are not recognised within the consolidated financial statements.

5 Alternative Performance Measures ("APM's")

The Group uses certain financial measures that are not defined or recognised under IFRS. The Directors believe that these non-GAAP measures supplement GAAP measures to help in providing a further understanding of the results of the Group and are used as key performance indicators within the business to aid in evaluating its current business performance. The measures can also aid in comparability with other companies, particularly in the cybersecurity industry, who use similar metrics. However as the measures are not defined by IFRS, other companies may calculate them differently or may use such measures for different purposes to the Group.

Earnings before interest, taxation, depreciation and amortisation "EBITDA"

EBITDA provides a supplemental measure of earnings that facilitates review of operating performance on a period-to-period basis by excluding items that are not indicative of the Group's underlying operating performance.

EBITDA is a key profit measure used by the Board to assess the underlying financial performance of the Group. EBITDA is stated before the following items for the following reasons:

- Interest is excluded from the calculation of EBITDA because the expense bears no relation to the Group's underlying operational performance.
- Charges for the depreciation of property and equipment, acquired intangibles and right of use assets are excluded from the calculation of adjusted EBITDA. This is because these charges are based on judgements about their value and economic life, are the result of the application of acquisition accounting rather than core operations, and whilst revenue recognised in the income statement does benefit from the underlying assets acquired, the depreciation costs bear no relation to the Group's underlying ongoing operational performance.

EBITDA is defined as the Group's Operating Profit adjusted for depreciation and amortisation charges, any gain or loss on the sale of tangible and intangible assets. The Directors consider this metric a useful supplemental measure of earnings that provides visibility on the underlying profitability of the business excluding accounting judgements.

($ thousands)	**Twelve months ended 31 May 2018**	**Twelve months ended 31 May 2019**	**Seven months ended 31 December 2019**	**Twelve months ended 31 December 2020**
Profit before tax	1,225	892	2,967	22,598
Add backs:				
Interest income	-	(9)	(5)	(266)
Interest expense	-	-	72	262
Depreciation	21	56	467	1,220
EBITDA	1,246	939	3,501	23,814

6 Revenue

Revenue in the consolidated statement of income and comprehensive income is analysed as follows:

($ thousands)	**Twelve months ended 31 May 2018**	**Twelve months ended 31 May 2019**	**Seven months ended 31 December 2019**	**Twelve months ended 31 December 2020**
Revenue by Type:				
Products	2,631	5,611	8,291	40,459
Maintenance	818	1,261	1,022	3,738
Consulting	39	40	-	-
	3,488	6,912	9,313	44,197

Revenues separated by location is based on the address of the customer's head office to which the sale was made, and the product or service is delivered:

($ thousands)	Twelve months ended 31 May 2018	Twelve months ended 31 May 2019	Seven months ended 31 December 2019	Twelve months ended 31 December 2020
Revenue by Location:				
North America	3,488	6,282	7,149	25,998
Asia Pacific	-	630	2,164	18,199
	3,488	6,912	9,313	44,197

Contractual obligations:

The contractual obligations to be fulfilled by the Group, which at 31 December 2020 amounted to $42,026,005 are expected to be fully realized as revenue in 2021.

Sensitivity analysis on revenue recognized:

If the total estimated hours to complete a job had increased/decreased by 5% with all other variables held constant, revenue for the period would have been lower/higher by approximately $570,313 and $630,346, respectively.

Revenues from various customers which comprise greater than 10% of the Group's total revenues are as follows:

($ thousands)	Twelve months ended 31 May 2018	Twelve months ended 31 May 2019	Seven months ended 31 December 2019	Twelve months ended 31 December 2020
Customer Location:				
Asia Pacific	-	-	-	9,086
Asia Pacific	-	-	4,405	6,806
North America	-	-	-	5,945
North America	-	-	-	4,760
North America	3,449	6,243	2,745	-
North America	-	-	2,163	-

7 Employee Costs

($ thousands)	Twelve months ended 31 May 2018	Twelve months ended 31 May 2019	Seven months ended 31 December 2019	Twelve months ended 31 December 2020
Wages, salaries and benefits	1,259	3,267	3,244	10,675
Defined contribution pension costs	48	85	107	178
Social security costs	23	47	62	142
Share-based payments	6	45	79	758
Investment tax credit	(802)	(1,272)	(1,373)	(2,297)
Government grants	-	-	-	(1,353)
Total employee costs	534	2,172	2,119	8,103

($ thousands)	Twelve months ended 31 May 2018	Twelve months ended 31 May 2019	Seven months ended 31 December 2019	Twelve months ended 31 December 2020
Wages, salaries and benefits	1,259	3,267	3,244	10,675
Defined contribution pension costs	48	85	107	178
Social security costs	23	47	62	142
Share-based payments	6	45	79	758
Investment tax credit	(802)	(1,272)	(1,373)	(2,297)
Government grants	-	-	-	(1,353)
Total employee costs	534	2,172	2,119	8,103

31 December 2020

The average number of employees during the period, analysed by category, was as follows:

($ thousands)	Twelve months ended 31 May 2018	Twelve months ended 31 May 2019	Seven months ended 31 December 2019	Twelve months ended 31 December 2020
Technical	17	23	35	52
Administration	3	4	4	12
Sales	-	1	2	2
Total average number of employees	20	28	41	66

8 Research and Development

The Group incurred research and development costs that have been expensed in the statement of income and comprehensive income. The amounts expensed through salaries, subscriptions, subcontracting, depreciation of right-of-use asset, equipment rentals, and prototype which relate to research and development are as follows:

($ thousands)	Twelve months ended 31 May 2018	Twelve months ended 31 May 2019	Seven months ended 31 December 2019	Twelve months ended 31 December 2020
Research and development	2,060	5,645	5,512	14,540

9 Auditor's Remuneration

The Group paid the following amount to its auditor in respect of the audit of the historical financial information and for other non-audit services provided to the Group.

($ thousands)	Twelve months ended 31 May 2018	Twelve months ended 31 May 2019	Seven months ended 31 December 2019	Twelve months ended 31 December 2020
Audit of the Financial Statements	40	55	55	95
Taxation compliance services	5	15	15	10
Other tax advisory services	-	-	16	35
Corporate finance services	7	24	13	60
	52	94	99	200

10 Directors' Remuneration

($ thousands)	Twelve months ended 31 May 2018	Twelve months ended 31 May 2019	Seven months ended 31 December 2019	Twelve months ended 31 December 2020
Directors' emoluments	-	149	165	719
Share-based payments	-	18	23	40
Pension costs	-	4	5	9
Total Directors' remuneration	-	167	188	759

31 December 2020

A single Director exercised options during the period. Details of that Directors' exercise of options are as follows:

($ thousands except number of options)	**Twelve months ended 31 May 2018**	**Twelve months ended 31 May 2019**	**Seven months ended 31 December 2019**	**Twelve months ended 31 December 2020**
Number of options exercised by Directors	-	-	-	1,199
Gains made on exercise of options by Directors	-	-	-	7,350

Details of the highest paid Director's remuneration is as follows:

($ thousands)	**Twelve months ended 31 May 2018**	**Twelve months ended 31 May 2019**	**Seven months ended 31 December 2019**	**Twelve months ended 31 December 2020**
Aggregate remuneration	-	25	52	200
Pension costs	-	-	1	3
Total Directors' remuneration	-	25	53	203
Number of options exercised	-	-	-	-

11 Provision For (Recovery Of) Income Taxes

The income tax provision recorded differs from the amount obtained by applying the statutory income tax rate of 26.50% (December 2019 – 26.50%, May 2019 - 26.50%, May 2018 – 26.50%) to the income before income taxes for the period and is reconciled as follows:

($ thousands)	**Twelve months ended 31 May 2018**	**Twelve months ended 31 May 2019**	**Seven months ended 31 December 2019**	**Twelve months ended 31 December 2020**
Income before income taxes	1,225	892	2,967	22,598
Income tax expense at the combined basic federal and provincial tax rate	325	236	787	5,988
Increase (decrease) resulting from:				
Small business deduction	(65)	(69)	-	-
Stock based compensation	2	12	21	201
Non-deductible expenses	5	9	3	4
Share issue costs	-	-	-	(4)
Foreign taxes not recovered	-	166	-	-
Foreign tax rate differential	-	-	-	(7)
Research and development tax credits and incentives	14	26	20	43
Effective tax expense	281	380	831	6,225

The deferred taxes reflect the tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Group's deferred income tax assets (liabilities) are as follows:

($ thousands)	**Twelve months ended 31 May 2018**	**Twelve months ended 31 May 2019**	**Seven months ended 31 December 2019**	**Twelve months ended 31 December 2020**
Deferred income tax liabilities				
Temporary differences relating to property and equipment	-	(2)	(1)	(22)
Temporary differences relating to lease liabilities	-	-	25	(39)
Temporary differences relating to share issue costs	-	-	-	16
Temporary differences relating to investment tax credits	(210)	(312)	(301)	(582)
	(210)	(314)	(277)	(627)

12 Earnings Per Share

Basic earnings per share is calculated by dividing net income from operations by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of commons shares outstanding to assume conversion of all potential dilutive stock options to common shares.

($ thousands except shares)	**Twelve months ended 31 May 2018**	**Twelve months ended 31 May 2019**	**Seven months ended 31 December 2019**	**Twelve months ended 31 December 2020**
Numerator:				
Net income from operations	1,233	678	3,255	23,911
Denominator:				
Weighted average number of common shares outstanding for basic EPS	23,400,000	24,182,326	25,171,904	27,013,982
Adjustment for stock options	2,520,833	4,990,012	5,721,382	4,910,601
Weighted average number of common shares outstanding for diluted EPS	25,920,833	29,172,338	30,893,286	31,924,583
Basic income per share	0.05	0.03	0.13	0.89
Diluted income per share	0.05	0.02	0.11	0.75

13 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprises cash at bank.

14 Property and Equipment

($ thousands)	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Cost				
Balance at 31 May 2017	-	-	-	-
Additions	64	43	10	117
Balance at 31 May 2018	64	43	10	117
Additions	118	19	19	156
Balance at 31 May 2019	182	62	29	273
Additions	124	6	-	130
Balance at 31 December 2019	306	68	29	403
Additions	342	4	148	494
Balance at 31 December 2020	648	72	177	897

($ thousands)	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Accumulated Depreciation				
Balance at 31 May 2017	-	-	-	-
Charge for the year	16	4	1	21
Balance at 31 May 2018	16	4	1	21
Charge for the year	43	10	3	56
Balance at 31 May 2019	59	14	4	77
Charge for the year	54	6	6	66
Balance at 31 December 2019	113	20	10	143
Charge for the year	182	10	37	229
Balance at 31 December 2020	295	30	47	372

($ thousands)	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Net Book Value				
At 31 May 2018	48	39	9	96
At 31 May 2019	123	48	25	196
At 31 December 2019	193	48	19	260
At 31 December 2020	353	42	130	525

15 Intangible Asset

The intangible asset is a license to use IP. The IP is being developed by a 3rd party vendor and amount paid to date represent instalments paid to initiate the development and is carried at cost. No amortization is recorded as the intangible asset is not yet available for use. The carrying amount is tested for impairment at December 31, 2020 and there are no adjustments to the carrying amount.

16 Right-of-use Asset and Lease Liabilities

The Group has leases for corporate offices, production facilities, and certain equipment. These leases have remaining lease terms ranging from 4 months to 8.5 years, some of which include options to extend the leases for up to 10 years or to terminate the lease with notice periods of 90 days to 6 months or at predetermined dates as specified within the lease contract. The Group has classified the assets related to these leases as right-of-use assets and the liabilities associated with the future lease payments under these leases as lease liabilities. The weighted average incremental borrowing rate applied to these lease liabilities at initial recognition during the year was 3.95% per annum.

The following table provides details of changes in the Group's leased assets:

($ thousands)	Buildings	Equipment	Total
Cost			
Balance at 31 May 2018	-	-	-
Balance at 31 May 2019	-	-	-
Balance at June 1, 2019 (adoption)	1,310	852	2,162
Balance at 31 December 2019	1,310	852	2,162
Additions	6,474	2,172	8,646
Disposals	-	(852)	(852)
Balance at 31 December 2020	7,784	2,172	9,956

($ thousands)	Buildings	Equipment	Total
Accumulated depreciation			
Balance at 31 May 2018	-	-	-
Balance at 31 May 2019	-	-	-
Balance at June 1, 2019 (adoption)	328	284	612
Charge for the year	153	248	401
Balance at 31 December 2019	481	532	1,013
Charge for the year	432	559	991
Disposals	-	(852)	(852)
Balance at 31 December 2020	913	239	1,152

($ thousands)	Buildings	Equipment	Total
Carrying amounts			
At 31 May 2018	-	-	-
At 31 May 2019	-	-	-
At 31 December 2019	829	320	1,149
At 31 December 2020	6,871	1,933	8,804

The following table provides details of changes in the Group's lease liabilities:

At 1 June 2019	1,681
Additions	-
Interest	48
Payments	(486)
As at 31 December 2019	1,243
Additions	8,646
Interest	111
Payments	(1,343)
As at 31 December 2020	8,657

Lease payments not recognized as a liability:

The Group continues to pay rents where it continues to occupy properties after the lease has expired. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The use of extension and termination options give the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's strategy and economic benefits of exercising the option exceeds the expected overall cost.

17 Notes Receivable

The Group has notes receivables from employees with no stated terms of repayment, due on demand, bearing interest at 1% per annum. In the event of default the notes are to be enforced under applicable laws. The balance at December 31, 2020 is $544,607 (December 31, 2019 - $269,700, May 31, 2019 - $nil, May 31, 2018 - $nil).

18 Bank Indebtedness

The Group has a credit facility with Bank of Montreal, which includes an approved operating line that can be drawn upon to a maximum of $8,150,000, which bears interest at prime plus 1.50% and is guaranteed by Export Development Canada. At the consolidated statement of financial position date, the amount owing, which is due on demand, was $nil (December 2019 - $2,909,312, May 2019 - $nil, May 2018 - $nil).

19 Accounts Payable and Accrued Liabilities

	As at 31 May		*As at 31 December*	
($ thousands)	**2018**	**2019**	**2019**	**2020**
Trade payables	129	273	202	1,389
Accruals	206	159	65	1,246
Other payables	3	97	73	175
	338	529	340	2,810

20 Deferred Revenue

	As at 31 May		*As at 31 December*	
	2018	**2019**	**2019**	**2020**
Balance at the beginning of the period	-	4,971	6,037	4,786
Billings deferred during the year	7,769	7,919	7,056	36,388
Revenue released to the Consolidated Statement of Income and Comprehensive Income	(2,798)	(6,952)	(9,436)	(30,309)
Adjustments (a)	-	99	1,129	1,506
Net deferral	4,971	1,066	(1,251)	7,585
Balance at the end of the period	4,971	6,037	4,786	12,371

(a) Adjustments reflect a change in measurement of progress of projects and estimated completion costs.

21 Long-term debt

	As at 31 May		*As at 31 December*	
($ thousands)	**2018**	**2019**	**2019**	**2020**
Long-term debt under the Paycheck Protection Program ("PPP") in the United States of America. The debt bears interest at 1% per annum and is due April 8, 2022. Combined principal and interest payments commence September 8, 2021	-	-	-	70
Less: current portion	-	-	-	(35)
	-	-	-	35

22 Share Capital

	Authorized	Issued and Outstanding As at 31 May 2018	As at 31 May 2019	As at 31 December 2019	As at 31 December 2020
Voting common shares, fully paid, with no par value	Unlimited	23,400,000	24,140,000	24,796,900	26,710,649
Non-voting common shares, fully paid, with no par value	Unlimited	-	652,083	1,019,519	1,216,603

Share capital transactions in the year are summarized as follows:

Voting common shares

($ thousands except shares)	*As at 31 December* 2019 Shares	2019 Amount	2020 Shares	2020 Amount
Balance at beginning of the year	24,140,000	19	24,796,900	122
Exercise of share options	-	-	1,199,000	441
Subcontracting expense obtained for common shares (a)	-	23	-	40
Exchange with non-voting common shares (b)	656,900	80	714,749	1,086
Balance at end of the year	24,796,900	122	26,710,649	1,689

($ thousands except shares)	*As at 31 May* 2018 Shares	2018 Amount	2019 Shares	2019 Amount
Balance at beginning of the year	23,400,000	1	23,400,000	1
Exercise of share options	-	-	-	-
Subcontracting expense obtained for common shares (a)	-	-	740,000	18
Exchange with non-voting common shares (b)	-	-	-	-
Balance at end of the year	23,400,000	1	24,140,000	19

Non-voting common shares

($ thousands except shares)	*As at 31 December* 2019 Shares	2019 Amount	2020 Shares	2020 Amount
Balance at beginning of the year	652,083	17	1,019,519	369
Exercise of share options	1,024,336	432	911,833	1,499
Exchange with voting common shares (b)	(656,900)	(80)	(714,749)	(1,086)
Share issuance costs	-	-	-	(76)
Balance at end of the year	1,019,519	369	1,216,603	706

($ thousands except shares)	*As at 31 May* 2018 Shares	2018 Amount	2019 Shares	2019 Amount
Balance at beginning of the year	-	-	-	-
Exercise of share options	-	-	652,083	17
Balance at end of the year	-	-	652,083	17

(a) During the year, the Group recognized subcontracting expense of $82,110 which was paid in voting common shares in a prior year. The shares were issued at the transaction date with the fair value of those shares being amortized into expenses and share capital over the 5 year term of the advisory agreement.

(b) During the year, the Board of Directors resolved to exchange 714,749 (December 2019 - 656,900) non-voting shares with a carrying value of $1,086,567 (December 2019 - $79,818) with voting common shares.

23 Share Options

The Board of Directors of the Group adopted a stock incentive plan (the "Plan") during the year ended May 31, 2018. The terms of any options granted under the Plan are fixed under individual agreements and may not exceed a term of five years. The exercise price of the options granted under the Plan is set at the last fair value of the Group's common shares determined by independent valuers before the date of grant.

Each share option converts into one voting or non-voting common share of the Group on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following tables summarizes information about share-based payment reserve:

Options on voting common shares:

	Seven months ended 31 December 2019		*Twelve months ended 31 December 2020*	
	Options	**Weighted average exercise price ($)**	**Options**	**Weighted average exercise price ($)**
Outstanding at beginning of period	1,199,000	0.270	1,199,000	0.270
Exercised during the period	-	-	(1,199,000)	0.270
Outstanding at end of period	1,199,000	0.270	-	-

	Twelve months ended 31 May 2018		*Twelve months ended 31 May 2019*	
	Options	**Weighted average exercise price ($)**	**Options**	**Weighted average exercise price ($)**
Outstanding at beginning of period	-	-	-	-
Granted during the period	-	-	1,199,000	0.270
Outstanding at end of period	-	-	1,199,000	0.270

Options on non-voting common shares:

	Seven months ended 31 December 2019		*Twelve months ended 31 December 2020*	
	Options	**Weighted average exercise price ($)**	**Options**	**Weighted average exercise price ($)**
Outstanding at beginning of period	4,847,917	0.135	4,078,372	0.353
Exercised during the period	(1,024,336)	0.337	(911,833)	1.363
Expired during the period	-	-	-	-
Forfeited during the period	(105,209)	0.034	(152,084)	2.408
Granted during the period	360,000	3.430	1,543,500	7.397
Outstanding at end of period	4,078,372	0.353	4,557,955	2.514
Exercisable at end of period	1,270,185	0.099	1,603,004	1.456

	Twelve months ended 31 May 2018		*Twelve months ended 31 May 2019*	
	Options	**Weighted average exercise price ($)**	**Options**	**Weighted average exercise price ($)**
Outstanding at beginning of period	-	-	3,830,000	0.028
Exercised during the period	-	-	(652,083)	0.022
Expired during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Granted during the period	3,830,000	0.028	1,670,000	0.337
Outstanding at end of period	3,830,000	0.028	4,847,917	0.135
Exercisable at end of period	-	-	836,593	0.033

The following share-based payment arrangements were in existence as at period end:

Exercise price ($)	**Number outstanding**		**Weighted average remaining life (years)**		**Number exercisable**	
	Dec 2020	**Dec 2019**	**Dec 2020**	**Dec 2019**	**Dec 2020**	**Dec 2019**
0.021	1,217,356	1,440,417	1.64	2.64	598,736	365,026
0.039	1,094,676	1,377,855	2.05	3.05	503,320	473,480
0.116	218,143	467,600	2.61	3.63	81,581	110,569
0.270	253,069	1,492,000	2.97	3.96	62,444	321,110
0.620	276,626	324,500	3.41	4.42	68,235	-
6.400	1,427,585	175,000	4.35	4.85	271,064	-
28.230	70,500	-	4.94	-	17,625	-
Total	4,557,955	5,277,372	2.79	3.39	1,603,005	1,270,185

Exercise price ($)	**Number outstanding**		**Weighted average remaining life (years)**		**Number exercisable**	
	May 2019	**May 2018**	**May 2019**	**May 2018**	**May 2019**	**May 2018**
0.021	1,635,417	2,250,000	3.00	4.00	308,855	-
0.039	1,692,500	1,580,000	3.41	4.40	527,708	-
0.116	530,000	-	4.00	-	-	-
0.270	1,539,000	-	4.10	-	-	-
0.620	650,000	-	4.50	-	-	-
Total	6,046,917	3,830,000	3.64	4.17	836,563	-

25% of options granted vest on the first anniversary date of issuance and the remaining options vest equally over the following 48 months. Options expire within five years of their issue under the terms of agreements.

The following assumptions were used in the BSM to determine the fair value of the share-based compensation expense relating to stock options issued in the period:

	Twelve months ended 31 May 2018	**Twelve months ended 31 May 2019**	**Seven months ended 31 December 2019**	**Twelve months ended 31 December 2020**
Risk-free interest rate	1.47%	2.05%	1.41%	0.57%
Expected volatility	20.18%	21.76%	23.31%	27.16%
Expected dividend yield	0%	0%	0%	0%
Expected life of stock options	5 years	5 years	5 years	5 years

The Group has determined the forfeiture rate to be nil and volatility was determined in reference to listed entities similar to the Group.

24 Government Assistance

In 2020, the Group received Canadian Emergency Wage Subsidy ("CEWS") from the Government of Canada totalling $1,353,430. CEWS was offered to qualifying companies in response to the COVID-19 virus to support wages paid to employees. Government assistance was applied to reduce salaries expensed during the year.

25 Related-Party Transactions

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions with Directors and key management personnel of the Group are disclosed in note 10.

The Group entered into the following transactions and had the following outstanding balances with related parties who are not consolidated in these financial statements:

	As at 31 May		*As at 31 December*	
($ thousands)	**2018**	**2019**	**2019**	**2020**
Transactions:				
Revenue from a company on which a director is the chairman of the board	-	6,243	2,745	1,867
Revenue from a company on which a director is a board observer	-	-	-	4,760
Revenue from a company on which an immediate family member of a director has significant influence	-	-	-	2,307
	-	**6,243**	**2,745**	**8,934**
Balances:				
Accounts receivable from a company on which a director is a board observer	**-**	**-**	**-**	**1,024**
Work-in-process for a company on which a director is a board observer	-	-	-	600
Work-in-process for a company on which an immediate family member of a director has significant influence	-	-	-	504
	-	**-**	**-**	**1,104**
Deferred revenue from a company on which a director is the chairman of the board	-	(2,968)	(1,329)	(904)
Deferred revenue from a company on which a director is a board observer	-	-	-	(231)
	-	**(2,968)**	**(1,329)**	**(1,135)**

Sales to related parties are made at market prices and in the ordinary course of business. Outstanding balances are unsecured and settlement occurs in cash. Any estimated credit losses on amounts owed by related parties would not be material and is therefore not disclosed. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

26 Capital Risk Management

The Group's primary objective with respect to its capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to have sufficient cash resources to fund the research, development and operations. To secure the additional capital necessary to pursue these plans, if needed, the Group may attempt to raise additional funds through the issuance of equity.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Group's approach to capital management in the year ended 31 December 2020. The Group is not subject to externally imposed capital requirements.

27 Notes to The Statement of Cash Flows

Changes in non-cash working capital are as follows:

($ thousands)	As at 31 May 2018	As at 31 May 2019	As at 31 December 2019	As at 31 December 2020
Accounts receivable	-	(1,488)	(785)	(4,355)
Government remittances receivable	(142)	(62)	(54)	(575)
Investment tax credit receivable	(948)	(489)	(96)	(885)
Work-in-process	-	-	(1,006)	(12,142)
Prepaid expenses	(113)	(19)	(46)	(266)
Capitalized contract costs	-	-	-	(308)
Accounts payable and accrued liabilities	339	191	(189)	2,470
Income taxes	71	(20)	629	3,840
Deferred revenue	4,971	1,066	(1,251)	7,585
	4,178	(821)	(2,798)	(4,636)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

($ thousands)	Bank indebtedness	Long-term debt	Lease liabilities	Total
Balance, 1 June 2017	-	-	-	-
Balance, 31 May 2018	-	-	-	-
Balance, 31 May 2019	-	-	-	-
Arising on adoption of IFRS 16	-	-	1,681	1,681
Restated at 1 June 2019	-	-	1,681	1,681
Changes from financing cash flows				
Proceeds from borrowings	2,910	-	-	2,910
Payment of lease liabilities	-	-	(486)	(486)
Total changes from financing cash flov	2,910	-	(486)	2,424
Other changes				
Interest expense	-	-	48	48
Balance, 31 December 2019	**2,910**	**-**	**1,243**	**4,153**
Changes from financing cash flows				
Proceeds from borrowings	-	70	-	70
Repayment of borrowings	(2,910)	-	-	(2,910)
Payment of lease liabilities	-	-	(1,343)	(1,343)
Total changes from financing cash flov	(2,910)	70	(1,343)	(4,183)
Other changes				
Interest expense	151	-	111	262
Interest paid	(151)	-	-	(151)
New finance leases	-	-	8,646	8,646
Total other changes	-	-	8,757	8,757
Balance, 31 December 2020	**-**	**70**	**8,657**	**8,727**

28 Financial Instruments

The Group held the following financial instruments as at December 31, 2020:

($ thousands)	*As at 31 May* 2018	*As at 31 May* 2019	*As at 31 December* 2019	*As at 31 December* 2020
Financial assets				
FVTPL				
Cash	5,242	5,014	7,307	17,875
Amortized cost				
Accounts receivable	-	1,488	2,273	6,628
Notes receivable	-	-	270	545
Financial liabilities				
Bank indebtedness	-	-	2,909	-
Accounts payable and accrued liabilities	338	529	340	2,810
Long-term debt	-	-	-	70
Lease liabilities	-	-	1,243	8,657

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. Only cash falls under this level of hierarchy;
- Level 2 - Inputs other than quoted prices that are observable for assets and liabilities, either directly or indirectly. The Group has no financial assets or financial liabilities under level 2;
- Level 3 – Inputs for assets or liabilities that are not based on observable market data. The Group has no financial assets or financial liabilities under level 3.

The Group recognized interest expense on the following financial liabilities:

($ thousands)	*As at 31 May* 2018	*As at 31 May* 2019	*As at 31 December* 2019	*As at 31 December* 2020
Bank indebtedness	-	-	24	151
Lease liabilities	-	-	48	111
	-	-	72	262

29 Financial Instrument Risks

In the normal course of business, the Group is exposed to a variety of financial risks. Significant financial instrument risks that are relevant to the Group and an analysis of how they are managed are presented below.

Credit risk

The Group is subject to credit risk from its operating activities (primarily for accounts receivable). The Group's experience with such customers has been characterized by prompt payment and no uncollectible accounts. As such the Group has $nil in allowance for doubtful accounts (December 2019 - $nil, May 2019 - $nil, May 2018 - $nil). As at December 31, 2020 the Group had accounts receivable from one customer that made up 51% (December 2019 – 100%, May 2019 – 97%, May 2018 – nil%) of the total balance. None of the amounts outstanding have been challenged by the respective counterparties and the Group continues to conduct business with them on an ongoing basis. Accordingly, management has no reason to believe that these balances are not fully collectible in the future.

Notes receivable are from employees which are still employed by the Group for exercise of stock options. The options that the employees hold are valued higher than the note receivable, and management has no indication that the amount would not be fully collectible in the future.

The Group keeps in view the credit quality of financial institutions where it keeps its funds. Currently, it deals with a bank having Aa2 credit rating by Moody's.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. As at 31 December 2020 the Group had $4,973,000 of liabilities with a maturity of one year or less (December 2019 - $3,835,000, May 2019 - $529,000, May 2018 - $338,000) and working capital of $20,335,000 (December 2019 - $3,524,000, May 2019 - $1,658,000, May 2018 - $1,065,000). The Group manages its liquidity risk by reviewing its growth plans on an ongoing basis as well as maintaining excess capacity on its line of credit.

($ thousands)	**Maturity within one year**	**Maturity from one to three years**	**Maturity from three to five years**	**Total**
As at May 31, 2018				
Accounts payable and accrued liabilities	338	-	-	338
	338	-	-	338
As at May 31, 2019				
Accounts payable and accrued liabilities	529	-	-	529
	529	-	-	529
As at December 31, 2019				
Bank indebtedness	2,909	-	-	2,909
Accounts payable and accrued liabilities	340	-	-	340
Lease liabilities	641	647	59	1,347
	3,890	647	59	4,596
As at December 31, 2020				
Accounts payable and accrued liabilities	2,810	-	-	2,810
Long-term debt	35	35	-	70
Lease liabilities	2,442	4,489	2,662	9,593
	5,287	4,524	2,662	12,473

Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. Market price risks includes:

Currency risk

Currency risk is the risk to the Group's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Group is exposed to foreign currency exchange risk on cash, and accounts payable held in U.S. dollars. The Group does not use derivative instruments to reduce its exposure to foreign currency risk. The average and closing U.S. dollars rates for the year are 1.3415 and 1.2732 (December 2019 – 1.2988 and 1.3224, May 2019 – 1.3224 and 1.3527, May 2018 – 1.2718 and 1.2948) respectively. The average and closing GBP rates for the year are 1.7381 and 1.7199 respectively. The following amounts in foreign currencies have been reflected at their equivalent of Canadian dollars in these financial statements.

	As at 31 May		***As at 31 December***	
($ thousands)	**2018**	**2019**	**2019**	**2020**
	(denominated in USD)			
Cash	3,924	3,433	4,909	13,703
Accounts receivable	-	1,103	1,750	5,175
Accounts payable and accrued liabilities	99	200	119	1,110
Bank indebtedness	-	-	2,240	-
Long-term debt	-	-	-	56

	As at 31 May		***As at 31 December***	
(£ thousands)	**2018**	**2019**	**2019**	**2020**
	(denominated in GBP)			
Accounts payable and accrued liabilities	-	-	-	228

31 December 2020

As at December 31, 2020, if the currency had weakened/strengthened by 5% against the USD and GBP with all other variables held constant, profit for the year would have been approximately $1,134,000 and $20,000 higher/lower, respectively, mainly as a result of the foreign exchange gains/losses on translation of foreign exchange financial instruments.

Interest rate risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest risk on it's floating rate bank indebtedness. If the interest rates were to fluctuate 5%, there would be no significant impact on the Group's financial statements due to the short-term nature of the debt.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. There are no financial assets subject to market rate price fluctuations. The Group's exposure to other price risk is minimal.