Consolidated financial statements of

VOTI Detection Inc.

October 31, 2021, and 2020

Deloitte.

Deloitte LLP
La Tour Deloitte
1190 Avenue des
Canadiens-de-Montréal
Suite 500
Montréal QC H3B 0M7
Canada

Tel: 514-393-7115
Fax: 514-390-4116
www.deloitte.ca

Independent Auditor's Report

To the Shareholders of VOTI Detection Inc.

Opinion

We have audited the consolidated financial statements of VOTI Detection Inc. (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in total equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred significant operating losses since inception and has an accumulated deficit of $41,706,520 as at October 31, 2021. For the year ended October 31, 2021, the Company incurred a comprehensive loss of $6,810,374. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Angelo Bracaglia.

February 28, 2022

[1] CPA auditor, CA, public accountancy permit No. A109522

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VOTI Detection Inc.
Consolidated statements of financial position
As at October 31, 2021, and 2020
(In Canadian dollars)

	Notes	October 31, 2021	October 31, 2020
		$	$
Assets			
Current assets			
Cash		**2,187,172**	2,088,825
Short-term investments		**49,153**	82,837
Trade and other receivables	4	**2,616,210**	1,928,906
Research and development tax credits receivable	5	**160,531**	617,358
Inventories	6	**9,353,460**	9,579,181
Prepaid expenses and deposits		**522,979**	512,822
Total current assets		**14,889,505**	14,809,929
Non-current assets			
Property and equipment	9	**760,345**	1,037,115
Right of use assets	8	**659,588**	1,013,599
Intangible assets	10	**4,757,874**	4,653,265
Total non-current assets		**6,177,807**	6,703,979
Total assets		**21,067,312**	21,513,908
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	7	**5,661,258**	3,664,385
Current portion of lease liabilities	8	**290,434**	275,550
Customer deposits		**55,271**	302,128
Deferred revenue	20	**1,166,569**	732,001
Term debt	12	**-**	421,220
Current portion of convertible debt	15	**254,556**	-
Current portion of long-term debt	13	**973,753**	937,313
Total current liabilities		**8,401,841**	6,332,597
Non-current liabilities			
Lease liabilities	8	**496,117**	788,483
Deferred revenue	20	**2,461,045**	2,142,536
Convertible debt	15	**-**	2,269,160
Embedded derivatives	16	**8,625**	531,900
Warrants	17	**1,627,832**	282,800
Long-term debt	13	**3,272,060**	2,998,470
Total liabilities		**16,267,520**	15,345,946
Shareholders' equity			
Share capital	18	**43,780,056**	38,776,368
Stock option reserve	19	**4,020,178**	3,581,662
Deficit		**(41,706,436)**	(35,641,678)
Cumulative translation adjustment		**(1,294,006)**	(548,390)
Total shareholders' equity		**4,799,792**	6,167,962
Total liabilities and shareholders' equity		**21,067,312**	21,513,908

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board

(s) Neil Hindle, Director

(s) Rory Olson, Director

	Notes	2021	2020
		$	$
Revenue	20	**23,695,236**	19,013,905
Cost of sales	6	**(15,677,256)**	(13,317,014)
Gross profit		**8,017,980**	5,696,891
Expenses			
General and administrative		**4,066,657**	4,741,662
Selling and distribution		**5,381,066**	4,970,543
Research and development, net		**1,928,990**	1,179,309
Financial expenses, net	23	**3,149,969**	2,174,802
Change in fair value of warrants	17	**(1,332,952)**	(987,823)
Change in fair value of embedded derivatives	16	**323,025**	(896,990)
Share-based expenses	19	**565,983**	1,250,798
		14,082,738	12,432,301
Net loss		**(6,064,758)**	(6,735,410)
Other comprehensive loss			
Foreign currency translation adjustment		**(745,616)**	(167,812)
Comprehensive loss		**(6,810,374)**	(6,903,222)
Basic and diluted net loss per share	24	**(0.17)**	(0.25)

The accompanying notes are an integral part of the consolidated financial statements.

	Notes	Number of common shares	Share capital	Stock option reserve	Cumulative translation adjustment	Deficit	Total equity
			$	$	$	$	$
Balance, October 31, 2019		**26,572,657**	**38,331,761**	**2,434,710**	**(380,578)**	**(28,906,268)**	**11,479,625**
Issue of common shares under private placement		171,429	300,000	-	-	-	**300,000**
Issue of common shares as coupon payment on convertible debt		130,606	78,361	-	-	-	**78,361**
Issue of common shares as payment for services rendered		100,000	50,000	(50,000)	-	-	**-**
DSUs exchanged for common shares		23,411	53,846	(53,846)	-	-	**-**
Share-based expenses		-	-	1,250,798	-	-	**1,250,798**
Share issuance costs		-	(37,600)	-	-	-	**(37,600)**
Other comprehensive loss for the period		-	-	-	(167,812)	-	**(167,812)**
Net loss for the period		-	-	-	-	(6,735,410)	**(6,735,410)**
Balance, October 31, 2020		**26,998,103**	**38,776,368**	**3,581,662**	**(548,390)**	**(35,641,678)**	**6,167,962**
Issue of common shares under private placement	18	10,178,600	2,661,705	-	-	-	**2,661,705**
Issue of common shares as coupon payment on convertible debt	15	828,013	336,658	-	-	-	**336,658**
Issue of common shares under shares for debt transaction	14,18	8,666,666	2,422,333	-	-	-	**2,422,333**
Restricted share units exchanged for common shares	19	111,752	127,467	(127,467)	-	-	**-**
Share issuance costs	18	-	(544,475)	-	-	-	**(544,475)**
Share-based payments expense	19	-	-	565,983	-	-	**565,983**
Other comprehensive loss for the period		-	-	-	(745,616)	-	**(745,616)**
Net loss for the period		-	-	-	-	(6,064,758)	**(6,064,758)**
Balance, October 31, 2021		**46,783,134**	**43,780,056**	**4,020,178**	**(1,294,006)**	**(41,706,436)**	**4,799,792**

The accompanying notes are an integral part of the consolidated financial statements.

VOTI Detection Inc.
Consolidated statements of cash flows
Fiscal years ended October 31, 2021, and 2020
(In Canadian dollars)

	Notes	**2021**	2020
		$	$
Operating activities			
Net loss for the year		**(6,064,758)**	(6,735,410)
Adjustments for:			
Depreciation of property and equipment	9	**428,828**	321,525
Property and equipment disposals	9	**-**	40,204
Amortization of right of use asset	8	**324,931**	331,156
Amortization of intangible assets	10	**710,832**	301,198
Impairment of intangible assets	10	**-**	454,495
Interest expense, bank charges and other	23	**2,585,421**	2,249,560
Non-cash gain from cancellation of warrants	17	**(25,213)**	-
Non-cash gain from shares-for-debt agreement	18	**(15,702)**	-
Change in fair value of warrants	17	**(1,332,952)**	(987,823)
Change in fair value of embedded derivatives	16	**323,025**	(896,990)
Net foreign exchange loss (gain)	23	**605,463**	(74,758)
Share-based expenses	19	**565,983**	1,250,798
		(1,894,142)	(3,746,045)
Net change in non-cash working capital items			
Short-term investments		**33,684**	(34,153)
Trade and other receivables	4	**(687,304)**	5,187,819
Research and development tax credits receivable	5	**456,827**	(245,076)
Inventories	6	**6,318**	(1,409,797)
Prepaid expenses and deposits		**(10,157)**	381,297
Trade payables and accrued liabilities	7	**1,996,873**	(1,619,989)
Customer deposits		**(246,857)**	147,605
Deferred revenue	20	**173,411**	(176,665)
		(171,347)	(1,515,004)
Investing activities			
Net additions to property and equipment	9	**(112,679)**	(214,893)
Net additions to intangible assets	10	**(1,145,835)**	(2,023,766)
		(1,258,514)	(2,238,659)
Financing activities			
Changes in bank indebtedness	11	**-**	(330,000)
Proceeds from term debt	12	**-**	168,220
Proceeds from long-term debt	13	**282,465**	1,314,284
Interest expense and bank charges paid	23	**(770,083)**	(823,157)
Payment of lease liabilities	8	**(391,330)**	(385,030)
Repayment of term debt	12	**(421,220)**	-
Consideration from issuance of convertible debenture units	14	**-**	3,940,000
Convertible debenture units issuance costs	14	**-**	(179,243)
Consideration received from issuance of units	18	**4,275,012**	300,000
Share issuance costs	18	**(589,489)**	(37,600)
		2,385,355	3,967,474
Net change during the period		**955,494**	213,811
Net effect of foreign exchange rate changes on cash		**(857,147)**	(66,493)
Cash, beginning of period		**2,088,825**	1,941,507
Cash, end of year		**2,187,172**	2,088,825

The accompanying notes are an integral part of the consolidated financial statements.

1. Description of the business

VOTI Detection Inc. (the "Company") was incorporated under the Canada Business Corporations Act and is domiciled in St-Laurent, Québec. The principal activities of the Company involve the development, manufacturing and selling of X-ray security systems for critical infrastructures, as well as ports, borders, military, and transportation facilities for threat detection and loss prevention.

The Company's common shares are traded on the TSX Venture Exchange under the symbol "VOTI" as of November 19, 2018.

The address of its registered office is 790 Begin Street, St-Laurent, Quebec, H4M 2N5, Canada.

2. Significant accounting policies

Statement of compliance

The Company's annual consolidated financial statements for the fiscal years ended October 31, 2021, and October 31, 2020, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The significant accounting policies are set out below.

The Board of Directors approved these annual consolidated financial statements of the Company and authorized their issuance on February 28, 2022.

Basis of preparation and going concern assumption

The annual consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities as described in the notes to the consolidated financial statements. Historical cost is based on the fair value of the consideration given in exchange for goods and services.

The preparation of financial statements in accordance with IFRS contemplates the continuation of the Company as a going concern. As at October 31, 2021, the Company had not yet achieved profitable operations and had a net loss of $6,064,758 for the fiscal year ended October 31, 2021, and negative cash flows from operations of $171,347. As at October 31, 2021, the Company had current assets less current liabilities of $6,487,664 and a deficit of $41,706,436.

The impact of COVID-19 on the markets and industries to which the Company sells its products, including government buildings and perimeters, transportation, travel and events & entertainment industries (including cruise line, aviation and public venues such as sporting venues) has been significant and is evolving. To the extent that customer orders do not materialize as expected, our customers postpone orders, or cancel them, our revenues, cash flows and financial performance will be adversely impacted.

In accordance with the Company's banking agreements with Espresso Capital Ltd., described in note 13, and with the financial institution described in note 11, the loan and the revolving demand credit facility are both subject to a minimum tangible net worth calculation, which may not be respected during the next 12 months, and consequently any remaining Espresso loan balance and amounts due in respect of the revolving demand facility would become due and payable on demand. To the extent that our cash needs exceed our borrowing capacity with our lenders, or the Company is unable to obtain and maintain sufficient financial support, the Company will experience difficulty in meeting its financial obligations.

2. Significant accounting policies (continued)

Basis of preparation and going concern assumption (continued)

The Company has not, to date, experienced an inability to fulfill customer orders, however, there have been delays resulting from increased component supplier and freight forwarding lead times. Measures have been taken to mitigate the risks of insufficient components on hand to fulfill existing orders. To the extent that our suppliers delay our orders, do not have sufficient components to sell in a timely manner, close for an extended period of time, or the Company encounters difficulty in securing containers with freight forwarders, delays in delivery to customers will result in an adverse impact on financial performance and cash flow.

It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

Due to this uncertainty, the Company will experience difficulty in meeting its obligations. In order to address this uncertainty, management has and is continuing to undertake the following actions:

- Raised $4,275,012 of financing through the sale of common shares and warrants in May 2021 (see note 18).
- Extended payment terms with Espresso Capital Ltd. (see note 13).
- Obtained funding and relief in connection with COVID-19 government assistance programs.
- Pursuing various avenues of financing, including debt and/or equity, including, but not limited to, a private placement offering of units (each of which consists of common shares and warrants), on a best efforts basis of up to $4,000,000.

The Company continues to update its plans with respect to its cash flow and financing. The Company believes that its past ability to generate and fulfill customer orders, the cost reduction initiatives currently in place and successful funding initiatives, have sufficient cash flow for the Company to continue as a going concern in its present form. However, there can be no assurance that the Company will continue to achieve such results. In the absence of attaining sufficient revenues and/or sufficient operating cost reductions to achieve positive cash flow objectives, obtain additional financing and continue to receive the support of its suppliers and employees, there is a material uncertainty regarding the Company's ability to continue as a going concern. The financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Basis of consolidation

The Company consolidates all controlled subsidiaries. The consolidated financial statements include the accounts of VOTI Detection Inc. and its 100% owned subsidiaries VOTI Inc., VOTI International Inc., VOTI USA, Inc., VOTI Detection Asia SDN. BHD. and VOTI Security Scanning International DWC-LLC. The functional currency of the Company and all of its subsidiaries is the U.S. dollar.

The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany transactions, balances and unrealized gains or losses have been eliminated upon consolidation. The Company has no interests in special purpose entities.

2. Significant accounting policies (continued)

Functional and presentation currency

The functional currency of the parent company and all its subsidiaries is the U.S. dollar, which is the primary economic environment in which the entities operate.

Revenues, expenses and non-monetary assets and liabilities denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the financial position date. Translation gains (losses) are reflected within net loss in the consolidated statement of loss and comprehensive loss as foreign exchange gain (loss).

The Company uses the Canadian dollar as its presentation currency to provide more relevant information to its users.

Translation to presentation currency

The annual consolidated financial statements of the Company are translated from their functional currency to the Canadian dollar, the presentation currency. Assets and liabilities are translated at the closing exchange rates prevailing at the financial position date, and income and expenses are translated using the average exchange rates. The accumulated gains or losses arising from translation of functional currencies to the presentation currency are included as a separate component of other comprehensive income ("OCI").

Revenue recognition

The Company generates revenue from the sale of X-ray security screening units, services and extended warranty. For the sale of security screening units, the Company recognizes revenue at a point in time when it transfers control of the finished goods to a customer, which generally occurs upon shipment of the finished goods from the Company's facilities. In certain arrangements, control is transferred, and revenue is recognized upon delivery of the finished goods to the customer's premises.

Revenues from services such as hardware commissioning, preventive maintenance and training are recognized upon delivery of the service.

Revenue from sales of extended warranty is recognized on a straight-line basis over the term of the extended warranty. For payments made by customers 12 months or more before the performance obligation is satisfied by the Company, and/or in instances whereby there is a significant difference between the amount of contract consideration paid in advance and the amount that would otherwise be paid in cash upon the satisfaction of the performance obligation, the Company determined that a financing component is significant and accounts for it accordingly by adjusting the contract consideration such that it reflects the time value of money using the rate that would be reflected in a separate financing transaction between the Company and its customers at contract inception. This methodology results in the increase of the transaction price by the corresponding interest expense related to the significant financing component over the term of the contract.

Cash

The cash item includes cash on hand and short-term investments, if any, with maturities upon acquisition of three months or less or that are redeemable at any time at full value and for which the risk of a change in value is not significant.

2. Significant accounting policies (continued)

Inventories

Inventories are comprised mainly of raw materials and finished goods and are valued at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand. Net realizable value represents the estimated selling prices less all estimated costs of completion and selling. The Company changed its accounting policy with respect to inventory costing from the First-in, First-out method to the weighted average basis, effective November 1, 2020, on a retroactive basis. The change in accounting policy did not have a material effect on the prior year amounts. Accordingly, no adjustment was made to prior year balances nor the fiscal 2021 opening balances.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate. Depreciation is calculated using the straight-line method over the following useful lives:

	Useful life
Office furniture and equipment	5 years
Computer equipment and demonstration equipment	3 years
Leasehold improvements	Term of the lease

Leases and right of use assets

The Company applies IFRS 16, *Leases* ("IFRS 16") to contracts which convey the right to control the use of an identified asset for a period greater than 12 months, and in exchange for consideration.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the lease commencement date, a right of use asset and lease liability are recognized. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated or amortized using the straight-line method from the commencement date to the end of the lease term.

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

2. Significant accounting policies (continued)

Intangible assets

The Company records intangibles, with finite useful lives such as computer software and intellectual property, at cost less accumulated amortization. Intellectual property is amortized on a straight-line basis over a 10-year period.

Intangible assets developed internally are recognized to the extent the criteria in IAS 38, *Intangible Assets*, are met. Research costs are expensed as incurred. Development costs for internally generated intangible assets are capitalized if, and only if, the Company can demonstrate:

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

Internally generated intangible assets are recognized at an amount equal to the sum of expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above less any tax credits and other government assistance. Where no internally generated intangible asset can be recognized, development expenditures are recorded as research and development in the period in which they are incurred. Amortization of an internally generated intangible asset commences when it becomes available for use, at which point it is amortized over its expected useful life, which ranges between two and seven years.

Government assistance and investment tax credits

Government assistance is recorded as a reduction of the related expense, the cost of the acquired asset or the intangible asset developed. Government assistance is recognized when there is reasonable assurance that the assistance will be received and that the conditions of the assistance have been complied with. Government assistance received in advance of complying with the conditions of the assistance is deferred as a liability until all conditions are met.

Impairment of tangible and intangible assets

At each reporting date, the carrying amounts of the tangible and intangible assets are reviewed to determine whether there is any indication of impairment. If any such indication exists for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where an asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recorded in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2. Significant accounting policies (continued)

Impairment of tangible and intangible assets (continued)

During the fiscal year ended October 31, 2021, the Company did not incur any impairment related to development projects. During the year ended October 31, 2020, the Company recognized $454,495 of impairment related to development projects, as Management resolved to abandon certain developments efforts or the commercialization of certain products.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the annual consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as a financial charge.

Taxation

Income tax expense represents the sum of income taxes currently payable and deferred income taxes.

Income taxes

The income taxes currently payable are based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of loss and comprehensive loss because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Company's liability for current income taxes is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes

Deferred income taxes are recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred income tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. Significant accounting policies (continued)

Deferred income taxes (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current income tax assets and liabilities on a net basis.

Current income taxes and deferred income taxes for the period

Current income taxes and deferred income taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside of profit or loss (whether in other comprehensive loss or directly in deficit), in which case the tax is also recognized outside of profit or loss.

Share-based payments

Equity-settled share-based payments, consisting of stock options to employees and others providing similar services, Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs") are measured at the fair value of the equity instruments at the grant date. Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. Details regarding the determination of the fair value of equity settled share-based transactions are set out in Note 19. The fair value determined at the grant date of the stock options is expensed over their vesting period, based on the Company's estimate of options that will eventually vest, with a corresponding increase in equity reserves. At the end of each reporting period, the Company revises its estimate of the number of options expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity reserves.

The incremental fair value of modifications to the terms and conditions on which equity instruments were granted that increase the fair value of the equity instruments is recognized in addition to any amount in respect of the original stock options. The incremental fair value is the difference between the fair value of the modified stock incentives and that of the original stock options, both estimated at the date of the modification. The incremental fair value is recognized over the remainder of the original vesting period.

Earnings per share

Basic earnings per share include no dilution and are computed by dividing net income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per share are computed by dividing net income by the weighted average number of shares outstanding and, when dilutive, potential shares from stock options, warrants to purchase common stock and debt conversions during the period.

2. Significant accounting policies (continued)

Segment disclosures

Segmented information is reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The Company's CODM is its Chief Executive Officer ("CEO"), who is responsible for allocating resources to and assessing the performance of the Company. The segmentation reflects the way the CODM evaluates performance of, and allocates resources within, the business.

The Company operates substantially all of its activities in one reportable segment, the development and marketing of security screening systems. This reporting segment also includes the rendering of services related to the sale of these products. The reporting structure reflects how the Company manages the business and how it classifies its operations for planning purposes and measuring performance.

Financial instruments

(a) Recognition and initial measurement

The Company recognizes financial assets and liabilities when the Company becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL"), are measured at fair value plus or minus transaction costs on initial recognition. Financial assets and financial liabilities at FVTPL are measured at fair value on initial recognition and transaction costs are expensed when incurred.

(b) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position when the Company has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis, i.e., to realize the assets and settle the liabilities simultaneously.

(c) Financial instrument classification

1. Financial assets at amortized cost

Cash, restricted cash, short-term investments, trade and other receivables, research and development tax credits receivable, prepaid expenses and deposits are classified as financial assets at amortized cost and are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest method.

2. Financial liabilities at amortized cost

Aside for warrants and embedded derivatives, all financial liabilities are classified as financial liabilities at amortized cost. Subsequent to initial recognition, these liabilities are carried at amortized cost, using the effective interest method.

3. Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset/liability, or, where appropriate, a shorter period.

2. Significant accounting policies (continued)

Financial instruments (continued)

(d) Impairment of financial assets

On initial recognition and at each reporting date, the Company estimates expected credit losses for financial assets at amortized cost. For trade receivables, the Company has applied the simplified approach under IFRS 9 to measure the loss allowance at lifetime of the expected credit loss. The Company determines the expected credit losses on these items as the product of the probability of default, exposure at default and loss given default over the expected life. The Company considers the historical credit loss experience based on the past due status of the debtors, adjusted to reflect receivable-specific factors and an assessment of general economic conditions at the reporting date, including the time value of money, if applicable. The net change in expected credit losses on financial assets at amortized cost is recognized in profit or loss.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed, does not exceed what the amortized cost would have been had the impairment not been recognized.

(e) De-recognition of financial assets

The Company de-recognizes 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.

(f) De-recognition of financial liabilities

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

3. Critical judgments, estimates and assumptions in applying the Company's accounting policies

Preparing financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgments about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are periodically reviewed. Any change to accounting estimates is recognized in the period in which the estimate is revised.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates and assumptions that have had the most significant impact on the amounts recognized in these consolidated financial statements.

(a) Research and development tax credits receivable

Estimation of the research and development tax credits receivable requires management to make judgments, estimates and assumptions including those related to the eligibility of certain expenditures to tax credits. The tax credits are subject to audit by tax authorities and could affect the Company's future results if the current judgments, estimates and assumptions are changed.

(b) Share-based payments

The calculation of the fair value of common shares, stock options, DSUs, RSUs and warrants granted require management to make estimates and assumptions about the expected volatility, expected life, expected risk free interest rates and expected forfeiture rates, which could affect the Company's results if the current estimates change.

(c) Valuation and costing of inventory

The allocation of overhead to the cost of inventory is estimated to be the portion of the total production costs that can be attributed to the ending balance of inventory. Management also makes estimates of the future customer demand for products when establishing appropriate provisions for obsolescence and net realizable value.

In making these estimates, management considers the product life of inventory and the profitability of recent sales of inventory. To the extent that actual losses on inventory differ from those estimated, inventory, net loss and comprehensive loss will be affected in future periods.

(d) Warranties

Management makes estimates of costs to be incurred to honour maintenance and repairs under warranties offered on products sold. In making these estimates, management relies on past experience. The Company's results could be affected to the extent that actual costs of warranties differ from those estimated.

(e) Development costs

The capitalization of internally developed intangible assets requires Management to make judgments and assumptions including those related to the capitalization criteria of certain expenditures to internally developed intangible assets in accordance with IAS 38, *Intangible Assets*. Management also applies judgement when identifying cash-generating units ("CGU") and measuring whether internally developed intangible assets are impaired in accordance with IAS 36, *Impairment of assets*.

3. Critical judgments, estimates and assumptions in applying the Company's accounting policies (continued)

(f) Interest and discount rates on long-term liabilities

From time to time, the Company enters into non-interest-bearing loan agreements, typically with government agencies. Pursuant to the guidance of IFRS 9, *Financial Instruments*, a non-interest bearing loan, may be considered a form of a government grant or subsidy, and accordingly is recognized at fair value at the date of issuance, measured as the present value of all future cash payments discounted using the prevailing market rate of interest-bearing instrument with similar terms and conditions. Additionally, the Company is paid in advance for extended warranty coverages for durations that extend beyond 12 months. According to IFRS 15, *Revenue from Contracts with Customers*, in situations as such, an adjustment to the transaction price of the contract is required, in order to reflect the time value of money, otherwise defined as significant financing component. In order to determine the appropriate discount rates for both the non-interest-bearing loans and the significant financing component, Management applies judgment in estimating the Company's incremental borrowing rate.

Additionally, in preparing these consolidated financial statements, Management applied significant judgment in applying the Company's accounting policies and the key sources of information when assessing the Company's going concern. These judgments, estimates and assumptions related to the going concern are described above under Basis of preparation and going concern assumption.

4. Trade and other receivables

	October 31, 2021	October 31, 2020
	$	$
Trade receivables	**2,430,029**	1,591,957
Allowance for expected credit loss	**100,293**	100,293
	2,329,736	1,491,664
Sales tax receivable	**161,735**	116,198
Other receivables	**124,739**	321,044
	2,616,210	1,928,906

Trade receivables are generally on terms of 30 to 60 days and from time to time may be extended further. Allowances for expected credit losses are recognized against trade receivables based on estimated irrecoverable amounts determined using the expected credit loss model.

During the fiscal year ended October 31, 2021, the Company provided for an expected credit loss of $nil (October 31, 2020 - $100,293) of trade receivables. Bad debt expenses are reported by the Company within general and administrative expenses.

5. Research and development tax credits receivable

The Company claims research and development tax credits relating to qualifying expenditures incurred. Research and development expenses are presented net of tax credits of $54,108 (2020 - $13,580). The actual amount of credits that will be granted will be known once the claims are approved by the taxation authorities. It is therefore possible that the actual amount granted will differ from the amount recorded. During the fiscal year ended October 31, 2021, research and development tax credits totalling $582,151 (2020 - $22,953) were received.

Development costs capitalized are net of $71,216 (2020 - $254,449) of tax credits relating to expenditures incurred during the fiscal year ended October 31, 2021.

6. Inventories

	October 31, 2021	October 31, 2020
	$	$
Raw materials	**6,391,815**	5,985,093
Work in progress	**297,203**	-
Finished goods	**2,664,442**	3,594,088
	9,353,460	9,579,181

Inventories sold and recognized in cost of sales during the fiscal year ended October 31, 2021, were $15,247,780 (2020 - $13,109,819).

7. Trade payable and accrued liabilities

	October 31, 2021	October 31, 2020
	$	$
Trade payable and accrued liabilities	**4,112,476**	2,744,315
Wages, vacation, and bonuses payable	**1,328,632**	770,124
Warranty and other provisions	**220,150**	149,946
	5,661,258	3,664,385

8. Leases

The Company's leases consist of a building and office space, and machinery and equipment.

Right of use assets

	Building and office space	Machinery and equipment	Total
	$	$	$
Net carrying amount			
Balance as at November 1, 2019	1,244,681	71,597	1,316,278
Additions	-	18,735	18,735
Amortization expense	(319,734)	(11,422)	(331,156)
Cumulative translation adjustment	9,283	452	9,742
Balance as at October 31, 2020	934,230	79,369	1,013,599
Additions	**-**	**20,045**	**20,045**
Amortization expense	**(291,482)**	**(33,449)**	**(324,931)**
Cumulative translation adjustment	**(46,392)**	**(2,733)**	**(49,125)**
Balance as at October 31, 2021	**596,356**	**63,232**	**659,588**

Lease liabilities

The changes to the lease liabilities are as follows:

	Lease liabilities
	$
Balance as at October 31, 2020	**1,064,033**
Additions	**20,045**
Interest accretion expense	**93,803**
Payment of lease liabilities	**(391,330)**
Balance as at October 31, 2021	**786,551**
Short-term	**290,434**
Long-term	**496,117**

8. Leases (continued)

Lease liabilities (continued)

The amounts recognized in the annual consolidated statements of loss and comprehensive loss for the fiscal years ended October 31, 2021, and 2020 are as follows:

	2021	2020
	$	$
Interest accrued on lease liabilities	**93,803**	114,050
Expenses related to short-term leases	**16,193**	58,559

At October 31, 2021 and October 31, 2020, under the terms of the operating lease contracts for premises and equipment, the Company committed to pay, over the following five fiscal years, the following payments:

	October 31, 2021	October 31, 2020
	$	$
Maturity schedule - contractual undiscounted cash flows		
Less than one year	**375,753**	391,455
One to three years	**492,618**	733,075
Four to five years	**11,148**	126,274
Total undiscounted lease liabilities	**879,519**	1,250,804

9. Property and equipment

	Office furniture and equipment	Computer equipment	Demonstration equipment	Leasehold improvements	Total
	$	$	$	$	$
Gross carrying amount					
Balance as at October 31, 2019	**423,247**	**305,816**	**257,966**	**334,389**	**1,321,418**
Additions[1]	35,916	87,559	91,105	313	214,893
Disposals	-	(2,400)	(92,188)	(35,843)	(130,431)
Reclass from (to) inventory	-	-	368,622	-	368,622
Cumulative translation adjustment	(2,767)	(13,571)	7,081	(13,334)	(22,591)
Balance as at October 31, 2020	**456,396**	**377,404**	**632,586**	**285,525**	**1,751,911**
Additions[1]	**18,935**	**43,262**	**50,482**	**-**	**112,679**
Reclass from (to) inventory	**-**	**-**	**185,550**	**-**	**185,550**
Cumulative translation adjustment	**(32,756)**	**(27,071)**	**(180,480)**	**(20,024)**	**(260,331)**
Balance as at October 31, 2021	**442,575**	**393,595**	**688,138**	**265,501**	**1,789,809**
Accumulated depreciation					
Balance as at October 31, 2019	**154,426**	**139,890**	**154,159**	**28,753**	**477,228**
Depreciation	74,895	89,668	116,859	40,103	321,525
Disposals	-	-	(90,227)	-	(90,227)
Reclass from (to) inventory	-	-	-	-	-
Cumulative translation adjustment	3,130	2,750	2,533	(2,143)	6,270
Balance as at October 31, 2020	**232,451**	**232,308**	**183,324**	**66,713**	**714,796**
Depreciation	**81,377**	**89,552**	**219,696**	**38,203**	**428,828**
Reclass from (to) inventory	**-**	**-**	**(33,853)**	**-**	**(33,853)**
Cumulative translation adjustment	**(21,644)**	**(21,834)**	**(27,008)**	**(9,821)**	**(80,307)**
Balance as at October 31, 2021	**292,184**	**300,026**	**342,159**	**95,095**	**1,029,464**
Net book value					
As at October 31, 2020	223,945	145,096	449,262	218,812	1,037,115
As at October 31, 2021	**150,391**	**93,569**	**345,979**	**170,406**	**760,345**

[1] Additions to leasehold improvements are net of government grant income in the amount of $nil (2020 – $35,843). See note 27.

10. Intangible assets

	Software	Intellectual property	Development costs	Total
	$	$	$	$
Gross carrying amount				
Balance as at October 31, 2019	**208,242**	**274,708**	**3,090,334**	**3,573,284**
Additions[2]	28,422	18,122	1,977,222	2,023,766
Impairment	-	-	(461,139)	(461,139)
Cumulative translation adjustment	(19,057)	(496)	13,215	(6,338)
Balance as at October 31, 2020	**217,607**	**292,334**	**4,619,632**	**5,129,573**
Additions[2]	**750**	**-**	**1,145,085**	**1,145,835**
Cumulative translation adjustment	**(15,314)**	**(20,501)**	**(340,742)**	**(376,557)**
Balance as at October 31, 2021	**203,043**	**271,833**	**5,423,975**	**5,898,851**
Accumulated amortization				
Balance as at October 31, 2019	**29,657**	**118,744**	**28,015**	**176,416**
Amortization	26,275	18,273	256,650	301,198
Impairment	-	-	(6,644)	(6,644)
Cumulative translation adjustment	(4,510)	(2,753)	12,601	5,338
Balance as at October 31, 2020	**51,422**	**134,264**	**290,622**	**476,308**
Amortization	**29,564**	**18,545**	**662,723**	**710,832**
Cumulative translation adjustment	**(7,057)**	**(10,569)**	**(28,537)**	**(46,163)**
Balance as at October 31, 2021	**73,929**	**142,240**	**924,808**	**1,140,977**
Net book value				
As at October 31, 2020	166,185	158,070	4,329,010	4,653,265
As at October 31, 2021	**129,114**	**129,593**	**4,499,167**	**4,757,874**

During the fiscal year ended October 31, 2021, the Company recognized an impairment charge of nil related to the abandonment of certain development projects (2020 - $454,495). Pursuant to IAS 38 *Intangible Assets*, the impairment loss, was recorded in research and development expenses.

[2] Additions to development costs are net of research and development tax credits receivable in the amount of $71,216 (2020 - $254,449) and government grants and subsidies in the amount of $77,104 (2020 – $171,335).

11. Bank indebtedness

The Company has an available revolving demand facility with a financial institution of $500,000 ("Facility 1") based on eligible accounts receivable and inventory. Amounts drawn under this facility bear interest at 1.5% above the bank's prime rate and are repayable on demand.

The Company also has a revolving demand facility of $2,055,000 ("Facility 2") by way of letters of guarantee denominated in Canadian, Indian Rupee or U.S. currency which is repayable on demand.

All borrowings under Facility 1 and Facility 2 are secured by the following:

- A deed of moveable hypothec representing all present and future obligations in the amount of $3,100,000, constituting a security interest on the universality of all present and future assets excluding tax credits to be received;
- A deed of moveable hypothec representing all present and future obligations in the amount of $33,684, constituting a first ranking hypothec on term deposits and/or guaranteed investment certificates in the amount of $33,684;
- A deed of moveable hypothec representing all present and future obligations in the amount of $34,153, constituting a first ranking hypothec on term deposits and/or guaranteed investment certificates in the amount of $34,153;
- Insurance provided by Export Development Canada covering losses pertaining to specific accounts receivable, naming the bank as beneficiary;
- An assignment constituting a first charge on all inventory.

Borrowings made under Facility 1 are also secured by a guarantee from Export Development Canada of up to 65% of the aggregate outstanding borrowing amount under this facility. The guarantee bears interest at 4.4% of the amount guaranteed.

Borrowings made under Facility 2 are also secured by a performance security guarantee from Export Development Canada guaranteeing 100% of each issued letter of guarantee. This guarantee also bears interest at 4.4% of the amount guaranteed.

As at October 31, 2021, and 2020 $nil was drawn under Facility 1 and there were letters of guarantee under Facility 2, denominated in Canadian dollars, U.S. dollars and Indian Rupees, totaling $469,983 in Canadian dollars equivalent.

These facilities are reviewed periodically, and the Company must respect certain covenants and financial ratios associated with the facilities, including a minimum tangible net worth of $1,000,000 to be measured on a quarterly basis. As at October 31, 2021, this covenant was respected.

12. Term debt

On August 2, 2019, the Company entered into a credit facility agreement with Investissement Quebec ("IQ") for a term loan of up to $336,840, to be used specifically to finance refundable tax credits for experimental scientific research and development for the Company's 2019 fiscal year.

The term loan bears interest at 2.55% above the bank prime rate and is secured by a senior-ranking hypothec on the Company's research and development tax credits receivable and other assets totaling $404,000, with the addition of an irrevocable letter of credit in the amount of $33,684, representing 10% of the credit facility amount.

The term loan is repayable on the earliest of the following dates:

(i) the date the Company files its income tax return, if the refundable tax credits receivable is deducted from the income tax payable at that time;

(ii) the date the Company is required to file its income tax return, if it has not actually filed its return;

(iii) the date a refund is received; or

(iv) April 30, 2021.

On April 30, 2021, the Company repaid the outstanding balance under this facility of $165,511.

During June 2020, the Company entered into another credit facility agreement with IQ for a term loan of up to $341,530, to be used specifically to finance the refundable tax credits for experimental scientific research and development for the Company's 2020 fiscal year.

The term loan bears interest at 2.55% above the bank prime rate and is secured by a senior-ranking hypothec on the Company's research and development tax credits receivable and other assets totaling $410,000, with the addition of an irrevocable letter of credit in the amount of $34,153, representing 10% of the credit facility amount.

The term loan is repayable on the earliest of the following dates:

(i) the date the Company files its income tax return, if the refundable tax credits receivable is deducted from the income tax payable at that time;

(ii) the date the Company is required to file its income tax return, if it has not actually filed its return;

(iii) the date a refund is received; or

(iv) April 30, 2022.

During October 2021, the Company repaid the outstanding balance under this facility of $168,220.

As at October 31, 2021 the Company has no amounts outstanding under the aforementioned facilities.

13. Long-term debt

Espresso Capital Ltd.

On January 8, 2019, and as amended thereafter, the Company entered into a $7,500,000 revolving long-term debt facility with Espresso Capital Ltd. ("Espresso") which matures on July 30, 2023. Based on the terms of the agreement, the authorized credit limit is determined based on the Company's average monthly gross margin for the preceding twelve months, multiplied by 7.5, less any debt in priority and any borrowings already made on this facility.

Accordingly, as at October 31, 2021, the Company's authorized credit limit is $5,011,000 less any borrowings on this facility.

Amounts drawn on this facility include a placement fee of 1.25% and bear interest at 15.25% per annum. The facility is secured by a $9,000,000 movable hypothec on the universality of the Company's movable property, subject to a first ranking security interest held by the creditor of the Company's bank indebtedness as described in note 11.

The amount outstanding as at October 31, 2021, was $3,650,000, of which an amount of $1,000,000 was originally payable on April 30, 2020, and the remaining balance on June 30, 2023. On September 27, 2021, the agreement was amended, such that it resulted in the extension of the repayment of the $1,000,000 by way of making 12 equal monthly instalments commencing December 31, 2021. The maturity of the remaining balance was also extended until July 30, 2023.

The amendment also provided, that in addition to interest payments, the Company would issue warrants to Espresso Capital Ltd. convertible into $200,000 worth of the Company's common shares at the higher of $0.70 per share and the minimum price allowable by the TSX-V. The warrants would expire on June 7, 2027 and would be converted into common shares on a cashless exercise basis. A subsequent amendment resolved to cancel the warrants issued for an exit fee of $20,000 payable upon the full repayment of the $1,000,000 tranche. Accordingly, the corresponding cancellation of the $45,143 fair value of the warrants liability (as measured on February 22, 2021, using the Black-Scholes option pricing model – see note 17) resulted in a non-cash gain from extinguishment of financial liability. The non-cash gain was recorded in the Company's net financial expenses.

The Company must also respect certain covenants and financial ratios associated with the facility, including having maintained a monthly net working capital of no less than $8,000,000 up to September 27, 2021, which was subsequently replaced with a monthly minimum Tangible Net Worth covenant of $1,000,000. During the year, the working capital ratio was not respected, and Espresso agreed to waive such default and will not demand repayment in the future as a result of this default. As at October 31, 2021, the Tangible Net Worth covenant was respected.

The changes to the loan during the fiscal year ended October 31, 2021, and 2020 are as follows:

	October 31, 2021	October 31, 2020
	$	$
Balance at the beginning of the period	**3,650,000**	2,650,000
Additions	**-**	1,000,000
Balance as at the end of the period	**3,650,000**	3,650,000
Short-term	**916,667**	916,667
Long-Term	**2,733,333**	2,733,333

13. Long-term debt (continued)

Investissement Quebec

On March 17, 2020, the Company entered into a $190,000 non-interest bearing loan agreement with IQ to be used specifically to finance the expansion, improvement and modernization of the Company's engineering lab and operation facilities.

The loan is secured by a senior-ranking hypothec on the Company's movable assets totaling $200,000, with the addition of a subordinated hypothec totaling 20% of the Company's entire movable assets.

The loan principal is payable in 48 equal monthly instalments commencing March 31, 2021.

Commencing October 31, 2021, the Company must respect a specific financial ratio of EBITDA, as defined in the agreement, divided by interest expenses and short-term debt of no less than 1.2:1.

The loan was initially measured at the present value of all future loan payments, discounted using comparable interest market rate for a similar loan. The loan is subsequently measured at amortized cost using the effective interest method. The difference between the discounted value of the loan at inception and the carrying amount of the loan was recorded as a reduction of the Company's tangible assets balance.

Accordingly, on March 17, 2020, the Company recorded a liability of $154,157. The interest is accreted over the life of the loan through a charge in the statement of loss and comprehensive loss using the effective interest method.

The changes to the loan during the fiscal year ended October 31, 2021, and 2020 are as follows:

	October 31, 2021	October 31, 2020
	$	$
Balance at the beginning of the period	**161,499**	-
Additions	**-**	154,157
Interest accretion expense	**10,227**	7,342
Payments made	**(28,082)**	-
Balance the end of the period	**143,644**	161,499
Short-term	**38,567**	20,646
Long-Term	**105,077**	140,853

The Economic Development Agency of Canada for the Regions of Quebec

On August 5, 2020, the Company entered into a $500,000 non-interest bearing loan agreement with the Economic Development Agency of Canada for the Regions of Quebec ("EDAC") under the Regional Relief and Recovery Fund and borrowed $400,000. Under the agreement, the funds received are meant specifically to finance the Company's operations by providing liquidity and ensuring business continuity. The loan is payable in 60 equal monthly instalments commencing January 1, 2023.

The loan was initially measured at the present value of all future loan payments, discounted using comparable interest market rate for a similar loan and is subsequently measured at amortized cost using the effective interest method. The difference between the discounted value of the loan at inception and the carrying amount of the loan was recorded as a reduction of the Company's related expenses.

13. Long-term debt (continued)

The Economic Development Agency of Canada for the Regions of Quebec (continued)

Accordingly, on August 5, 2020, the Company recorded a liability of $116,364. The interest is accreted over the life of the loan through a charge in the statement of loss and comprehensive loss.

On January 18, 2021, the Company borrowed the remaining $100,000 tranche, thereby increasing the loan amount to $500,000. This tranche was measured at issuance by applying the same methodology used in determining the initial borrowed amount of $400,000, resulting in the addition of $32,465 to the liability.

The changes to the loan during the fiscal year ended October 31, 2021, are as follows:

	October 31, 2021	October 31, 2020
	$	$
Balance at the beginning of the period	**124,284**	-
Additions	**32,465**	116,364
Interest accretion expense	**45,420**	7,920
Balance the end of the period	**202,169**	124,284
Short-term	**-**	-
Long-Term	**202,169**	124,284

The Business Development Bank of Canada Highly Affected Sectors Credit Availability Program

On February 17, 2021, the Company entered into a $250,000 loan agreement with the Royal Bank of Canada under the Business Development of Canada's ("BDC") Highly Affected Sectors Credit Availability Program ("HASCAP"), which provides Canadian businesses access to a non-revolving government guaranteed loans, meant to fund operational cash flow needs, in attempts to curtail any adverse effects caused by the COVID-19 global pandemic.

The loan carries the following terms:

(i) 4% fixed interest rate per annum, payable at the end of each month;

(ii) Amortization period of 10 years;

(iii) No principal repayments for 12 months from the date of drawdown; and

(iv) Borrowings made under this agreement are secured by a security guarantee from BDC, guaranteeing 100% of the value of the loan.

On March 15, 2021, the Company borrowed the funds and recorded a liability of $250,000. As at October 31, 2021, the borrowed principal amount remains unchanged.

13. Long-term debt (continued)

The Business Development Bank of Canada Highly Affected Sectors Credit Availability Program (continued)

The changes to the loan during the fiscal year ended October 31, 2021, are as follows:

	October 31, 2021
	$
Balance as at October 31, 2020	-
Additions	250,000
Interest	6,794
Payments made	(6,794)
Balance as at October 31, 2021	250,000
Short-term	18,519
Long-Term	231,481

14. Convertible debenture units

On March 26, 2020, the Company's board of directors authorized a non-brokered private placement to issue convertible debenture units.

Each convertible debenture unit is comprised of:

(i) one senior unsecured convertible debenture in the principal amount of $1,000 having a 2-year term and bearing interest at an annual rate of 10%, entitling their holders to convert all, or any part of the outstanding principal amount into the Company's common shares at a conversion price of $0.80 per share; and

(ii) 600 warrants entitling their holders to purchase one common share of the Company per warrant at an exercise price of $0.85 per share for a period of 24 months after the closing date.

The coupon rate of 10% is payable semi-annually in arrears on June 30 and December 31 of each year commencing June 30, 2020, and the Company may, at its sole option, settle all or part of the interest in cash or in common shares. The Company currently intends on settling the interest payable by issuing common shares. Additionally, the Company may, at its sole option, oblige the conversion of all or any part of the outstanding convertible debenture principal into common shares, if at any time before the maturity date, the daily volume-weighted average trading price of the Company's common shares for any 20 consecutive trading days is equal to or greater than $1.45.

Additionally, the Company is entitled to accelerate the time of expiry of the warrants, thus obliging the conversion of all or any part of the outstanding warrants, if at any time before the maturity date the daily volume-weighted average trading price of the common shares is equal to or greater than $1.65 for 20 consecutive trading days.

14. Convertible debenture units (continued)

According to the terms of the convertible debentures, payment of indebtedness thereunder is fully postponed and subordinated to secured creditors of the Company, and the Company's aggregate secured indebtedness cannot exceed $10,000,000 without obtaining the prior written approval of the debenture holders, representing no less than 66% of the principal amount of all outstanding debentures. As at October 31, 2021, no such approval was required.

Between April 14 and June 5, 2020, the Company issued 3,940 convertible debenture units for total gross proceeds of $3,940,000.

In accordance with IFRS 9, *Financial Instruments*, the Company determined that each unit was comprised of three financial instruments measured separately: (i) warrants; (ii) embedded derivatives (i.e. conversion option); and (iii) convertible debt.

Transaction costs of $179,243 were allocated proportionately to each respective liability component.

The Company allocated the proceeds to each of the financial instruments based on their fair values using the residual method, whereby, the proceeds were first allocated to each of the warrants and embedded derivatives based on their respective fair values and the remainder was allocated to the convertible debt.

The convertible debenture units were measured and recognized at issuance as follows:

	Number of units	**Fair value per unit**	**Fair value**
		$	**$**
Warrants	**2,364,000**	**0.28017**	**662,328**
Embedded derivatives	**4,925,000**	**0.29417**	**1,448,800**
Convertible debt (net of transaction costs)	**3,940,000**	**0.44351**	**1,747,425**
Total liability			**3,858,553**

The fair values measured at issuance for both the embedded derivatives and the warrants were determined using the Black-Scholes option pricing model. As the warrants and embedded derivatives are denominated in Canadian dollars and the Company's functional currency is US dollars, both of these financial instruments are classified as financial liabilities at fair value through profit and loss ("FVTPL") and are re-measured at FVTPL at each period-end (note 16 and note 17). The allocated transaction costs of $97,796 are included in the Company's financial expenses (note 23).

The convertible debt is measured at amortized cost, using the effective interest method, which allocates the interest expense at a constant rate over the term of the instrument. The respective transaction costs are embedded in the effective interest rate and are expensed through accreted interest charges over the term of the liability.

The weighted average effective interest rate of the convertible debt calculated at initial recognition is 31.21%, which represents the rate that discounts the estimated future cash flows throughout its term.

On May 13, 2021, the Company concluded a shares-for-debt transaction with several participating convertible debenture holders, whereby the Company exchanged convertible debenture units at their undiscounted cash value, for newly issued units at $0.42 per unit. Each of the newly issued units consists of one common share of the Company and one-half warrant, whereby a full warrant entitles the holder to purchase one common share at a price of $0.55 per share for a period of 3 years from the date of closing.

14. Convertible debenture units (continued)

At closing, 3,640 convertible debenture units (representing an undiscounted cash value of $3,640,000) participated in the shares-for-debt transaction, resulting in their cancellation for a total consideration of 8,666,666 and 4,333,333 newly issued common shares and warrants, respectively. Following the closing of the transaction, 300 convertible debenture units (representing an undiscounted cash value of $300,000) remain outstanding. In executing this transaction, the Company incurred transaction costs of $59,536, which are included in the Company's net financial expenses (note 23) and share capital at $19,916 and at $39,620, respectively. Furthermore, immediately prior to closing the transaction, the Company settled the interest accrued and unpaid on the participating convertible debenture units, by issuing 239,726 common shares at $0.52 per share (note 18).

Following the closing of the shares-for-debt transaction, the remaining convertible debenture units, as were measured and recognized at issuance, are as follows:

	Number of units	Fair value per unit	Fair value
		$	$
Warrants	**180,000**	**0.28017**	**50,430**
Embedded derivatives	**375,000**	**0.29417**	**111,314**
Convertible debt (net of transaction costs)	**300,000**	**0.44351**	**133,053**
Total liability			**294,797**

Based on the provisions of IFRS 9, the exchange of the convertible debenture units embodies the exchange of three financial liability instruments (i.e., convertible debt, warrants and embedded derivatives) for an equity instrument (i.e., common shares) and a liability instrument (i.e., warrants).

Accordingly, the Company allocated the $3,640,000 undiscounted cash value of the participating convertible debenture units to each of the newly issued financial instruments based on their respective fair values using the residual method, whereby the fair value of each exchanged convertible debenture unit is first allocated to each of the newly issued warrants based on their fair values, while the remainder, net of the $39,620 of transaction costs attributed to it, is allocated to share capital.

The units issued during the shares-for-debt transaction to replace the convertible debenture units were measured and recognized at issuance as follows:

	Number of units	Fair value per unit	Fair value
		$	$
Warrants	**4,333,333**	**0.2810**	**1,217,667**
Common shares (net of transaction costs)	**8,666,666**	**0.2749**	**2,382,713**
Total			**3,600,380**

The fair value of the warrants, as measured at issuance, was determined using the Black-Scholes option pricing model. As the warrants are denominated in Canadian dollars and the Company's functional currency is US dollars, the warrants are classified as FVTPL and will be re-measured at FVTPL at each period-end (note 17). The allocated transaction costs of $19,916 are included in the Company's financial expenses (note 23).

14. Convertible debenture units (continued)

The fair value of the common shares at issuance was determined by applying the residual method and represents the value of the undiscounted cash value of the participating convertible debenture units, net of the fair value of the warrants and transaction costs of $39,620. These transaction costs are recorded in share capital and presented in the Company's statement of changes in total equity.

The shares-for-debt transaction to exchange the convertible debenture units for common shares and warrants resulted in a non-cash gain of $15,702, which is also included in the Company's net financial expenses (note 23).

15. Convertible debt

The convertible debt represents the debt component of the convertible debentures issued, described in note 14, independently of the conversion feature embedded derivative. The changes to the convertible debt during the fiscal year ended October 31, 2021, are as follows:

	October 31, 2021
	$
Balance as at October 31, 2020	2,269,160
Interest accretion expense	742,704
Interest settled by shares issuance	(336,658)
Book value of convertible debt exchanged in the shares-for-debt transaction	(2,420,650)
Balance as at October 31, 2021	254,556
Short-term	254,556
Long-term	-

During the fiscal year ended October 31, 2021, the Company settled interest related to the semi-annual 10% coupon in the amount of $336,658 by issuing 828,013 common shares from treasury (2020 - nil).

16. Embedded derivatives

The embedded derivatives represent the conversion option feature embedded in the convertible debentures that were issued as part of the convertible debenture units (note 14).

On May 13, 2021, 4,550,000 embedded derivatives were extinguished as part of the shares-for-debt transaction described in note 18. Using the Black-Scholes option pricing model, the Company re-measured the value of these embedded derivatives immediately prior to their extinguishment at $0.186.

16. Embedded derivatives (continued)

The weighted-average assumptions used to estimate the fair value of these embedded derivatives using the Black-Scholes option pricing model on May 13, 2021, and October 31, 2020, are as follows:

	May 13, 2021	October 31, 2020
Volatility	**129%**	102%
Risk-free rate	**0.29%**	0.24%
Expected life of embedded derivative (years)	**0.94**	1.45
Common share value	**$0.51**	$0.39
Exercise price	**$0.80**	$0.80
Fair value	**$0.186**	$0.108

The weighted-average assumptions used to estimate the fair value of the remaining embedded derivatives using the Black-Scholes option pricing model at October 31, 2021 and October 31, 2020 are as follows:

	October 31, 2021	October 31, 2020
Volatility	**104%**	102%
Risk-free rate	**1.00%**	0.24%
Expected life of embedded derivative (years)	**0.45**	1.45
Common share value	**$0.36**	$0.39
Exercise price	**$0.80**	$0.80
Fair value	**$0.023**	$0.108

The changes to the embedded derivatives during the fiscal year ended October 31, 2021, are as follows:

	Number of Embedded derivatives	**$**
Balance as at October 31, 2020	**4,925,000**	**531,900**
Change in fair value of embedded derivatives		**323,025**
Embedded derivatives extinguished as part of the shares-for-debt transaction	**(4,550,000)**	**(846,300)**
Balance as at October 31, 2021	**375,000**	**8,625**

17. Warrants

Warrants issued in a reverse takeover transaction

On November 13, 2018, in conjunction with its reverse takeover transaction, the Company issued 1,969,662 warrants, providing their holders an option to purchase one common share for $4.50 up to 36 months following November 13, 2018.

These warrants are classified as FVTPL, since they are denominated in a currency other than the Company's functional currency and are re-measured at the end of each reporting period using the Black-Scholes option pricing model.

Accordingly, each warrant was re-valued at nil on October 31, 2021 (October 31, 2020 - $0.004), resulting in a non-cash gain of $7,879 for the fiscal year ended October 31, 2021 (2020 - $525,532).

The assumptions used to estimate the fair value of the warrants using the Black-Scholes option pricing model are as follows:

	October 31, 2021	October 31, 2020
Volatility	**0%**	106%
Risk-free rate	**1.00%**	0.24%
Expected life of warrant (years)	**0.00**	1.00
Common share value	**$0.36**	$0.39
Exercise price	**$4.50**	$4.50
Fair value	**$0.000**	$0.004

Warrants issued with convertible debenture units

During April and June 2020, in conjunction with the convertible debenture units issuance as described in note 14, the Company issued 2,364,000 warrants, providing their holders an option to purchase one common share for $0.85 up to 24 months from the date of issuance.

On May 13, 2021, following the completion of shares-for-debt transaction between the Company and participating convertible debenture units' holders, 3,640 convertible debenture units were exchanged, resulting in the cancellation of 2,184,000 warrants to purchase common shares, valued at $388,752 as at May 13, 2021 (note 14).

Using the Black-Scholes option pricing model, the Company re-measured the value of the warrants immediately prior to their cancellation on May 13, 2021, at $0.178 (October 31, 2020 - $0.103), resulting in a non-cash loss of $163,800 immediately prior to their cancellation.

17. Warrants (continued)

Warrants issued with convertible debenture units (continued)

The weighted-average assumptions used on May 13, 2021, and October 31, 2020, to estimate the fair value of the exchanged and cancelled warrants using the Black-Scholes option pricing model were as follows:

	May 13, 2021	October 31, 2020
Volatility	**129%**	102%
Risk-free rate	**0.29%**	0.24%
Expected life of embedded derivative (years)	**0.94**	1.45
Common share value	**$0.51**	$0.39
Exercise price	**$0.85**	$0.85
Fair value	**$0.178**	$0.103

On October 31, 2021, the Company re-measured the value of the remaining (non-participating) warrants at $0.020 (October 31, 2020 - $0.103), which resulted in a non-cash gain of $14,940 for the fiscal year ended October 31, 2021.

The weighted-average assumptions used on October 31, 2021, and October 31, 2020, in the Black-Scholes option pricing model to estimate the fair value of the remaining (non-participating) warrants are as follows:

	October 31, 2021	October 31, 2020
Volatility	**104%**	102%
Risk-free rate	**1.00%**	0.24%
Expected life of embedded derivative (years)	**0.45**	1.45
Common share value	**$0.36**	$0.39
Exercise price	**$0.85**	$0.85
Fair value	**$0.020**	$0.103

Warrants issued in shares-for-debt transaction

On May 13, 2021, in conjunction with the shares-for-debt transaction described in note 14, the Company issued 4,333,333 warrants, each of which provides its holder with the option to purchase one common share at a price of $0.55 per share for a period of 36 months from the date of closing.

Accordingly, using the Black-Scholes option pricing model, on May 13, 2021, the Company measured the value of these warrants at $0.281 and then re-measured their value at $0.157 on October 31, 2021. This resulted in a non-cash gain of $537,334 for the fiscal year ended October 31, 2021.

17. Warrants (continued)

Warrants issued in shares-for-debt transaction (continued)

The weighted-average assumptions used in estimating the fair value of these warrants using the Black-Scholes option pricing model at issuance and on October 31, 2021, are as follows:

	October 31, 2021	May 13, 2021
Volatility	119%	111%
Risk-free rate	1.00%	0.32%
Expected life of embedded derivative (years)	1.50	2.00
Common share value	$0.36	$0.51
Exercise price	$0.55	$0.55
Fair value	$0.157	$0.281

Warrants issued to participants in brokered private placement

On May 6, 2021, in conjunction with the closing of the brokered private placement (note 18), the Company issued 5,089,300 warrants, each of which provides its holder with the option to purchase one common share at a price of $0.55 per share for a period of 36 months from the date of closing.

On May 6, 2021, the Company initially measured the fair value of each of these warrants, using Black-Scholes option pricing model, at $0.317, and at $0.157 when re-measured on October 31, 2021, resulting in a non-cash gain of $814,288 for the fiscal year ended October 31, 2021.

The weighted-average assumptions used in estimating the fair value of these warrants using the Black-Scholes option pricing model at issuance and October 31, 2021, are as follows:

	October 31, 2021	May 6, 2021
Volatility	119%	109%
Risk-free rate	1.00%	0.30%
Expected life of embedded derivative (years)	1.50	2.00
Common share value	$0.36	$0.56
Exercise price	$0.55	$0.55
Fair value	$0.157	$0.317

Warrants issued to agents of private placement

On May 6, 2021, in conjunction with the closing of the brokered private placement (note 18), the Company issued 804,883 warrants to the agents of the private placement, as part of their consideration for services rendered. Each of these warrants entitles its holder the option to purchase one common share at a price of $0.42 per share for a period of 24 months from the date of closing.

17. Warrants (continued)

Warrants issued to agents of private placement (continued)

Accordingly, using the Black-Scholes option pricing model, the Company initially measured the fair value of each of these warrants at $0.349 for a total value of $280,904. This amount was included in the overall transaction costs for the private placement, of which, $106,014 was recorded in the Company's net financial expenses and $174,890 in share capital.

On October 31, 2021, the Company re-measured the value of each warrant at $0.180, which resulted in a non-cash gain of $136,025 for the period ended October 31, 2021.

The weighted-average assumptions used in estimating the fair value of these warrants using the Black-Scholes option pricing model at issuance and October 31, 2021, are as follows:

	October 31, 2021	**May 6, 2021**
Volatility	**119%**	**109%**
Risk-free rate	**1.00%**	**0.30%**
Expected life of embedded derivative (years)	**1.50**	**2.00**
Common share value	**$0.36**	**$0.56**
Exercise price	**$0.42**	**$0.42**
Fair value	**$0.180**	**$0.349**

Warrants issued to Espresso

On February 22, 2021, in conjunction with the debt agreement amendment described in note 14, it was resolved to cancel the 285,714 warrants that were issued to Espresso as part of a prior amendment to the debt agreement, which occurred on June 8, 2021.

Accordingly, on February 22, 2021, immediately prior to their cancellation, the Company, using the Black-Scholes option pricing model, re-measured the value of each of these warrants at $0.158 (October 31, 2020 - $0.110), which resulted in a non-cash loss of $13,714 for the fiscal year ended October 31, 2021.

The weighted-average assumptions used to estimate the fair value of these warrants using the Black-Scholes option pricing model at February 22, 2021 and October 31, 2020 are as follows:

	February 22, 2021	October 31, 2020
Volatility	**135%**	108%
Risk-free rate	**0.22%**	0.24%
Expected life of embedded derivative (years)	**0.85**	1.17
Common share value	**$0.45**	$0.39
Exercise price	**$0.70**	$0.70
Fair value	**$0.158**	$0.110

The cancellation of warrants resulted in a non-cash gain of $25,213 for the fiscal year ended October 31, 2021, which is recorded in the Company's net financial expenses (note 23).

17. Warrants (continued)

Warrants issued to Espresso (continued)

The changes to the warrants balance during the fiscal year ended October 31, 2021, are as follows:

	Number of Warrants	$
Balance as at October 31, 2020	4,619,376	282,800
Cancellation of warrants	(285,714)	(45,143)
Warrants issued in shares-for-debt transaction	4,333,333	1,217,667
Warrants cancelled in shares-for-debt transaction	(2,184,000)	(388,752)
Warrants issued to participants in private placement	5,089,300	1,613,308
Warrants issued to agents of private placement	804,883	280,904
Change in fair value of warrants		(1,332,952)
Cumulative translation adjustment		-
Balance as at October 31, 2021	12,377,178	1,627,832

18. Share capital

	Number of shares	Share capital
		$
Balance as at October 31, 2020	26,998,103	38,776,368
Shares issued as coupon payment on convertible loan	828,013	336,658
Shares issued under brokered private placement	10,178,600	2,661,705
Shares issued under shares-for-debt transaction	8,666,666	2,422,333
RSUs exchanged for common shares	111,752	127,467
Share issuance costs	-	(544,475)
Balance as at October 31, 2021	46,783,134	43,780,056

Convertible debenture units and shares-for-debt transaction

During the fiscal year ended October 31, 2021, and as described in note 14 and note 15, the Company settled interest related to the semi-annual 10% coupon in the amount of $336,658 by issuing 828,013 common shares from treasury (2020 - nil).

On May 13, 2021, the Company concluded on a shares-for-debt transaction to replace 3,640 convertible debenture units at their undiscounted cash value of $3,640,000, in exchange for 8,666,666 units at a price of $0.42 per unit. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, which entitles its holder to acquire one common share at a price of $0.55 per share for a period of 3 years. Consequently, 3,640 convertible debenture units participated in the shares-for-debt transaction, resulting in the issuance of 8,666,666 common shares and 4,333,333 warrants.

Transaction costs of $59,536 were allocated proportionally between the various components of the units issued in conjunction with the shares-for-debt transaction, and accordingly, $39,620 was recorded in share capital.

VOTI DETECTION

18. Share capital (continued)

Brokered private placement

On May 6, 2021, the Company completed a brokered private placement of 10,178,600 units at a price of $0.42 per unit for aggregate gross proceeds of $4,275,012.

Each unit consists of one common share of the Company and one-half of one common share purchase warrant, which entitles its holder to acquire one common share at a price of $0.55 per share for a period of 3 years.

Additionally, in consideration for their services, the Company issued 804,883 warrants to the private placement's agents, each of which entitles its holder the option to acquire one common share at a price of $0.42 per share for a period of 24 months.

Transaction costs of $810,857, including the cost of issuing agent warrants described in note 17, were allocated proportionally between the various components of the units issued in conjunction with the private placement and recorded in the Company's net financial expenses (note 23) and share capital at $306,002 and $504,855 respectively.

RSUs exchanged for common shares

On July 6, 2021, the Company exchanged 111,752 fully vested RSUs for the issuance of 111,752 fully paid common shares from treasury to two former executives and one advisor.

19. Share-based payments

Stock option plan

On November 13, 2018, the Company established a new Stock Option Plan (the "Plan") for purposes of advancing the interests of VOTI Detection Inc. and its shareholders by incentivizing the Company's directors, officers, employees and consultants to strive for continued and improved services and reward excellent performance.

Under this Plan, which is administered by the Company's Board of Directors, the recipients are awarded stock options to acquire common shares. The aggregate number of options reserved for issuance under the Plan shall be 10% of the issued and outstanding Common Shares at any time.

Unless otherwise determined by the Board at the time of grant, each option shall be exercisable until the eighth anniversary of the date on which it is granted. One third of the Options granted shall vest on the first anniversary of the date of grant and the remaining two thirds shall vest quarterly over two years, totalling a three-year vesting period.

During the fiscal year ended October 31, 2021, the Company granted stock options to its employees totaling 1,550,000 (2020 - 375,000), at a weighted average exercise price of $0.39 per share (2020 - $1.61) and expiring eight years after the grant date.

The Company applies the fair value method of accounting for share-based compensation awards granted. Fair value is calculated based on a Black-Scholes option pricing model.

19. Share-based payments (continued)

Stock option plan (continued)

The weighted average principal components of the pricing model for measuring the fair value of the options granted during the fiscal years ended October 31, 2021, and 2020 are as follows:

	October 31, 2021	October 31, 2020
Volatility	**91%**	85%
Risk-free rate	**0.50%**	1.43%
Expected life of options (years)	**5.00**	4.00
Dividend yield	**-**	-
Common share value	**$0.39**	$1.53
Exercise price	**$0.39**	$1.61
Fair value	**$0.27**	$0.92

The weighted average fair value of options granted during the fiscal year ended October 31, 2021, was $0.27 (2020 - $0.92).

Share-based payments expense of $40,567 were recorded for the fiscal year ended October 31, 2021 (2020 - $784,613). The changes to the number of stock options granted and their weighted average exercise price during the fiscal years ended October 31, 2021, and 2020 are as follows:

	October 31, 2021		October 31, 2020	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of the period	**2,160,000**	**2.78**	2,135,000	2.99
Granted	**1,550,000**	**0.39**	375,000	1.61
Forfeited/cancelled	**(852,083)**	**2.61**	(350,000)	2.81
Outstanding, end of the period	**2,857,917**	**1.53**	2,160,000	2.78
Exercisable, end of the period	**1,192,083**	**2.87**	1,032,500	2.99
Weighted average remaining contractual life (years)		**6.60**		6.30

19. Share-based payments (continued)

Stock options issued to agents

In connection with the Company's reverse acquisition of Steamsand in 2019, the Company granted 144,238 compensation options to the agent as part of its commissions. Each compensation option gives the holder the right to purchase one common share for $3.00 up to 24 months following November 13, 2018. These compensation options expired on November 13, 2020.

In connection with the Company's marketed offering of shares in 2019, the Company granted 88,427 compensation options to the agent as part of its commissions. Each compensation option gave the holder the right to purchase one common share for $1.75 up to 24 months following October 10, 2019. These compensation options expired on October 10, 2021.

Deferred share unit plan

On November 13, 2018, the Board of Directors adopted, as amended on March 22, 2019, and April 28, 2020, a Deferred Share Unit Plan (the "DSU Plan"), which was approved by the Company's shareholders on April 28, 2020.

The purpose of the DSU Plan is to assist the Company in the recruitment and retention of qualified persons to serve as Directors of the Company and to align the interests of eligible Directors with the long-term interests of the shareholders of the Company.

A Deferred Share Unit ("DSU") is a notional unit credited by the Company to an eligible Director, to be exchanged for fully paid Common Shares or, at the option of the Company, for a cash payment equivalent to its fair market value when the eligible Director ceases to be a director of the Company. The Company intends to exchange the DSUs for fully paid Common Shares.

The aggregate maximum number of Common Shares available for issuance from treasury pursuant to any security-based compensation arrangements of the Company, including the DSU Plan and the RSU Plan and excluding any shares issuable under the Stock Option Plan, is 2,650,000.

On February 26, 2021, the Company granted 475,000 DSUs to its Directors, of which 118,750 vested immediately and the remaining 356,250 will vest in equal tranches at the end of each of the following three quarters, with the result that all DSUs granted are vested on October 31, 2021.

The Company applies the fair value method of accounting for share-based compensation awards granted. Fair value is determined at the grant date and is valued at the share price on that date.

Share-based payments expense of $251,750 were recorded for the fiscal year ended October 31, 2021 (2020 - $97,035).

19. Share-based payments (continued)

Deferred share unit plan (continued)

The changes to the number of DSUs granted for the fiscal years ended October 31, 2021, and 2020 are as follows:

	October 31, 2021	October 31, 2020
	Number of DSUs	Number of DSUs
Outstanding, beginning of the period	**147,153**	173,908
Granted	**475,000**	-
Exercised	**-**	(23,411)
Forfeited/cancelled	**-**	(3,344)
Outstanding, end of the period	**622,153**	147,153
Vested, end of the period	**622,153**	147,153

Restricted share unit plan

On November 13, 2018, the Board of Directors adopted, as amended on March 22, 2019, and April 28, 2020, a Restricted Share Unit Plan (the "RSU Plan"), which was approved by the Company's shareholders on April 28, 2020.

The purpose of the RSU Plan is to assist the Company in the motivation, attraction and retention of eligible employees, directors and consultants to advance the interests of the Company. RSUs granted to a Participant will entitle the Participant, subject to the satisfaction of any conditions attached to the grant, to receive a payment in fully paid Common Shares or, at the option of the Company, in cash on the date when the RSUs are fully vested. The Company intends to exchange the RSUs for fully paid Common Shares.

The aggregate maximum number of Common Shares available for issuance from treasury pursuant to any security-based compensation arrangements of the Company, including the RSU Plan and the DSU Plan and excluding any share issuable under the Stock Option Plan, is 2,650,000.

On June 14, 2019, the Company granted 53,504 RSUs to members of its advisory board. The units vested in equal tranches at the end of each of the following eight quarters. Accordingly, on April 30, 2021, these RSUs became fully vested.

On April 14, 2020, the Company granted 220,000 RSUs to key management personnel, which vest three months from the date of grant. The RSUs are redeemable by their holders on April 14, 2022, unless approved earlier by the Company.

On June 30, 2020, the Company adopted a Long-term Incentive Plan ("LTIP"), whereby the Company granted 880,000 RSUs to key management personnel and one employee, of which 440,000 RSUs vest in equal tranches over a three-year vesting period, while the remaining 440,000 RSUs fully vest on:

(a) June 30, 2023, if the weighted average closing price of the Company's common shares on the TSX Venture Exchange over the previous 20 trading days is $1.45 or more; or failing that

(b) on July 31, 2023, if the Company's EBITDA is determined to be $2.5 million or more for the prior 12 calendar months;

19. Share-based payments (continued)

Restricted share unit plan (continued)

Notwithstanding, 770,000 RSUs shall fully and automatically vest in the event of a change of control (as defined in the RSU plan) or upon the participants' retirement.

On February 26, 2021, the Company granted 460,000 RSUs to certain employees, which vest over three years, and on September 30, 2021, the Company granted an additional 155,932 RSUs to one of its executives.

The Company applies the fair value method of accounting for share-based compensation awards granted. Fair value is determined at the grant date and is valued at the share price on that date.

Share-based payments expense of $273,666 were recorded for the fiscal year ended October 31, 2021 (2020 - $319,150).

The changes to the number of RSUs granted during the fiscal years ended October 31, 2021, and 2020 are as follows:

	October 31, 2021	October 31, 2020
	Number of RSUs	Number of RSUs
Outstanding, beginning of the period	**1,153,504**	53,504
Granted	**615,932**	1,100,000
Exercised	**(111,752)**	-
Forfeited/cancelled	**(221,667)**	-
Outstanding, end of the period	**1,436,017**	1,153,504
Vested, end of the period	**420,170**	260,128

20. Revenue

	2021	2020
	$	$
Products	**21,052,880**	16,731,591
After sales services and extended warranty	**2,642,356**	2,282,314
	23,695,236	19,013,905

Management expects that 32% ($1,166,569) of deferred revenue as at October 31, 2021 will be recognized as revenue during the fiscal year ending October 31, 2022, while the remaining 68% ($2,461,045) will be recognized as follows:

	$
Fiscal year 2023	**1,198,150**
Fiscal year 2024	**732,187**
Fiscal year 2025	**389,439**
Fiscal year 2026	**141,269**
	2,461,045

21. Income taxes

A reconciliation of income taxes at Canadian statutory rates with reported income taxes is as follows:

	2021	2020
	$	$
Loss before income taxes	**(6,064,758)**	(6,735,410)
Combined Canadian federal and provincial tax rates	**26.5%**	26.50%
Income tax recovery at statutory rates	**(1,805,911)**	(1,784,884)
Increase resulting from non-deductible expenses	**333,937**	347,600
Income tax losses not recognized for accounting purposes	**1,273,224**	1,437,284
Income tax recovery	**-**	-
Current	**-**	-
Deferred	**-**	-

21. Income taxes (continued)

Deductible (taxable) temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	October 31, 2021	October 31, 2020
	$	$
Intangibles	**(4,586,290)**	(229,641)
Fixed assets	**(1,484,964)**	(545,617)
Scientific research & experimental development expenditures	**4,033,093**	3,783,612
Obligation under finance lease	**(92,968)**	-
Canadian losses	**28,676,821**	25,918,291
Financing fees	**2,082,838**	2,106,009
Reserves	**170,150**	149,946
Income tax credits	**(160,531)**	(617,358)
Deferred revenue	**3,612,139**	2,874,537
	32,250,288	33,439,779

The Company has accumulated the following losses for income tax, which may be carried forward to reduce federal and provincial taxable income in future years, and will expire as follows:

	Federal	**Provincial**
	$	**$**
2028	**142,046**	**183,822**
2029	**314,610**	**356,076**
2030	**1,147,430**	**1,180,620**
2031	**1,586,034**	**1,602,465**
2032	**2,932,235**	**2,904,519**
2033	**1,436,082**	**1,425,905**
2034	**2,546,536**	**2,488,710**
2035	**2,482,556**	**2,482,535**
2036	**1,884,832**	**1,884,830**
2037	**1,266,823**	**1,266,822**
2038	**1,308,050**	**1,315,841**
2039	**1,829,169**	**1,907,008**
2040	**6,779,428**	**6,776,130**
2041	**3,020,990**	**3,020,990**
	28,676,821	**28,796,273**

21. Income taxes (continued)

In addition, the Company has available unused research and development expenditures for income taxes purposes of $4,033,093 (2020 - $3,783,612). These unused research and development expenses are available to reduce taxable income of future years while the federal investment tax credits will expire by the end of 2041.

As at October 31, 2021, a deferred income tax asset has not been recognized on losses, research and development expenditures and deductible temporary differences of $32,250,288 (2020 - $33,439,778) as the Company has assessed that it will not be able to use these assets in the foreseeable future. At each successive balance sheet date, the Company will re-assess if it is more likely than not that this asset meets the criteria for recognition.

22. Expenses by nature

Included in cost of sales, general and administrative, selling and distribution and research and development expenses are the following:

	2021	2020
	$	$
Depreciation of property and equipment	**428,828**	321,525
Amortization of intangible assets	**710,832**	301,198
Amortization of right of use assets	**324,931**	331,156
Rent	**16,193**	58,559
Employee benefits[3]	**6,779,392**	5,006,852

[3] including reduction of expenses by government grants received and excluding share-based payments.

23. Financial expenses

	2021	2020
	$	$
Interest, bank, and related charges	**780,889**	826,465
Transaction costs on issuance of convertible debenture units	**-**	97,796
Transaction costs related to brokered private placement	**306,002**	-
Transaction costs related to shares-for-debt transaction	**19,916**	-
Warrants committed as part of debt agreement amendment	**-**	83,429
Interest accretion expense on convertible debt	**742,704**	600,096
Interest accretion on long-term debt	**62,441**	15,263
Foreign exchange (gain) loss	**605,463**	(74,758)
Significant financing component interest on extended warranties	**579,666**	512,461
Interest on lease liabilities	**93,803**	114,050
Non-cash gain from cancellation of warrants	**(25,213)**	-
Non-cash gain from shares-for-debt transaction	**(15,702)**	-
	3,149,969	2,174,802

24. Loss per share

	2021	2020
	$	$
Loss attributable to common shareholders for the year	**(6,064,758)**	(6,735,410)
Weighted average number of shares for basic and diluted EPS	**36,649,702**	26,805,584
Basic and diluted loss per share	**(0.17)**	(0.25)

A net loss was reported for the fiscal years ended October 31, 2021 and 2020 and therefore, the denominator for the basic earnings per share calculation was equal to the weighted average number of common stock outstanding with no consideration for outstanding stock options, DSUs, RSUs, warrants and debt conversions to acquire shares of the Company's common stock because to do so would have been anti-dilutive.

25. Financial instruments and risk management strategies

Financial risk

The Company is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Company's exposure to the various risks.

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk with respect to cash, short-term investments and amounts receivable and deposits from the potential default by counterparties. The Company mitigates the credit risk for cash and short-term investments by dealing only with large financial institutions with good credit ratings.

The Company performs ongoing credit evaluations of customers, and although generally does not require collateral, it obtains credit insurance for the majority transactions it extends credit to.

Allowances are maintained for potential credit losses. It is reasonably possible that the actual amount of loss incurred, if any, will differ from management's estimate. The maximum exposure to the credit risk is the full carrying value of cash, short-term investments, trade and other receivables, research and development tax credits receivable and deposits.

The typical credit period on sales is between 30 and 60 days and from time to time may be extended further. Allowances for doubtful accounts are recognized against trade receivables based on estimated irrecoverable amounts determined using the expected credit loss model.

Pursuant to their respective terms, trade accounts receivable for which the Company has not recognized an allowance for expected credit losses are aged as follows:

	2021	2020
	$	$
0-30 days	**2,166,168**	1,276,040
31-60 days	**104,183**	80,593
61-90 days	**1,743**	25,272
Over 91 days	**57,642**	109,759
	2,329,736	1,491,664

(ii) Concentration of credit and revenues risks

Three customers (two in 2020) represented approximately 49% of the trade accounts receivable balance as at October 31, 2021 (30% at October 31, 2020).

	2021	2020
	%	%
Customer A	**21**	14
Customer B	**15**	-
Customer C	**13**	-
Customer D	**-**	16

25. Financial instruments and risk management strategies (continued)

Financial risk (continued)

In addition, the Company generated 19% (2020 - 26%) of its revenue from one customer (2020 - two) in the amount of $3,583,000 (2020 - $4,943,000) and broken down as follows:

	2021	2020
	%	%
Customer A	**19**	-
Customer B	**-**	15
Customer C	**-**	11

(iii) Liquidity risk

Liquidity risk is the risk that a company cannot meet its obligations as they become due. The Company is subject to liquidity risk on its accounts payable which arise from its daily operations, bank indebtedness, term-debt and long-term debt. The Company mitigates this risk by reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they become due, as well as ensuring adequate funds exist to support the execution of business strategies and operational growth.

The contractual maturities and carrying amounts of financial liabilities are summarized in the following table:

October 31, 2021	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 to 3 years**	**Over 3 years**
	$	**$**	**$**	**$**	**$**
Trade payables and accrued liabilities[4]	**5,441,108**	**5,441,108**	**5,441,108**	**-**	**-**
Obligation under finance lease	**786,551**	**879,519**	**375,753**	**492,618**	**11,148**
Convertible debt	**254,556**	**300,000**	**300,000**	**-**	**-**
Long-term debt[5]	**4,245,813**	**4,561,918**	**982,586**	**3,067,022**	**512,310**
	10,728,028	**11,182,545**	**7,099,447**	**3,559,640**	**523,458**

October 31, 2020	Carrying amount	Contractual cash flows	Less than 1 year	1 to 3 years	Over 3 years
	$	$	$	$	$
Trade payables and accrued liabilities[4]	3,514,439	3,514,439	3,514,439	-	-
Term debt	421,220	421,220	421,220	-	-
Obligation under finance lease	1,064,033	1,250,804	391,455	733,075	126,274
Convertible debt	2,269,160	3,940,000	-	3,940,000	-
Long-term debt[5]	3,935,783	4,240,000	948,334	3,291,666	-
	11,204,635	13,366,463	5,275,448	7,964,741	126,274

[4] Net of warranty and other provisions.

[5] Long-term debt also includes the current portion of the long-term debt.

25. Financial instruments and risk management strategies (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Each of these risks is discussed hereunder.

(i) Currency risk

The Company is exposed to currency risks due to certain sales and purchases denominated in foreign currencies. The risk, however, is mitigated since a significant portion of its expenditures is also in that foreign currency.

The Company's cash, short-term investments, trade and other receivables, research and development tax credits receivable, trade payables and accrued liabilities, term debt, long-term debt, convertible debt and warrants and embedded derivatives liabilities are denominated in Canadian dollars and are subject to foreign currency risk.

The consolidated statements of financial position include the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in a currency other than the U.S. dollar:

	October 31, 2021
	$
Cash	161,174
Short-term investment	49,153
Trade and other Receivables	360,415
Research and development tax credits receivable	160,531
Trade payables and accrued liabilities	(2,676,238)
Term debt	-
Convertible debt	(254,556)
Long-term debt	(4,245,813)
Embedded derivatives liability	(8,625)
Warrants liability	(1,627,832)
Lease liability	(786,551)
	(8,868,342)

In 2021, a variation of 10% of the Canadian dollar against the U.S. dollar would have an impact of approximately $887,000 (2020 - $1,008,013) on net loss.

25. Financial instruments and risk management strategies (continued)

Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Company has bank loans available at variable interest rates; therefore, it is exposed to future cash flow risk as a result of potential rate fluctuations. The Company also has long-term debts and convertible debt available at a fixed interest rate, therefore it is exposed to fair value risk as a result of potential rate fluctuations. There has been no significant change to the Company's exposure to interest rate risk.

In 2021, a variation of 50 basis points while holding all other variables constant would have an impact of approximately $23,000 (2020 - $21,000) on net loss.

(iii) Fair values

Financial assets and financial liabilities are measured on an ongoing basis at amortized cost.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, judgment is required to develop these estimates. Accordingly, the estimated fair values are not necessarily indicative of the amounts the Company could realize or would pay in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1 – This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

The fair values of cash and bank indebtedness are measured as level 1.

Level 2 – This level includes valuations determined using directly (i.e., as prices) or indirectly (i.e., derived from prices) observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

The fair values of short-term investments, trade and other receivables, research and development tax credits receivable, trade payables and accrued liabilities, and long-term debt approximate their carrying values and as such are measured as level 2.

Level 3 – This level includes valuations based on inputs that are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

The convertible debt, which includes valuations based on less observable inputs and the warrants and embedded derivatives, which are classified as financial liabilities at FVTPL since they are denominated in a currency other than the Company's functional currency, are measured as level 3.

25. Financial instruments and risk management strategies (continued)

Market risk (continued)

(iv) Other price risk

This 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 and 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. The Company does not believe that it is exposed to any other significant price risk.

Management of capital

The book value of the Company's capital is as follows:

	October 31, 2021	October 31, 2020
	$	$
Term debt	**-**	421,220
Convertible debt	**254,556**	2,269,160
Long-term debt	**4,245,813**	3,935,783
Shareholders' equity (excluding accumulated other comprehensive loss)	**6,093,798**	6,716,352
	10,594,167	13,342,515

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its growth, to establish a strong capital base while providing adequate returns on investment. The Company's primary uses of capital are to finance increases in non-cash working capital along with research and development.

The Company currently funds these requirements from cash flows from operations as well as its financial resources, which include cash balance and credit facilities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable growth. Management forecasts sufficient cash flow to support the Company's operations for the following twelve months, however, refer to the Basis of preparation and going concern assumption within note 2 for additional information.

26. Commitments and contingencies

Warranty costs

During the normal course of operations, the Company assumes certain maintenance and repair costs under warranties offered on products sold. The standard warranties cover a period of one to two years. During the fiscal year ended October 31, 2021, the Company incurred $245,000 (2020 - $210,310) in warranty costs.

This estimated warranty provision is based on the Company's experience and $149,946 (2020 - $149,946) is included in trade payables and accrued liabilities on the consolidated statement of financial position. The actual amount that the Company may have to incur and the timing of the repairs to be carried out are unknown at this time and will only become known when they occur.

26. Commitments and contingencies (continued)

Contingencies

In the ordinary course of business, the Company may be subject to various claims, legal actions and environmental obligations. Management does not believe that any of the existing claims and legal actions will have a significant effect on the Company's financial position or operating results. However, the outcome of such matters may vary significantly from management's estimates.

27. Government Assistance

In response to the negative economic impact of COVID-19, various government programs have been enacted to provide financial relief to businesses. The Company determined that it qualified for the Canada Emergency Wage Subsidy ("CEWS") program under the COVID-19 Economic Response plan for certain periods, which subsidizes a portion of eligible Canadian employee wages, and the amount eligible is based on demonstrating a decline in revenue, the calculation of which varies in accordance with the CEWS program.

The contributions received for the fiscal years ended October 31, 2021, and 2020 were recorded as a reduction to the following accounts:

	2021	2020
	$	$
Consolidated statements of loss and comprehensive loss		
Cost of sales	**214,694**	170,793
General and administrative	**157,943**	278,962
Selling and distribution	**254,196**	500,074
Research and development	**169,299**	92,055
	796,132	1,041,884
Consolidated statements of financial position		
Inventories	**55,304**	212,616
Intangible assets	**77,104**	255,861
	132,408	468,477
	928,540	1,510,361

28. Segment information

The Company has determined that it has only one reportable operating segment, the development and marketing of security screening X-ray systems. This single operating segment generates revenues from the sale of these products and from rendering services related to the sale of these products. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment non-current assets were based on the geographic location of the assets.

The following table summarizes revenue by geographical area for the fiscal years ended October 31, 2021, and 2020:

	2021	2020
	%	%
United States	**68**	56
Europe, Middle East & Africa	**15**	25
Asia-Pacific	**8**	7
Latin America	**6**	8
Canada	**3**	4
	100	100

The following table summarizes non-current assets information by geography on October 31, 2021, and October 31, 2020:

	October 31, 2021	October 31, 2020
	$	$
Canada	**6,123,401**	6,593,100
Malaysia	**32,106**	63,578
United Arab Emirates	**22,300**	47,301
	6,177,807	6,703,979

29. Transactions with related parties

The following transactions took place in the normal course of business. These transactions are measured at the exchange amount, which is the amount of consideration determined and agreed to by the related parties.

Key management personnel include the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer and Executive Vice-Presidents who are members of the Management Committee.

The following table summarizes the remuneration payable to key management personnel included in accounts payable and accrued liabilities:

	2021	2020
	$	$
Trade payables and accrued liabilities	**483,642**	30,308

Compensation of directors and key management personnel

The remunerations of directors and other key management personnel during the fiscal years ended October 31, 2021, and 2020 are expensed as follows:

	2021	2020
	$	$
Short-term benefits	**1,905,470**	1,206,743
Share-based payments	**421,075**	749,681