
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended November 30, 2019

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 333-132456

BYRNA TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of incorporation or
organization)*

71-1050654

(I.R.S. Employer Identification No.)

107 Audubon Road, Bldg. 2, Suite 201

Wakefield, MA

(Address of Principal Executive Office)

01880

Zip Code

Registrant's telephone number, including area code: **978-868-5011**

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Larger accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act):

Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter (May 31, 2019) was approximately \$15,827,958.16 based upon a share valuation of \$0.14 per share.

As of May 6, 2020, the Company had 124,792,754 issued and outstanding shares of common stock.

Documents incorporated by reference: None

EXPLANATORY NOTE

Byrna Technologies Inc. is a voluntary filer on the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is therefore not subject to, or required to file reports pursuant to, Section 13 or Section 15(d) of the Exchange Act.

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References in this Annual Report on Form 10-K to the "Company," "we," "us" or "our" refer to Byrna Technologies Inc. (formerly known as Security Devices International Inc.).

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K (of this "Report") and the documents we have filed with the Securities and Exchange Commission (the "SEC") that are incorporated by reference herein contain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve significant risks and uncertainties. Any statements contained, or incorporated by reference, in this Report that are not statements of historical fact may be forward-looking statements. When we use the words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will" and other similar terms and phrases, including references to assumptions, we are identifying forward-looking statements. Forward-looking statements involve risks and uncertainties which may cause our actual results, performance or achievements to be materially different from those expressed or implied by forward-looking statements. Our actual results could differ materially from those anticipated in forward-looking statements as a result of certain factors, including matters described in the section titled "Risk Factors." Moreover, new risks regularly emerge and it is not possible for our management to predict all risks, nor can we assess the impact of all risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ from those contained in any forward-looking statements. All forward-looking statements included in this Report are based on information available to us on the date hereof. Except to the extent required by applicable laws or rules, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this Report and the documents we have filed with the SEC.

PART I

ITEM 1. BUSINESS

Overview

We are an emerging non-lethal technology company, specializing in the development and manufacture of innovative less-lethal equipment and munitions. We have two main product lines. Our first main product line and primary focus is our Byrna® line of handheld personal security devices. The Byrna® product line includes the Byrna HD, our first handheld personal security device which is designed to be used by both civilians and private security professionals, as well as accessories and third-party products that are compatible with the Byrna HD, including the projectiles used in the Byrna HD. Our second, legacy, line of business is the sale of less-lethal munitions designed for 40MM rifled launchers utilized by law enforcement, correctional services and military markets. These less-lethal munitions include impact rounds designed to stop an individual without causing permanent injury or death and "payload" rounds carrying a variety of payload packages including chemical irritants and various marking products designed to deter or identify instigators in riot situations. Our flagship product in this market is the 40mm blunt impact projectile ("BIP"), which uses patented collapsible gel head technology. In addition to our two main product lines we sell two 12 gauge less-lethal impact rounds: a bean bag round and a rubber fin.

We primarily sell our products to the consumer, private security, law enforcement and military end markets in the United States, Canada and South Africa. Historically, we sold our products primarily to law enforcement, correctional facilities and military end markets in the United States and Canada through our SDI online store and historic relationships. We sell our new Byrna HD directly to consumers through a new Byrna e-commerce site and at gun shows and other events, and to dealers and distributors in the United States and South Africa. We also recently received our first stocking order for 208 Byrna HD original Ready Kits (which includes the Byrna HD, a case, a spare magazine, two of our proprietary CO2 cartridges and 15 assorted Byrna HD projectiles) and ammunition from C-A-L Ranch Stores, a chain store with twenty-six locations across four states. In South Africa, we sell the Byrna® HD and related products directly and through an authorized manufacturer's distributor.

Byrna® Products

The Byrna HD

The Byrna HD, launched in 2019, is the first product in our Byrna® line of handheld less-lethal personal security devices. The Byrna HD is a compact, ergonomically designed, handheld personal security device with the size and form factor of a compact handgun. It is easy to use, with virtually no recoil, and is designed to fire accurately with an effective range of 60 feet. The Byrna HD utilizes several of our proprietary patents and more than 60 custom designed parts. The Byrna HD comes with multiple easily reloadable magazines that can hold five .68 caliber rounds, including highly effective chemical irritant projectiles designed to burn an assailant's eyes and affect the respiratory system upon contact, impact projectiles that can be used for self-defense or training, and inert rounds for training. *See "Byrna HD Projectiles" below.* The Byrna HD is fitted with a picatinny rail that allows owners to mount accessories, including laser sights and or flashlights, so that even novices can fire with a high degree of accuracy. It is designed to provide a non-lethal alternative to a firearm, effective at deterring and temporarily incapacitating an intruder or would be assailant at a safer stand-off distance than pepper spray or stun guns. The Byrna HD is available in multiple colors and can be purchased separately or as part of a kit with various accessories and projectiles. One version of the kit, which contains only yellow or other brightly colored launchers and does not come with chemical irritant projectiles, is designed to be compliant in states and municipalities that prohibit chemical irritant projectiles.

We believe that the Byrna HD fills a perceived need in both the civilian and professional markets. It provides private security officers, including those not licensed to carry a firearm, as well as peace and corrections officers, with an effective, non-lethal option in their arsenals. Moreover, it provides ordinary civilians - homeowners and renters, RV owners and campers, truckers, real estate agents, parents and grandparents, and anyone whose day to day travels expose them to the threat of a would be assailant-with an effective non-lethal tool to reduce their exposure to risk and help ensure the safety of their person, property and loved ones.

In February of 2019, the Company launched its online store for the Byrna HD and held its official product launch, in conjunction with Daytona Speedweek, where the Company was an associate sponsor of the #52 Byrna Ford, driven by Cody Ware, and maintained a display booth where race fans had the opportunity to see and hold Byrna prototypes, take pictures with the #52 Byrna Ford, and place pre-orders. Deliveries of the Byrna HD began in late March 2019 when the Company began shipping to Dave Sheer Guns in South Africa. At the end of May the Company began shipments to customers in the U.S. The market response has been exciting and has supported the strength of our conviction in the Byrna HD. As of May 6, 2020, we have received orders for more than 4500 launchers.

Byrna HD Projectiles

The Byrna HD fires .68 caliber round plastic projectiles. We manufacture and sell four types of rounds for the Byrna HD: two formulations of chemical irritant rounds, solid kinetic rounds, and inert rounds.

Our Byrna HD chemical irritant projectiles are currently produced with two different formulations of chemical irritant to ensure compliance with local and State laws in the United States where one or the combination of ingredients in our proprietary rounds is prohibited or all natural rounds are mandated. The chemical irritant projectiles are designed to burst on impact in order to release a cloud of micro-pulverized powder that burns an assailant's eyes and can affect the respiratory system. We believe that these projectiles are more effective at deterring and delaying a would be assailant than traditional pepper projectiles in use by law enforcement and prison guards because they are formulated to immediately incapacitate an assailant rather than to gain compliance.

Our Byrna HD kinetic projectiles are impact projectiles that that can be used for self-defense or training. The Byrna HD kinetic projectiles do not contain any payload but are instead solid projectiles that do not break upon impact. These projectiles are meant to deter and delay an attacker and can be used in states where chemical irritant rounds are prohibited in non-aerosol form as well as for training.

Our Byrna HD inert projectiles are filled with inert powder to imitate the weight and dispersion of our chemical irritant projectiles without their effect, and are designed to be used for training.

Byrna HD Accessories

In addition to the Byrna HD projectiles, we also manufacture and sell separately the following products for our Byrna HD:

- a carrying case
- spare magazine clips
- a spare magazine carrier
- our proprietary Byrna 8 gram CO2 cartridges
- a variety of concealed carry and tactical holsters
- an oiler and maintenance kit
- a Crimson Trace flashlight
- a Crimson Trace rail master laser sight (in both red and green)
- our Byrna target for shooting practice

40 MM Less-Lethal Projectiles

We sell less-lethal munitions designed for 40mm rifled launchers in the law enforcement, correctional services and military markets. These less-lethal munitions include impact rounds designed to stop an individual without causing permanent injury or death and "payload" rounds carrying a variety of payload packages such as CS powder (the same chemical as traditional tear gas), OC powder (the chemical in most pepper sprays), DNA marking liquids, mal-odorants, and other marking products designed to deter, disorient, or mark instigators in riot situations.

Our flagship product in this market is our 40mm BIP, which uses patented collapsible gel head technology. We believe our product is the best 40mm kinetic energy impact round currently on the market. However, in 2017 we concluded that the customer acquisition cost associated with selling the 40mm projectiles was uneconomical due to the extremely fragmented nature of the law enforcement market in the United States, the expense of performing required live fire demonstrations, and perceived resistance to changing suppliers or products. As a result, we decided not to devote significant resources to the sale and marketing of the 40MM projectiles; however, we continue at this time to manufacture and sell these products to existing and new customers. We are no longer manufacturing our 12 gauge munitions but continue to sell our existing inventory. The financial burden on state and municipal governmental agencies created by Covid 19 may further impact the market for these products and affect the continued viability of this segment of the business.

We are party to a License and Supply Agreement with Safariland, LLC ("Safariland") pursuant to which Safariland is developing a product integrating our 40mm BIP. This product is in the testing phase and there is no guarantee that it will be successful. See "*Manufacturing, Suppliers and Distribution*" below.

Business Strategy

Our business strategy is twofold: (1) to fulfill the growing demand for less-lethal products in the law enforcement, correctional services, and private security markets and (2) to provide civilians - including those whose work or daily activities may put them at risk of being a victim - with easy access to an effective, non-lethal way to protect themselves and their loved ones from threats to their person or property.

We believe that the United States, along with many other parts of the world, is experiencing a significant spike in the demand for less-lethal products and that the less-lethal market will be one of the faster growing segments over the next decade. The global less-lethal market has been projected to approach \$12 billion per year by 2023 (Statistics MRC. Non-Lethal Weapons – Global Market Outlook (2017-2023)). Based on the surge in web traffic and domestic orders we have experienced since the ongoing coronavirus pandemic began, we believe the pandemic has elevated security concerns and may further increase the demand for less-lethal weapons and munitions in both the professional security and consumer markets. The Company plans to respond to this growing demand through the production and distribution of the Byrna HD and development of additional products in the Byrna line.

Marketing and Sales

We have sought to raise brand awareness and market our Byrna line of products to customers through our NASCAR sponsorship, social media, our e-commerce website, and digital advertising. For the fiscal year ended November 30, 2019, our marketing was limited as we focused on ramping up and improving production. Since the fiscal year ended November 30, 2019, we have begun testing promotional specials, run banner ads, and sought to direct traffic to our e-commerce store through the use of social influencers, blogs, and other digital marketing tools.

In March 2020, we hired a director of sales and marketing who is responsible for building the e-commerce and social media marketing program for our Byrna HD, seeking to develop our brand through the creation of print and digital content and the use of appropriate influencers, creating and implementing a nationwide reseller program in the United States focused on expanding market penetration of our Byrna HD through gun shows and other direct to consumer events, and developing a distribution network of bricks and mortar outlets. We also appointed an executive vice president of international sales and marketing responsible for the development of global sales and a global distribution network for the Byrna HD. Additionally, we have engaged third-party marketing firms to provide us with professional brand management, including Maschmedt & Associates, which has been tasked with marketing our products to industry leading companies in the outdoor sporting goods channel.

We sell our Byrna line of products online on our e-commerce site, in brick and mortar stores, at gun shows, and to dealers and distributors. We sell our 40mm munitions through distributors in the U.S. and Canada and our online store for sales to government agencies.

Manufacturing, Suppliers and Distribution

Byrna® Products

The component parts of the Byrna HD are primarily manufactured in facilities in South Africa, the U.S., China, and Mexico (in that order of importance), and the Byrna HD and magazines are currently produced and assembled in South Africa by Roboro Industries Pty LTD (“Roboro”) for sale and distribution in South Africa and the U.S. Our proprietary CO2 cartridges are manufactured for us in Japan and shipped to the U.S. and South Africa for distribution. Roboro was a third-party supplier/manufacturer through the fiscal year ended November 30, 2019. Effective as of May 5, 2020, the Company purchased 100% of the stock of Roboro and it became a wholly owned subsidiary of the Company. We anticipate opening a second manufacturing facility in the U.S. in the fiscal year ending November 30, 2020.

Our Byrna HD chemical irritant and inert projectiles and tactical holsters are manufactured in South Africa and shipped for sale in the United States. Our kinetic projectiles are manufactured in the U.S. The suppliers of our non-proprietary accessories including Crimson Trace products and concealed holsters are domestic, although they may import component products and materials.

40 MM Less-Lethal Projectiles

Development, supply and manufacturing of our 40 MM less-lethal projectiles have been conducted with one manufacturer in the United States since 2012. The current manufacturing agreement, which began in August 2017, provides the manufacturer with the exclusive right to manufacture and assemble the components of the 40 MM projectiles and to supply them in North America. The agreement is for a term of four years with an automatic extension for additional one- year terms if neither party has given written notice of termination at least sixty (60) days prior to the end of the then-current term.

In May 2017 we entered a License and Supply Agreement with Safariland, pursuant to which we license to Safariland certain BIP standard payloads for integration with a Safariland aluminum casing for the production of certain less-lethal impact munitions in North America. This agreement is for a term of four years with an automatic extension for an additional one-year term if neither party has given written notice of termination at least ninety (90) days prior to the end of the then-current term. We are still in the testing phase for the resulting product; however, testing to date has not been successful. If our patented 40mm piston driven collapsible head projectile mated to a Safariland casing passes the testing regime, we would expect Safariland to market this product under the Def-Tec brand. The Company also has entered into an Agreement with Airtronics to supply the BIP® as the standard round to be sold with Airtronic's "Sonis" brand less-lethal launcher. Airtronics focuses on military sales around the world. The Company is working on the development of new munitions for the law enforcement market.

Backlog

As a result of a recent influx of sales of our Byrna HD and supply chain disruptions, including, air freight and shipping constraints and the temporary shutdown of the production facility in South Africa (which has now reopened) as a result of the worldwide coronavirus pandemic, many of our Byrna HD products have been on backorder. We expect to fill our current backlog by mid-May provided that coronavirus-related air freight and shipping constraints allow us to do so.

Research and Development

We conduct research and development activities to enhance existing products and develop new products through our wholly owned subsidiary Byrna South Africa Pty LTD, at its facilities in South Africa, utilizing our personnel and strategic relationships. Research and development is underway related to possible improvements of existing products and new products, including a next generation Byrna HD product, a professional edition of the Byrna HD suitable for sale to law enforcement, and new less-lethal munitions for the Byrna product line.

Intellectual Property

The Company's Byrna® trademark was issued in the fourth quarter of 2019. The Company also owns the "BIP" trademark and has applied to register its Byrna logo.

The Company owns fifty granted/pending patent applications worldwide. Of these patent applications:

- two are pending international patent applications in terms of the Patent Cooperation Treaty (the "PCT") have been filed in respect of the Byrna HD personal security device, and rights to file patent applications in all 153 contracting states of the PCT are reserved;
- thirty pertain to the shaped aerodynamic less-lethal gas propelled projectile, with patents granted in the U.S., Australia, China, Hong-Kong, Israel and 23 member states of the European patent convention, with only the Canadian patent application still pending;
- a further five patent applications are pending in the U.S. and South Africa in respect of darts connectable to the shaped aerodynamic projectile for use in animal husbandry, and to a shotgun wad for enabling the shaped projectile to be encapsulated in a 12gauge shotgun cartridge and fired from a 12gauge shotgun; and
- six have been granted in the U.S. for the Company's so called Blunt Impact Projectile ("BIP") and Wireless Electric Projectile ("WEP") technologies, and nine corresponding applications have been filed in Canada, France, Germany, India, Ireland, United Kingdom, (one application each) and Israel (two applications) in respect of the BIP technology, with a single corresponding patent application filed in Mexico for the WEP technology.

In addition to the patent applications listed, the company owns a further twenty three granted/ pending design patent applications worldwide. The design patent applications pertain to the specific design embodiments of the shaped aerodynamic projectiles, and various adaptations thereof, and to internal components and features of the Byrna HD personal security device. Design rights in the projectiles have been granted in the USA, Europe, Australia, Israel, Saudi Arabia, United Arab Emirates and South Africa.

Customers

We sell our Byrna® line of products directly to consumers online and at gun shows and other events as well as to third party retailers and distributors. We sell our 40mm products directly to existing customers and online to government agencies.

During the fiscal year ended November 30, 2019, we had three sales channels/customers account for approximately 77.6% of our product sales: Shopify, Inc., an online retail platform that sells our Byrna product line to individual customers, Afrisist, a distributor of our Byrna product line in Africa, and Safe Shot, Inc., a U.S. distributor of our Byrna product line at trade shows, gun shows and other special events in the U.S.

Competition

In the home and personal security markets our Byrna line competes with established manufacturers of stun guns, including Taser products, and manufacturers of other handheld CO2 powered launchers of chemical irritant projectiles, such as United Tactical Systems and Tippman, including companies with substantially more financial resources and brand recognition. We believe our product to be priced competitively and superior to the competition in terms of the quality, appearance, features, performance, and reliability, but we need to develop brand awareness and stay competitive in each of these areas to establish ourselves as first in class.

We compete for 40mm business with numerous companies in the defense technology industry, including companies with substantially more financial resources than we have, that offer similar products, including, but not limited to, Safariland Group, Combined Systems, Inc. and Pacem Defense.

Regulatory Matters

The manufacture, sale, and purchase of weapons, ammunitions, firearms, and explosives are subject to extensive federal, state, local, and foreign laws. We are also subject to the rules and regulations of the ATF and various state and international agencies that control the manufacture, export, import, distribution and sale of ammunition and explosives. Such regulations may adversely affect demand for our products by imposing limitations that increase the costs or limit the availability of our products. In order to manufacture, sell, import and export its 40mm products the Company maintains a Federal Explosives License 20, a Federal Explosives License 23, and a Federal Firearms License 10. The Byrna HD is a new product and may be subject to future legislation or regulation. Because it uses CO2, rather than gunpowder or other explosive to launch projectiles, the Byrna HD is not a "firearm" within the meaning of U.S. law. It is, however, subject to certain state and local regulations related to "pepper spray" or "tear gas" devices. Changes to or new interpretation of existing regulation could impact our ability to manufacture or sell the Byrna HD and its projectiles, which could impact our cost of sales or demand for our products.

Our failure to comply with applicable rules and regulations may result in the limitation of our growth or business activities and could result in the revocation of licenses necessary for our business. The handling of our technical data and the international sale of our products may also be regulated by the U.S. Department of State and Department of Commerce. These agencies can impose civil and criminal penalties, including denying us from exporting our products, for failure to comply with applicable laws and regulations.

We believe that existing federal, state, and local legislation relating to the regulation of firearms and ammunition do not have a material adverse effect on our sales of products. However, the regulation of firearms and ammunition may become more restrictive in the future, and any such developments might have a material adverse effect on our business, operating results, financial condition, and cash flows.

Employees

As of December 31, 2019, we had a total of 14 employees, including 5 part-time employees. None of our employees is represented by a union in collective bargaining with us. We believe that our employee relations are good.

Corporate History

We were incorporated in Delaware on March 1, 2005 under the name Security Devices International Inc. On February 26, 2020, we filed an amendment to our certificate incorporation with the Secretary of State of Delaware changing our name, effective March 4, 2020, to Byrna Technologies Inc. During the fiscal year ending November 30, 2019, we had two wholly-owned subsidiaries, Security Devices International Canada Corp. ("SDICC") and Byrna South Africa (Pty) Ltd. SDICC was dissolved effective December 19, 2019.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are filed with the Securities and Exchange Commission (the "SEC"). The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. The contents of these websites are not incorporated into this Annual Report. Further, our references to the URLs for these websites are intended to be inactive textual references only. Information on the Company is available free of charge on the Company's websites at ir.securitydii.com and by clicking "Investors" at www.byrna.com.

ITEM 1A - RISK FACTORS.

You should carefully consider the risks described below, together with all of the other information included in this report, in considering our business and prospects. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. The occurrence of any of the following risks could harm our business, financial condition or results of operations.

Risks Related to the Company and Our Business

Epidemic diseases, or the perception of their effects, could have a material adverse effect on our business, financial condition, results of operations, cash flows, and ability to comply with regulatory requirements.

Outbreaks of epidemic, pandemic, or contagious diseases, such as the recent novel coronavirus (COVID-19) or, historically, the Ebola virus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, or the H1N1 virus, could cause disruptions in our business and the businesses of third-parties who we depend upon for materials and manufacturing. These disruptions could include disruptions of our ability to receive materials, manufacture our products, or distribute our products, as well as closures of our facilities or the facilities of our suppliers, manufacturers and customers. Any disruption of the businesses of our suppliers, manufacturers or customers would likely impact our sales and operating results. In addition, a significant outbreak of epidemic, pandemic, or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our products. Any of these events could have a material adverse effect on our business, financial condition, results of operations, or cash flows. Additionally, such outbreaks could disrupt our ability to timely file periodic reports required by the SEC or the stock exchanges on which the Company's common stock is listed, which may lead to the delisting or downgrading of our common stock on such stock exchanges.

In addition to the impacts the pandemic may have on our operations and administrative functions and those of our third-party suppliers and manufacturers, the demands the pandemic is placing on government agencies, law enforcement and potentially military organizations may impact the ability of customers and potential customers to purchase our 40mm products or future products directed at those sectors. Similarly, the overall economic downturn, loss of jobs, loss of savings, and loss of disposable income and liquidity on the part of consumers could adversely affect the market for our Byrna HD and other consumer directed products we may introduce. Any of these events could have a material adverse effect on our business, financial condition, results of operations, or cash flows.

We have a history of operating losses and we cannot guarantee that we will ever achieve sustained profitability.

We have recorded a net loss attributable to common stockholders in all reporting periods since our inception. Our net loss for the years ended November 30, 2019 and 2018 were \$4,409,785 and \$2,153,474, respectively, and our accumulated deficit at November 30, 2019 was \$37,662,123. We have refocused our operations towards the production, marketing and sales of our Byrna HD in an effort to increase profitability, there can be no assurance of success in reducing our net loss or becoming profitable.

We have a limited operating history on which you can evaluate the Company.

We have a limited operating history on which you can evaluate the Company. Although the corporate entity has existed since 2005, we have only been manufacturing and selling the Byrna HD, our largest source of revenue, since April 2019. Moreover, the management team has a short tenure as such; the CEO and most key management personnel are only in their current positions since 2019. As a result, our business may be subject to many of the problems, expenses, delays, and risks inherent in the establishment of a new business enterprise.

The Company is dependent on our relationships with key third party suppliers for our business.

The Company relies on certain third party suppliers for its business. The Company's future operating results depend upon our ability to obtain a sufficient amount, of a reliable quality, of these components on commercially reasonable terms. The Company may be able to purchase certain key components of its products from a limited number of suppliers, subjecting it to supply and pricing risks. Failure of a supplier's business or consolidation within the industry could further limit the Company's ability to purchase key components in sufficient quantities on commercially reasonable terms. Failure of our suppliers to provide sufficient quantities of components on favorable terms, meet quality standards, or deliver components on a timely basis could delay or stop production, result in possible lost sales and seriously threaten our liquidity, sources and uses of funds, and gross and net revenues.

The Company relies upon a limited number of third parties for manufacturing of our products, the shipping and handling our products and other similar services. A loss of any of such third party relationships would have a material adverse effect on our operating results.

The Company relies on third parties to source and inspect components, maintain adequate and quality parts inventory, to assemble, kit and ship its products, to provide warranty repair services, and to market and sell the Byrna HD. These arrangements lessen the Company's direct control over production, distribution, and some customer service functions. Loss of any of these relationships or failure of any of these third parties to perform as expected would adversely affect the Company's operations, sales, revenue, margins, liquidity, reputation and operating results. The Company's dependence through April 2020 on a single third party for the manufacture and assembly and warranty repairs of the Byrna HD made it particularly vulnerable to that parties' continued services on favorable terms. Following the acquisition of Roboro effective May 5, 2020, the Company's ability to manage its new roles, integrate Roboro operations, and effect a smooth transition of Roboro's operations and employees present additional risks and uncertainties. Difficulties in managing a smooth transition could have a material adverse effect on our operating results.

The Company is dependent on our relationships with third parties for the preparation of our financial statements, which allow us to meet our financial reporting obligations.

The Company utilizes third-party consultants to assist management in the preparation of our financial statements. The Company's ability to meet its future financial reporting obligations will, until such time as our in house resources are sufficient, continue to depend in part on such services provided by these third-parties. Changes in such third-party relationships, personnel, or capacity may impact our ability to timely file our financial statements, which could impact the Company's ability to maintain its current listings on the OTCQB and CSE. Failure to maintain such listings could materially adversely affect the Company's ability to raise capital.

Our independent registered public accounting firm's report contains an explanatory paragraph that expresses substantial doubt about our ability to continue as a "going concern."

The Company has incurred a cumulative loss of \$37,662,123 from inception to November 30, 2019. The Company has funded operations through the issuance of common stock, warrants, and convertible notes payable. The Company generates revenue from operations. However, it still expects to incur significant losses before the Company's revenues can sustain its operations. The Company's future success is dependent upon its ability to raise sufficient capital or generate adequate revenue, to cover its ongoing operating expenses, and also to continue to develop and be able to profitably market its products. Management's plans to continue operations include seeking to expand sales of the Byrna® HD in new marketing channels domestically and internationally, offering new products to drive revenue increases in the way that the April 2019 launch of the Byrna® HD drove the fiscal 2019 revenue increase. In addition, subsequent to the fiscal year ended November 30, 2019, the Company (1) raised approximately \$3.2 million through early warrant exercises and (2) exchanged all outstanding convertible debt for preferred stock, resulting in the Company no longer having any outstanding notes payable. *See Note 20* for additional information. The Company may explore other financing alternatives to raise capital, if needed. There can be no assurance that such revenue will be generated, or financing will be available at all or on favorable terms. Based on these factors, there is substantial doubt about the ability of the Company to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty; such adjustments could be material.

We may require additional capital in the future to support both our operations and growth plans. If we do not obtain such additional capital, our business prospects, financial condition and results of operations could be adversely affected.

The Company does not have adequate revenue to fund both its operations and growth plans and may require additional financing if it is unable to sustain its current revenues or generate substantial revenue growth. There can be no assurance that such financing will be available at all or on favorable terms. Failure to sustain its revenues or generate substantial revenue growth may result in the Company seeking to obtain such additional financing which could result in delay or indefinite postponement of the Company's deployment of its products. Any such financing will dilute the ownership interest of the Company's stockholders at the time of the financing and may dilute the value of their shareholdings.

If we are unable to successfully implement our business plan for the sale of Byrna HD, our revenue growth could be slower than we expect and our business, operating results and financial condition could be adversely affected.

There can be no assurance that the Company can generate revenue growth, or that any revenue growth that is achieved can be sustained. Revenue growth that the Company has achieved or may achieve may not be indicative of future operating results. The Byrna HD is a brand new Gen 1 product and its long term adoption by the market remains unknown. Among other things, production delays, including as a result of the coronavirus pandemic, excessive costs, performance failures, or negative publicity could stall or prevent its success in the market and generation of revenue. In addition, the Company may increase further its operating expenses in order to fund increases in its sales and marketing efforts and increase its administrative resources in anticipation of future growth. To the extent that increases in such expenses precede or are not subsequently followed by increased revenues, the Company's business, operating results and financial condition will be materially adversely affected.

The failure to attract and retain key personnel could have an adverse effect on our operating results.

Our success depends substantially on the efforts and abilities of our senior management and key personnel. The competition for qualified management and key personnel is intense. The loss of services of one or more of our key employees or the inability to hire, train, and retain additional key personnel could delay the development and sale of our products, disrupt our business, and interfere with our ability to execute our business plan.

In addition, our ability to maintain our competitive position is dependent to a large degree on the efforts and skills of our senior management team, including Bryan Ganz, our President, Chief Executive Officer and Chairman of the Board of Directors. The loss of the services of one or more of our key personnel could materially and adversely affect our operations.

Our performance is influenced by a variety of economic, social, and political factors.

Our performance is influenced by a variety of economic, social, and political factors. General economic conditions and consumer spending patterns can negatively impact our operating results. Economic uncertainty, unfavorable employment levels, declines in consumer confidence, increases in consumer debt levels, increased commodity prices, and other economic factors may affect consumer spending on discretionary items and adversely affect the demand for our products. In times of economic uncertainty, consumers tend to defer expenditures for discretionary items, which affects demand for our products. Any substantial deterioration in general economic conditions that diminish consumer confidence or discretionary income could reduce our sales and adversely affect our operating results.

Political and other factors also can affect our performance. Concerns about presidential, congressional, and state elections and legislature and policy shifts resulting from those elections can affect the demand for our products. In addition, speculation surrounding control of firearms, firearm products, and ammunition at the federal, state, and local level and heightened fears of terrorism and crime can affect consumer demand for our products. Often, such concerns result in an increase in near-term consumer demand and subsequent softening of demand when such concerns subside. Inventory levels in excess of customer demand may negatively impact operating results and cash flow.

Federal and state legislatures frequently consider legislation relating to the regulation of firearms, including amendment or repeal of existing legislation. Existing laws may also be affected by future judicial rulings and interpretations firearm products, and ammunition. If such restrictive changes to legislation develop, we could find it difficult, expensive, or even impossible to comply with them, impeding new product development and distribution of existing products.

We depend on the sale of our personal security devices.

In 2019, we began selling Byrna HD to a wide variety of consumers, including but not limited to, gun enthusiasts, collectors, hunters, sportsmen, competitive shooters, individuals desiring home and personal protection. The sale of such devices is influenced by a variety of economic, social, and political factors, which may result in volatile sales. Sales of the Byrna HD represented a substantial amount of our net sales for the year ended November 30, 2019.

If we deliver products with defects, we may be subject to product recalls or negative publicity, our credibility may be harmed, market acceptance of our products may decline, and we may be exposed to liability.

The Company sells complex products including products that are new to the market and do not have a long performance history. These products may contain certain design and manufacturing defects including defects in materials and components that we purchase from third parties. There can be no assurance the Company will be able to detect and fix all defects in the products it sells. Accordingly, the Company's products may experience quality and service problems from time to time that could result in decreased sales and operating margin and harm to the Company's reputation.

Product liability lawsuits against us could cause us to incur substantial liabilities and to limit commercialization of any products that we may develop.

The Company may be subject to proceedings or claims that may arise in the ordinary course of the business, which could include product and service warranty claims, which could be substantial. If its products fail to perform as warranted and the Company fails to quickly resolve product quality or performance issues in a timely manner, the Company's reputation may be tarnished, potential sales may be lost, and the Company may be forced to pay damages. Any failure to meet customer requirements could materially affect the Company's business, results of operations and financial condition. The occurrence of product defects and the inability to correct errors could result in the delay or loss of market acceptance of its products, material warranty expense, diversion of technological and other resources from its product development efforts, and the loss of credibility with customers, manufacturer's representatives, distributors, value added resellers, systems integrators, original equipment manufacturers and end-users, any of which could have a material adverse effect on the Company's business, operating results and financial conditions.

The Company currently has general liability insurance that includes product liability coverage. There is no assurance this insurance policy will cover all potential claims which may have a material adverse effect on the business or financial condition of the Company. A product recall could have a material adverse effect on the business or financial condition of the Company.

We sell products that create exposure to potential product liability, warranty liability, or personal injury claims and litigation.

Our products are used in activities and situations that involve risk of personal injury and death. Our products expose us to potential product liability, warranty liability, and personal injury claims and litigation relating to the use or misuse of our products, including allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product or activities associated with the product, negligence, and strict liability. If successful, any such claims could have a material adverse effect on our business, operating results, and financial condition. Defects in our products may result in a loss of sales, recall expenses, delay in market acceptance, and damage to our reputation and increased warranty costs, which could have a material adverse effect on our business, operating results, and financial condition. In addition, our reputation may be adversely affected by such claims, whether or not successful, including potential negative publicity about our products.

We maintain product liability insurance in amounts that we believe are reasonable, but there is no assurance that we will be able to maintain such insurance on acceptable terms, if at all, in the future and product liability claims may exceed the amount of insurance coverage.

Seasonality and weather conditions may cause our operating results to vary from quarter to quarter.

Because many of our products are used for seasonal outdoor sporting activities, our operating results may be significantly impacted by unseasonable weather conditions. Additionally, the performance of our Byrna HD and CO₂ cartridges may vary in certain weather conditions which may lead to less satisfactory performance and translate to slower sales when such weather conditions are extended. Accordingly, our operating results could suffer if weather patterns do not conform to current seasonal norms.

The seasonality of our sales may change in the future. Seasonal variations in our operating results may reduce our cash on hand, increase our inventory levels, and extend our accounts receivable collection periods. This in turn may cause us to increase our debt levels and interest expense to fund our working capital requirements.

Our strategic alliances with third parties could cause us to expend significant resources and incur substantial business risk with no assurance of financial return.

The Company relies upon strategic alliances for the manufacturing, licensing, and distribution of its products. Our business depends upon our ability to manufacture and sell our products to our customers. We currently do not have the capabilities to manufacture and distribute our products and are required to enter into agreements with third parties for such services. Additionally, due to the introduction of our new product in the fiscal year ended November 30, 2019, we only began recently to establish a sales team for our product and require a third party for most sales of such product. We currently have agreements with third parties for manufacturing services, however, there can be no assurance that such strategic alliances can be maintained, will be extended or renewed, or will achieve their goals. If we enter into strategic alliances for distribution and sales or if any of our current strategic alliances are terminated or fail to achieve their goals, the Company's business, operating results and financial condition will be materially adversely affected.

If we are unable to establish sales, marketing and distribution capabilities or make adequate arrangements with third parties, including entering into strategic alliances with partners, for such purposes, we would not be able to successfully commercialize our products.

In order to commercialize our products, we must either acquire or develop marketing, sales and distribution capabilities or arrange for third parties, including entering into collaborations with partners, to perform some or all of these services. We currently have very limited marketing and distribution capabilities and sales force. To the extent that we internally develop a sales force, the cost of establishing and maintaining a sales force would be substantial and may exceed our cost effectiveness. The acquisition or development of a sales and distribution infrastructure could require substantial resources, which may divert the attention of its management and key personnel and defer its product development and deployment efforts. In addition, in marketing our products, we would likely compete with companies that currently have extensive and well-funded marketing and sales operations. Despite marketing and sales efforts, we may be unable to compete successfully against these companies. We may not be able to do so on favorable terms. We could rely on third parties to market and sell our products in certain territories, rather than establishing an internal sales force. When we contract with third parties, including entering into collaborations with partners, for the sale and marketing of our products, revenues depend upon the efforts of these third parties, which may not be successful. If we fail to establish successful marketing and sales capabilities or to make arrangements with third parties for such purposes, our business, financial condition, results of operations and prospects will be materially adversely affected.

The market for defense technology is in a state of technological change which could have a material adverse impact on the Company's business, financial condition and results of operations.

The market for defense technology, which the Company's products and services are characterized, is associated with rapidly changing technology and evolving industry standards, which could result in product obsolescence or short product life cycles. Accordingly, the Company's success is dependent upon its ability to anticipate technological changes in the industries it serves and to successfully identify, obtain, develop and market new products that satisfy evolving industry requirements. There can be no assurance that the Company will successfully develop new products or enhance and improve its existing products or that any new products and enhanced and improved existing products will achieve market acceptance. Further, there can be no assurance that competitors will not market products that have perceived advantages over the Company's products or which render the products currently sold by the Company obsolete or less marketable. Apart from the industry as a whole, the less-lethal sector moves somewhat slower in the adaptation and integration of new products.

The Company must commit significant resources to developing new products before knowing whether its investments will result in products the market will accept. To remain competitive, the Company may be required to invest significantly greater resources than currently anticipated in research and development and product enhancement efforts and result in increased operating expenses.

The defense technology industry is a highly competitive industry and our success depends upon our ability to effectively compete with numerous worldwide business.

We face competition from a number of businesses, including worldwide businesses, many of which have substantially greater financial resources and operating scale than we do. Such competition could adversely affect our ability to win new contracts and sales and renew existing contracts. We operate in a period of intense competition in some key markets, which could affect the profitability of the contracts and sales we do win.

If we cannot successfully compete in our industry and business segments, our business, financial condition and results of operations could suffer.

The Company is subject to extensive regulation and could incur fines, penalties and other costs and liabilities under such requirements.

The Company is subject to numerous federal, provincial, state and local environmental, health and safety legislation and measures relating to the manufacture of ammunition. There can be no assurance that the Company will not experience difficulties with its efforts to comply with applicable regulations as they change in the future or that its continued compliance efforts (or failure to comply with applicable requirements) will not have a material adverse effect on the Company's results of operations, business, prospects and financial condition. The Company's continued compliance with present and changing future laws could restrict the Company's ability to modify or expand its facilities or continue production and could require the Company to acquire costly equipment or to incur other significant expense.

Changes in government policies and firearms legislation could adversely affect our financial results.

The sale, purchase, ownership, and use of ammunition is subject to numerous and varied federal, state, and local governmental regulations. Federal laws governing firearms and ammunition include the National Firearms Act, the Federal Firearms Act, the Arms Export Control Act, and the Gun Control Act of 1968. These laws generally govern the manufacture, import, export, sale, and possession of firearms and ammunition. We hold all necessary licenses to legally sell the ammunition that we sell in the United States and export and import to and from Canada.

Currently, the federal legislature and several state legislatures are considering additional legislation relating to the regulation of firearms and ammunition. These proposed bills are extremely varied. If enacted, such legislation could effectively ban or severely limit the sale of affected firearms and ammunition. In addition, if such restrictions are enacted and are incongruent with any products we manufacture or sell, we could find it difficult, expensive, or even practically impossible to comply with them, which could impede new product development and the distribution of existing products. We cannot assure you that the regulation of our business activities will not become more restrictive in the future and that any such restriction will not have a material adverse effect on our business.

Health and safety risks could expose us to potential liability and adversely affect our operating results and financial condition.

Health and safety issues related to our products may arise that could lead to litigation or other action against the Company, to regulation of certain of its product components, or to negative publicity. The Company may be required to modify its technology and may not be able to do so. It may also be required to pay damages that may reduce its profitability and adversely affect its financial condition. Even if these concerns prove to be baseless, the resulting negative publicity could affect the Company's ability to market certain of its products and, in turn, could harm its business and results from operations.

We are exposed to operating hazards and uninsured risks that could adversely impact our operating results and financial condition.

The Company's business is subject to a number of risks and hazards including loss of parts or finished goods in inventory or shipment, labor disputes and changes in the regulatory environment. Such occurrences could delay or halt production or sale of goods, result in damage to equipment, personal injury or death, monetary losses and possible legal liability. Although the Company maintains liability insurance in amounts which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company may elect not to insure against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial position. The Company does not currently carry freight or inventory insurance among other things, which could result in uninsured losses in those areas.

Certain of our officers and directors may in the future become affiliated with entities engaged in business activities similar to ours.

Certain officers and directors of the Company may become associated with other companies in the same or related industries which may give rise to conflicts of interest. Directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the best interests of the Company. The directors and certain officers of the Company have either other full-time employment or other business, or time restrictions placed on them and accordingly, the Company will not be the only business enterprise of these directors and officers. Accounting for the Company's wholly owned subsidiary, Byrna South Africa Pty Ltd, is handled by a firm whose principal is related to the Company's Chief Technology Officer.

Tariffs, sanctions, restrictions on imports or other trade barriers between the United States and various countries, most significantly China, may impact our revenue and results of operations.

General trade tensions between the U.S. and China began escalating in 2018, with multiple rounds of U.S. tariffs on Chinese-made goods taking effect. These tariffs currently affect some of the components of our products we import from China, and we may be required to raise our prices on those products due to the tariffs or share the cost of such tariffs with our customers, which could harm our operating performance. While we continue to monitor and evaluate the potential impact of the effective and proposed tariffs as well as other recent changes in foreign trade policy on our supply chain, costs, sales and profitability and are considering strategies to mitigate such impact, including reviewing sourcing options and working with our vendors and merchants, it is possible that further tariffs may be imposed on our other imports, or that our business will be impacted by retaliatory trade measures taken by China or other countries in response to existing or future tariffs, causing us to raise prices or make changes to our operations, any of which could materially harm our revenue or operating results.

Data privacy and security laws and regulations in the jurisdictions in which we do business could increase the cost of our operations and subject us to possible sanctions and other penalties.

Our business is subject to a number of federal, state, local and foreign laws and regulations governing data privacy and security, including with respect to the collection, storage, use, transmission and protection of personal information.

In addition, a number of U.S. states have enacted data privacy and security laws and regulations that govern the collection, use, disclosure, transfer, storage, disposal, and protection of sensitive personal information, such as social security numbers, financial information and other personal information. For example, all 50 states now have data breach laws that require timely notification to individual victims, and at times regulators, if a company has experienced the unauthorized access or acquisition of sensitive personal data. We will continue to monitor and assess the impact of state law developments, which may impose substantial penalties for violations, impose significant costs for investigations and compliance, allow private class-action litigation and carry significant potential liability for our business.

The interpretation and enforcement of the laws and regulations described above are uncertain and subject to change, and it may require substantial costs to monitor and implement compliance with any additional requirements. Failure to comply with Australian, U.S. or other international data protection laws and regulations could result in government enforcement actions (which could include substantial civil and/or criminal penalties), private litigation and/or adverse publicity and could negatively affect our operating results and business.

Our business depends on our ability to prevent or mitigate the effects of a cybersecurity attack.

Our information technology may be subject to cyber-attacks, security breaches or computer hacking including a widespread ransomware attack encrypting corporate IT equipment, a directed motivated attack against us or a data breach or cyber incident happening to a third party network and affecting us. Regardless of our efforts, there may still be a breach and the costs to eliminate, mitigate or address the aforementioned threats and vulnerabilities before or after a cyber incident could be significant. Any such breaches or attacks could result in interruptions, delays or cessation of service and loss of existing or potential suppliers or customers. In addition, breaches of our security measures and the unauthorized dissemination of sensitive personal, proprietary or confidential information about the Company, our business partners or other third parties could expose us to significant potential liability and reputational harm. We could also be negatively affected by existing and proposed laws and regulations and government policies and practices related to cybersecurity, data privacy, data localization and data protection.

Failure to comply with the U.S. Foreign Corrupt Practices Act or other applicable anti-corruption legislation, and export controls and trade sanctions, could result in fines or criminal penalties if we expand our business abroad.

The expansion of our business internationally would expose us to trade sanctions and other restrictions imposed by the United States and other governments. The U.S. Departments of Justice, Commerce, Treasury and other agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against companies for violations of export controls, the Foreign Corrupt Practices Act, anti-boycott provisions and other federal statutes, sanctions and regulations and, increasingly, similar or more restrictive foreign laws, rules and regulations, which may also apply to us. By virtue of these laws and regulations, and under laws and regulations in other jurisdictions, we may be obliged to limit our business activities, we may incur costs for becoming and staying compliant, and we may be subject to enforcement actions or penalties for noncompliance. In recent years, U.S. and foreign governments have increased their oversight and enforcement activities with respect to these laws and we expect the relevant agencies to continue to increase these activities. A violation of these laws, sanctions or regulations could result in restrictions on our exports, civil and criminal fines or penalties and could adversely impact our business, operating results, and financial condition.

Risks Related to our Intellectual Property

If we are unable to protect our intellectual property, we may lose a competitive advantage or incur substantial litigation costs to protect our rights.

Our future success depends upon our proprietary technology. Our protective measures, including patent and trade secret protection, may prove inadequate to protect our proprietary rights. The right to stop others from misusing our trademarks, service marks, and patents in commerce depends to some extent on our ability to show evidence of enforcement of our rights against such misuse in commerce. Our efforts to stop improper use, if insufficient, may lead to loss of trademark and service mark rights, brand loyalty, and notoriety among our customers and prospective customers. The scope of any patent that we have or may obtain may not prevent others from developing and selling competing products. The validity and breadth of claims covered in technology patents involve complex legal and factual questions, and the resolution of such claims may be highly uncertain, and expensive. In addition, our patents may be held invalid upon challenge, or others may claim rights in or ownership of our patents.

We may be subject to intellectual property infringement claims, which could cause us to incur litigation costs and divert management attention from our business.

While we believe that our products and intellectual property do not infringe upon the proprietary rights of third parties, a substantial portion of our commercial success depends upon the Company not infringing intellectual property rights of others. The Company may become subject to claims by third parties that its technology infringes their intellectual property rights. There is no assurance that were a lawsuit to be brought by a third party, the Company would prevail. The Company may also become subject to these claims through indemnities that it provides to end-users, manufacturer's representatives, distributors, value added resellers, system integrators and original equipment manufacturers.

Any intellectual property infringement claims against us, with or without merit, could be costly and time-consuming to defend and divert our management's attention from our business. If our products were found to infringe a third party's proprietary rights, we could be required to enter into costly royalty or licensing agreements to be able to sell our products. Royalty and licensing agreements, if required, may not be available on terms acceptable to us or at all.

Risks Related to our Securities

An active trading market for our common stock may not develop or be sustained.

An investment in our company will likely require a long-term commitment, with no certainty of return. Although our common stock is listed in Canada on the CSE and in the United States for quotation on the OTCQB marketplace operated by OTC Markets Group, Inc., trading has been limited, and we cannot predict whether an active market for our common stock will ever develop in the future. In the absence of an active trading market:

- investors may have difficulty buying and selling or obtaining market quotations;
- market visibility for shares of our common stock may be limited; and
- a lack of visibility for shares of our common stock may have a depressive effect on the market price for shares of our common stock.

The lack of an active market impairs your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire additional intellectual property assets by using our shares as consideration.

We may not maintain qualification for CSE or OTCQB inclusion, and therefore you may be unable to sell your shares.

Our common stock is eligible for listing on the CSE and quotation on the OTCQB. However, trading of our common stock could be suspended. If for any reason our common stock does not become eligible or maintain eligibility for listing on the CSE or quotation on the OTCQB or a public trading market does not develop, purchasers of shares of our common stock may have difficulty selling their shares should they desire to do so. If we are unable to satisfy the requirements for quotation on the OTCQB, including filing our quarterly and annual reports, which could be caused by the effects of COVID-19 on our reporting abilities, any quotation in our common stock could be conducted on the OTC Pink Market, which is an unorganized and often liquid market. As a result, a purchaser of our common stock may find it more difficult to dispose of, or to obtain accurate quotations as to the price of their shares. This would materially and adversely affect the liquidity of our common stock.

Even if a market for our common stock develops, the market price of our common stock may be significantly volatile, which could result in substantial losses for purchasers.

The market price for our common stock may be significantly volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly or annual operating results;
- changes in financial or operational estimates or projections;
- conditions in markets generally;
- changes in the economic performance or market valuations of companies similar to ours; and
- general economic or political conditions in the United States or elsewhere.

In addition, if we are unable to successfully implement our new business plan, even if by only a small margin, there could be significant impact on the market price of our common stock. Additionally, as we approach the announcement of anticipated significant information and as we announce such information, we expect the price of our common stock to be particularly volatile, and negative results would have a substantial negative impact on the price of our common stock.

In some cases, following periods of volatility in the market price of a company's securities, stockholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm our business operations and reputation.

Our common stock is listed on two separate stock markets and investors seeking to take advantage of price differences between such markets may create unexpected volatility in our stock price; in addition, investors may not be able to easily move stocks for trading between such markets.

Our common stock is already admitted to trading on CSE and the OTCQB. Price levels for our ordinary shares could fluctuate significantly on either market, independent of our share price on the other market. Investors could seek to sell or buy our shares to take advantage of any price differences between the two markets through a practice referred to as arbitrage. Any arbitrage activity could create unexpected volatility on either exchange with respect to both our share price and the volume of shares available for trading. In addition, holders of shares in either jurisdiction will not be immediately able to transfer such shares for trading on the other market without effecting necessary procedures with our transfer agent. This could result in time delays and additional cost for our shareholders.

Exercise of options or warrants or conversion of convertible securities may have a dilutive effect on your percentage ownership and may result in a dilution of your voting power and an increase in the number of shares of common stock eligible for future resale in the public market, which may negatively impact the trading price of our shares of common stock.

The exercise or conversion of some or all of our outstanding options, warrants, or convertible securities could result in significant dilution in the percentage ownership interest of our existing stockholders and in a significant dilution of voting rights and earnings per share.

As of May 6, 2020, we had outstanding (i) warrants to purchase up to 27,954,947 shares of our common stock at a weighted exercise price of approximately \$0.20 per share, (ii) options for the issuance of up to 6,726,667 shares of our common stock upon exercise under our stock incentive plan, and (iii) 1,391 preferred shares, each convertible at a ratio 0.15/5000 to common stock under certain conditions.

To the extent options and/or warrants and/or conversion rights are exercised (including with respect to the warrants), additional shares of common stock will be issued, and such issuance will dilute stockholders.

Our common stock may be considered a "penny stock," and thereby be subject to additional sale and trading regulations that may make it more difficult to sell.

Our common stock may be considered a "penny stock" if it does not qualify for one of the exemptions from the definition of "penny stock" under Section 3a51-1 of the Exchange Act. Our common stock may be a "penny stock" if it meets one or more of the following conditions: (i) the stock trades at a price less than \$5 per share; (ii) it is not traded on a "recognized" national exchange; or (iii) is issued by a company (such as ours) that has been in business less than three years with net tangible assets less than \$5 million.

The principal result or effect of being designated a "penny stock" is that securities broker-dealers participating in sales of our common stock will be subject to the "penny stock" regulations set forth in Rules 15g-2 through 15g-9 promulgated under the Exchange Act. For example, Rule 15g-2 requires broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document at least two business days before effecting any transaction in a penny stock for the investor's account. Moreover, Rule 15g-9 requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to: (i) obtain from the investor information concerning his or her financial situation, investment experience and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives. Compliance with these requirements may make it more difficult and time consuming for holders of our common stock to resell their shares to third parties or to otherwise dispose of them in the market or otherwise.

FINRA sales practice requirements may also limit your ability to buy and sell our common stock, which could depress the price of our shares.

FINRA rules require broker-dealers to have reasonable grounds for believing that an investment is suitable for a customer before recommending that investment to the customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status and investment objectives, among other things. Under interpretations of these rules, FINRA believes that there is a high probability such speculative low-priced securities will not be suitable for at least some customers. Thus, FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our shares, have an adverse effect on the market for our shares, and thereby depress our share price.

You may face significant restrictions on the resale of your shares due to state "blue sky" laws.

Each state has its own securities laws, often called "blue sky" laws, which (1) limit sales of securities to a state's residents unless the securities are registered in that state or qualify for an exemption from registration, and (2) govern the reporting requirements for broker-dealers doing business directly or indirectly in the state. Before a security is sold in a state, there must be a registration in place to cover the transaction, or it must be exempt from registration. The applicable broker-dealer must also be registered in that state.

We do not know whether our securities will be registered or exempt from registration under the laws of any state. A determination regarding registration will be made by those broker-dealers, if any, who agree to serve as market makers for our common stock. We have not yet applied to have our securities registered in any state and will not do so until we receive expressions of interest from investors resident in specific states after they have viewed this Report. There may be significant state blue sky law restrictions on the ability of investors to sell, and on purchasers to buy, our securities. You should therefore consider the resale market for our common stock to be limited, as you may be unable to resell your shares without the significant expense of state registration or qualification.

Our Management's Report on Internal Controls found our internal controls as of November 30, 2019 not to be effective, there may continue to be limitations on the effectiveness of our internal controls, and a failure of our control systems to prevent error or fraud may materially harm our company.

Proper systems of internal controls over financial accounting and disclosure are critical to the operation of a public company. Given the size of our company and the limited number of fulltime employees that we have employed, there may continue to be certain limitations on the effectiveness of our internal controls. Moreover, we do not expect that disclosure controls or internal control over financial reporting will prevent all errors and all fraud, if any. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Failure of our control systems to prevent error or fraud could materially and adversely impact us.

Our charter documents and Delaware law could make it more difficult for a third party to acquire us and discourage a takeover

Our Certificate of Incorporation, Amended and Restated Bylaws, and Delaware law contain certain provisions that may have the effect of deterring or discouraging, among other things, a non-negotiated tender or exchange offer for shares of common stock, a proxy contest for control of our company, the assumption of control of our company by a holder of a large block of common stock, and the removal of the management of our company. Such provisions also may have the effect of deterring or discouraging a transaction which might otherwise be beneficial to stockholders. Our certificate of incorporation also may authorize our board of directors, without stockholder approval, to issue one or more series of preferred stock, which could have voting and conversion rights that adversely affect or dilute the voting power of the holders of common stock. Delaware law also imposes conditions on certain business combination transactions with "interested stockholders." Our certificate of incorporation authorizes our Board of Directors to fill vacancies or newly created directorships. A majority of the directors then in office may elect a successor to fill any vacancies or newly created directorships. Such provisions could limit the price that investors might be willing to pay in the future for shares of our common stock and impede the ability of the stockholders to replace management.

The elimination of monetary liability against our directors, officers, and employees under Delaware law and the existence of indemnification rights to our directors, officers, and employees may result in substantial expenditures by us and may discourage lawsuits against our directors, officers, and employees. We also may have entered into contractual indemnification obligations under employment agreements with our executive officers. The foregoing indemnification obligations could result in our incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers, which we may be unable to recoup. These provisions and resultant costs may also discourage us from bringing a lawsuit against our directors and officers for breaches of their fiduciary duties and may similarly discourage the filing of derivative litigation by our stockholders against our directors and officers even though such actions, if successful, might otherwise benefit our company and our stockholders.

We do not intend to pay dividends on our common stock.

We have never declared or paid any cash dividend on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends for the foreseeable future. Therefore, you should not invest in our common stock in the expectation that you will receive dividends.

The holders of our Series A Preferred Stock may have the right to vote as a separate class at certain special stockholder meetings.

At any time that there are at least 423 shares of Series A Preferred Stock outstanding, the Company shall not, without the affirmative vote of the holders of at least eighty percent (80%) of the total number of shares of Series A Preferred Stock then outstanding, voting together as a separate class at a meeting or consenting in writing, be able to approve certain amendments to the Certificate of Incorporation or Bylaws despite approval by our common stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters is located at 107 Audubon Road, Suite 201, Wakefield, Massachusetts 01880. The Company rents the facility at this location, at a monthly rent of \$700 plus utilities and other variable costs which averages \$2,089.62 monthly, from a Company controlled by our Chief Executive Officer. We also have a distribution center in Ft. Wayne Indiana located at 2107-3111 Cannongate Drive, Fort Wayne, Indiana 46808. The facility at Fort Wayne is leased for \$2,472.71 per month and expires on March 1, 2020.

The Company currently plans to move to a new corporate headquarters. We believe that our current and planned facilities are sufficient for our anticipated needs, or that suitable additional or substitute space will be available on commercially reasonable terms for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS.

To the knowledge of our management, there is no litigation currently pending against us, any of our officers or directors in their capacity as such or against any of our property.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND OTHER SHAREHOLDER MATTERS

Our common stock is listed for quotation in the United States on the OTCQB market and in Canada on the Canadian Securities Exchange ("CSE") under the symbol "BYRN." Prior to our name change, our common stock was listed on the OTCQB under the symbol "SDEV" and on the CSE under the symbol "SDZ." The Company delisted from the TSX-V during the week of October 15, 2018 after listing with the CSE. There is currently a limited trading market for our common stock on both the OTCQB and CSE.

The following table shows the high and low market prices on the OTCQB for our shares for each fiscal quarter for the two most recent fiscal years on the OTCQB:

<u>Fiscal Quarter Ended</u>	<u>High</u>	<u>Low</u>
Through February 29, 2020	\$ 0.26	\$ 0.04
November 2019	\$ 0.18	\$ 0.12
August 2019	\$ 0.19	\$ 0.13
May 2019	\$ 0.15	\$ 0.12
February 2019	\$ 0.16	\$ 0.08
November 2018	\$ 0.17	\$ 0.13
August 2018	\$ 0.18	\$ 0.14
May 2018	\$ 0.19	\$ 0.14
February 2018	\$ 0.17	\$ 0.13

The following table shows the high and low market prices on the TSX-V and CSE for our shares for each fiscal quarter for the two most recent fiscal years.

<u>Fiscal Quarter Ended</u>	<u>High</u> <u>CAD \$</u>	<u>Low</u> <u>CAD\$</u>
Through February 29, 2020	\$ 0.345	\$ 0.16
November 2019	\$ 0.23	\$ 0.16
August 2019	\$ 0.24	\$ 0.17
May 2019	\$ 0.195	\$ 0.16
February 2019	\$ 0.20	\$ 0.12
November 2018	\$ 0.23	\$ 0.19
August 2018	\$ 0.24	\$ 0.18
May 2018	\$ 0.24	\$ 0.18
February 2018	\$ 0.21	\$ 0.17

On February 29, 2020, there were 106 holder(s) of record of our common stock.

We have not paid any cash dividends on our common shares to date and do not currently intend to pay cash dividends. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and general financial condition of the Company. The payment of any future cash dividends will be within the discretion of our board of directors at such time. In addition, our board of directors is not currently contemplating and does not anticipate declaring any stock dividends in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans.

The following table sets forth information as of November 30, 2019 relating to all our equity compensation plans:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders ⁽¹⁾⁽²⁾	6,226,667	0.1675	12,766,607
Equity compensation plans not approved by security holders	0	0	0
Total	6,226,667	0.1675	12,766,607

- (1) All outstanding options have been issued pursuant to the Company's 2017 Incentive Stock Option Plan which was approved by the Board and by the shareholders at the Company's 2017 annual shareholder meeting. In October 2018, the Company stopped trading on the Toronto Stock Exchange and began trading on the Canadian Stock Exchange. On October 13, 2019 the Board approved certain technical amendments to the 2017 stock option plan to conform to the CSE policies. Those amendments ("First Amendment to the 2017 Stock Option Plan") are subject to approval by a majority of the Company's shareholders either by consent or at the next annual meeting.
- (2) This includes 2,180,000 fully vested options granted in December 2019 with an exercise price of \$0.19 to nine individual employees as year-end bonuses in recognition of work done in the fiscal year ended November 30, 2019, 110,000 fully vested options granted in December 2019 with an exercise price of \$0.19 to three individual consultants as year-end bonuses in recognition of work done in the fiscal year ended November 30, 2019, and 1,075,000 fully vested options granted in December 2019 with an exercise price of \$0.19 to directors as compensation for work done in the fiscal year ended November 30, 2019.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 6: CONSOLIDATED FINANCIAL DATA

Not applicable.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The following discussion and analysis is intended to help you understand us, our operations and our financial performance. It should be read in conjunction with our consolidated financial statements and the accompanying notes, which are included in Item 8 of this report.

We develop, manufacture and sell less-lethal ammunition and security devices. These products are used by the military, correctional services, police agencies, private security and consumers. We have two main product lines. Our first main product line and primary focus is our Byrna[®] line of personal security devices and related products. The Byrna[®] product line includes our Byrna[®] HD, our first handheld personal security device, which has the size and form factor of a compact handgun and is designed to be used by both civilians and private security professionals, as well as accessories and third-party products that are compatible with the Byrna[®] HD, including the projectiles used in the Byrna[®] HD. Our second, legacy, line of business is the sale of less-lethal munitions designed for 40MM rifled launchers utilized by law enforcement, correctional services and military markets. These less-lethal munitions include impact rounds designed to stop an individual without causing permanent injury or death and "payload" rounds carrying a variety of payload packages including chemical irritants and various marking products designed to deter or identify instigators in riot situations. Our flagship product in this market is the 40mm blunt impact projectile ("BIP"), which uses patented collapsible gel head technology. In addition to our two main product lines we sell two 12 gauge less-lethal impact rounds: a bean bag round and a rubber fin.

Our business strategy is twofold: (1) to fulfill the growing demand for less-lethal products in the law enforcement, correctional services, and private security markets and (2) to provide civilians - including those whose work or daily activities may put them at risk of being a victim - with easy access to an effective, non-lethal way to protect themselves and their loved ones from threats to their person or property.

We believe that the United States, along with many other parts of the world, is experiencing a significant spike in the demand for less-lethal products and that the less-lethal market will be one of the faster growing segments of the security market over the next decade, particularly given the fear caused by the recent COVID-19 pandemic. The less-lethal market has been projected to approach 12 billion dollars per year by 2023 (Statistics MRC. Non-Lethal Weapons - Global Market Outlook (2017-2023)). The Company plans to respond to this demand for less-lethal products through the serial production and distribution of the Byrna[®] HD and expansion of the Byrna product line.

Our revenue was \$924,419 in 2019, of which over 50% was generated outside of the US.

RESULTS OF OPERATIONS

We are significantly impacted by COVID-19, experiencing both positive and negative effects from the virus and resulting suspension of economic activity and daily routines. On the positive side, the general level of apprehension among the population as a whole, has led many people to seek means of protecting themselves and their families in the event that there is a breakdown or a fraying of the fabric of civil society. This general uneasiness has driven a run on guns and ammunition as well as increased demand for non-lethal weapons such as the Byrna[®] HD. On the negative side, the government mandated lock down orders and stay-at-home requirements have significantly disrupted the Company's supply chain and temporarily stopped production of the Byrna[®] HD. While production resumed in late March 2020 after our manufacturing facility was deemed an "essential business," we cannot predict the extent of supply disruption that may result from the ongoing pandemic or whether the increased demand we are seeing will continue after the immediate health crisis has abated.

Operations Overview

We generate revenues from (1) consumers through the e-commerce portal, Shopify, (2) dealers and distributors; and (3) large end users such as security companies or law enforcement agencies.

We entered into the following transactions during the year ended November 30, 2019 which impacted our results of operations and the comparability among the years, as discussed below:

- On September 16, 2019, we entered into a securities purchase agreement with two investors to sell a total of 818.0 of units, for aggregate principal of \$818,000, with each \$1,000 of unit consisting of (i) a \$1,000 10% interest convertible promissory note due June 30, 2021, convertible into our common stock at a conversion price of \$0.15 per share, and (ii) four thousand (4,000) warrants, each exercisable on or before January 22, 2024 for one share of common stock at an exercise price of \$0.25 per share. On April 10, 2020, the convertible promissory notes issued pursuant to this securities purchase agreement were exchanged for shares of the Company's Series A Convertible Preferred Stock.

- On July 22, 2019, we entered into a securities purchase agreement with several investors to sell a total of 2,282.5 units, for aggregate principal of \$2,282,500, with each \$1,000 of unit consisting of (i) a \$1,000 10% interest convertible promissory note due June 30, 2021, convertible into the Company's common stock at a conversion price of \$0.15 per share, and (ii) four thousand (4,000) warrants, each exercisable on or before January 22, 2024 for one share of common stock at an exercise price of \$0.25 per share. On April 10, 2020, the convertible promissory notes issued pursuant to this securities purchase agreement were exchanged for shares of the Company's Series A Convertible Preferred Stock.
- In July 2019, production of Byrna[®] HD was moved to Roboro Industries Pty LTD ("Roboro"), which significantly improved the rate of production.
- At the end of April 2019, we began shipments of our new product, the Byrna[®] HD which contributed to revenue growth in the second half of the year. The Byrna[®] HD is the Company's first product sold to the consumer (home defense) and private security markets.
- On April 22, 2019 and May 20, 2019, we entered into a securities purchase agreement with several accredited investors to sell a total of 2,080.265 units, for aggregate principal of \$2,080,265, with each \$1,000 unit consisting of (i) a \$1,000 10% interest convertible promissory note due April 15, 2020, convertible into our common stock at a conversion price of \$0.15 per share, and (ii) four thousand (4,000) warrants, each exercisable on or before January 22, 2024 for one share of common stock at an exercise price of \$0.25 per share. On April 10, 2020, the convertible promissory notes issued pursuant to this securities purchase agreement were exchanged for shares of the Company's Series A Convertible Preferred Stock.
- In November 2018, the Company made a share issuance of 6,666,666 common shares to FinTekk at a price of \$0.15 per share with a fair value of \$1,000,000. The shares are issued pursuant to a debt settlement agreement, to retire certain debt owed by the Company to FinTekk, in connection with a sponsorship agreement (the "Sponsorship Agreement"). The Sponsorship Agreement details a marketing campaign for the launch of the Company's new Byrna[®] HD product over the 2018 and 2019 fiscal years. The Company recognized \$250,000 of expense related to the Sponsorship Agreement for the year ended November 30, 2018, with \$750,000 remaining in prepaid expense at November 30, 2018. In November 2019, the Company reached an agreement in principle (executed January 8, 2020) to terminate its marketing agreement with FinTekk and Rick Ware Racing, LLC ("RWR"), pursuant to the termination agreement, dated January 8, 2020. As of November 30, 2019, 2,966,666 of the 6,666,666 of common shares were deemed earned. FinTekk will return the remaining 3,700,000 shares of Company stock and the Company will serve as primary sponsor of RWR for two additional NASCAR "Monster" series races. The 3,700,000 common shares were recognized as redemption of stock issued for service within the statement of changes in stockholders' equity (deficit) for the year ended November 30, 2019 in the amount of \$550,000.

Our two foreign subsidiaries, SDI Canada (subsequently dissolved in December 2019) and Byrna South Africa maintain their books and records in their functional currency, Canadian dollars and South African rand, respectively which exposes us to foreign exchange risk. Our results of operations are unfavorably impacted during times of a strengthening United States dollar against the respective foreign currencies and favorably impacted during times of a weakening United States dollar against those currencies. Over 50% of our 2019 revenue was subject to foreign currency translation.

Below are our statements of operations and comprehensive loss for the years ended November 30, 2019 and 2018.

	Years Ended November 30,	
	2019	2018
	\$	\$
Revenue	924,419	250,227
Cost of goods sold	(775,412)	(186,068)
Gross Profit	149,007	64,159
OPERATING EXPENSES		
Depreciation	30,054	19,392
Amortization of patent rights	7,332	3,666
Foreign currency transaction loss (gain)	12,031	(46,093)
Selling, general and administrative	3,400,158	2,125,896
TOTAL OPERATING EXPENSES	3,449,575	2,102,861
LOSS FROM OPERATIONS	(3,300,568)	(2,038,702)
OTHER INCOME (EXPENSE)		
Accretion of debt discounts	(1,120,872)	(154,428)
Interest expense	(414,364)	(148,887)
Change in fair value of derivative liabilities	426,019	188,543
LOSS BEFORE INCOME TAXES	(4,409,785)	(2,153,474)
Income tax provision	-	-
NET LOSS	(4,409,785)	(2,153,474)
Foreign exchange translation adjustment for the year	(4,115)	(1,673)
COMPREHENSIVE LOSS	(4,413,900)	(2,155,147)
Net loss per share - basic and diluted	(0.04)	(0.02)
Weighted-average number of common shares outstanding during the year	103,543,833	94,446,113

Year ended November 30, 2019, as compared to year ended November 30, 2018:

Revenue

Revenues were \$924,419 in 2019. This represents an increase of \$674,192 or 269% from 2018 revenues of \$250,227. The 2019 increase was driven by sales of the Byrna[®] HD personal security devices and accessories which began shipping in April 2019. Of the consolidated revenues, \$850,404 were attributable to the new product, with \$803,146 or 94% generated in Q3 and Q4. Sales of 40mm BIP products were down \$176,212 in 2019 from 2018, due to our decision in 2018 that customer acquisition costs associated with selling the 40mm BIP products is unacceptably high due to the extremely fragmented nature of the law enforcement market. As a result, we did not devote significant resources to sales and marketing initiatives of the 40mm BIP. Sales of the 40mm BIP product consist largely of reorders from existing customers to restock inventory.

Cost of Goods Sold and Gross Profit

Cost of goods sold was \$775,412 in 2019 compared to \$186,068 in 2018. This \$589,344 increase is primarily due to costs associated with the manufacture of the Byrna[®] HD and related products. Startup costs were incurred in 2019 due to serial production of Byrna[®] HD launchers commencing in December 2018. In comparison, cost of goods sold in 2018 consisted primarily of 40MM sales.

Gross profit was \$149,007 in 2019, a gross profit margin of 16%. This is an increase of \$84,848 or 132% over the 2018 gross profit of \$64,159 and gross profit margin of 26%. The decrease in gross profit margin in 2019 was driven by the new Byrna® HD product launched in April 2019, which has a lower margin.

Selling, General and Administrative Expenses/Operating Loss

Selling, general and administrative ("SG&A") expenses were \$3,400,158 in 2019, which represents an increase of \$1,274,262 or 60% as compared to 2018 SG&A expenses of \$2,125,896. This increase was driven by administrative and staffing costs and one-time fees of \$159,344 incurred in connection with building out infrastructure to support additional revenue generating activity. It also included a \$104,538 increase in expenses associated with marketing as the Company tested various marketing channels for its new Byrna® HD launchers product. These administrative, staffing and marketing cost increases included travel to events such as NASCAR and gun shows, research and development ("R&D") spending, legal costs associated with new products, market entry, consulting and head-hunter fees, and implementation costs of a new ERP system. R&D spending for 2019 was primarily incurred in the first half of the year. These costs related to validating components and processes prior to making commercial product for the Byrna product line. In June 2018, we started development of finned tail ammunition which is designed to increase the distance and accuracy of our chemical irritant rounds. We expect R&D spending for this project to accelerate in Q2 and Q3 of 2020 as we plan to bring these products to market in Q4 2020.

This increase in SG&A was the primary reason for the \$1,261,866 or 62% increase in loss from operations, from \$2,038,702 in 2018 to \$3,300,568 in 2019.

Depreciation

Depreciation expense recorded in SG&A and related to non-revenue generating assets increased \$10,662 to \$30,054 in 2019 as compared to \$19,392 in 2018, primarily due to purchases of molds and our ERP implementation and upgrades of computer related purchases in 2019.

Accretion of Debt Discounts and Interest Expense

Accretion of debt discounts increased by \$966,444 in 2019 from \$154,428 in 2018 to \$1,120,872 in 2019 primarily due to the capital raises of \$5,180,765 in 2019. Interest expense increased \$265,477, from \$148,887 in 2018 to \$414,364 in 2019. The increase was due to \$222,454 of interest expense associated with the 2019 capital raises. See Note 15, "Convertible Notes Payable and Derivative Liabilities," in the Notes to Consolidated Financial Statements included in Item 8 of this report for additional information.

Change in Fair Value of Derivative Liabilities

Change in fair value of derivative liabilities increased \$237,476 from \$188,543 in 2018 to \$426,019 in 2019. The amount expensed in 2019 relates to the Canadian debentures which were repaid on May 31, 2019. See Note 15, "Convertible Notes Payable and Derivative Liabilities," in the Notes to Consolidated Financial Statements included in Item 8 of this report for additional information.

Income Tax Provision

(Loss) income before income taxes consists of the following:

	Year Ended November 30,	
	2019	2018
United States	\$ (4,199,856)	\$ (2,113,412)
Foreign	(209,929)	(40,062)
Total	<u>\$ (4,409,785)</u>	<u>\$ (2,153,474)</u>

The Company's provision for income taxes was \$Nil in each of the years ended November 30, 2019 and November 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Summary

Cash and restricted cash at November 30, 2019 was \$1,173,900, a decrease of \$8,487 from the amount at November 30, 2018 of \$1,182,387. The decrease included \$3,776,349 cash used in operating activities, \$245,971 cash used in investing activities, partially offset by \$4,032,335 cash provided by financing activities. Additionally, as of the date hereof, we no longer have any outstanding notes payable.

As of November 30, 2019, approximately \$79,597 of cash was held by our international subsidiaries. Our intent is to reinvest indefinitely substantially all our earnings in foreign subsidiaries outside of the US. However, if we decide to repatriate these earnings to the US, we may be required to accrue and pay additional taxes, including any applicable foreign withholding tax and US state income taxes. It is not practicable to estimate the amount of tax that may be due if these earnings were repatriated due to the complexity associated with the hypothetical calculation.

We have incurred a cumulative loss of \$37,662,123 from inception to November 30, 2019 and have funded operations through the issuance of common stock, warrants, and convertible notes payable. We generate revenue from operations; however, we still expect to incur significant losses before our revenues can sustain operations and planned growth. Our future success is dependent upon our ability to raise sufficient capital or generate adequate revenue, to cover ongoing operating expenses, and also to continue to develop and be able to profitably market our products. Our plans to continue operations include seeking to expand sales of the Byrna[®] HD in new marketing channels domestically and internationally, offering new products to drive revenue increases in the way that the April 2019 launch of the Byrna[®] HD drove the fiscal 2019 revenue increase. In addition, subsequent to year end, as discussed in the Financing Activities section below, we (1) raised approximately \$3.2 million through early warrant exercises and (2) exchanged all outstanding convertible debt for preferred stock. We may explore other financing alternatives to raise capital, if needed. There can be no assurance that such revenue will be generated, or financing will be available at all or on favorable terms. Based on these factors, there is substantial doubt about our ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty; such adjustments could be material.

Operating Activities

Cash used in operating activities was \$3,776,349 in 2019 compared to \$1,596,120 in the prior year. This increase was driven by SG&A expenses discussed above and the below changes in working capital, partially offset by noncash activity also discussed below:

Accounts Receivable: Accounts receivable at November 30, 2019 were \$438,255 compared to \$18,914 at November 30, 2018, an increase of \$419,341. The 2019 accounts receivable related to sales of the new Byrna[®] HD to several large distributors in the fourth quarter we launched our official dealer program for the new product.

Inventory: Inventory at November 30, 2019 was \$959,748 compared to \$129,121 at November 30, 2018, an increase of \$830,627, or \$875,413 before change inventory reserves of \$44,786. The levels of component inventory were increased during the year for the manufacture of the Byrna[®] HD to ensure adequate parts inventory to meet sales projections as sales of the new product ramped up. The Byrna[®] HD contains over 100 component parts, sourced from multiple vendors in different countries. Some component parts are custom made and some have long lead times.

Accounts Payable: The commencement of production and increased activity in South Africa as well as establishing and maintaining legal and regulatory infrastructure led to higher payables to component suppliers and professional service providers in 2019.

Noncash Activity: The Company's non-cash activity primarily consisted of (a) \$1,120,872 accretion of debt discounts in 2019 as compared to \$154,428 in 2018, (b) \$314,339 issuances of common shares for services in 2019 as compared to \$1,332,673 in 2018 inclusive of the \$1,000,000 to Fintekk, (c) \$200,000 expense for shares issued to FinTekk for services in 2019 as compared to \$250,000 in 2018, (d) \$218,154 stock-based compensation expense in 2019 as compared to \$128,799 in 2018 and (d) \$112,500 issuance of notes payable for services in 2019 as compared to \$Nil in 2018.

Investing Activities

Cash used in investing activities was \$245,971 in 2019 as compared to \$421,523 in 2018. Deposits for and purchases of property and equipment of \$245,971 in 2019 as compared to \$311,523 in 2018, were to prepare for production of the new Byrna[®] HD products in South Africa, including molds and tooling. Purchases of patent rights were \$Nil and \$110,000 in 2019 and 2018, respectively. We currently expect that capital expenditures for 2020 will be approximately \$400,000. Due to COVID-19, our estimate may be subject to change.

Financing Activities

Our capital structure was as follows at November 30, 2019 and 2018:

	November 30,	
	2019	2018
Convertible notes payable (short-term)	\$ 2,758,578	\$ 978,361
Long-term convertible notes payable	1,874,972	167,077
Stockholders' (Deficit) Equity	(1,983,993)	157,037

See Note 15, "Convertible Notes Payable and Derivative Liabilities," in the Notes to Consolidated Financial Statements included in Item 8 of this report for information on the debt obligations.

We also had \$1,173,900 and \$1,182,387 of cash and restricted cash at November 30, 2019 and 2018, respectively.

We were in compliance with all applicable financial and non-financial covenants under our financing arrangements as of November 30, 2019.

On February 20, 2020, the October 2018 Notes, April/May 2019 Notes, July 2019 Notes and September 2019 Notes were amended by consent of all holders (the "Amendment") to waive all rights to receive interest in cash and to accept payment in kind of accrued interest.

During March 2020, the Company raised approximately \$3.2 million through early warrant exercises, where 19,979,107 warrants were exercised for 19,979,107 shares of common stock. The warrant exercise price was reduced from \$0.25 to \$0.16 per warrant to induce warrant holders to exercise

On April 10 2020, we exchanged an aggregate of approximately \$6.95 million of all its outstanding October 2018 Notes, April/May 2019 Notes, July 2019 Notes and September 2019 Notes (collectively the "Notes"), representing principal and accrued interest, for 1,391 shares Series A Convertible Preferred Stock ("Preferred Stock"). We no longer have any outstanding notes payable. At the closing, in accordance with the Amendment and the Security Purchase Agreements pursuant to which the Notes were issued, we also issued 1,498,417 warrants to the holders reflecting 4,000 warrants for each \$1,000 (US dollars) of unpaid interest accrued on the Notes.

Each share of Preferred Stock has a \$5,000 issue price. Dividends accrue on the issue price at a rate of 10.0% per annum and are payable to holders of Preferred Stock as, when and if declared by our Board of Directors. Each share of Preferred Stock, is convertible into such number of shares of common stock equal to the issue price divided by the conversion price of \$0.15. Upon conversion of the Preferred Stock, all accrued and unpaid dividends will be converted to common stock utilizing the same conversion formula. The conversion price is subject to proportional adjustment for certain transactions relating to our common stock, including stock splits, stock dividends and similar transactions. Holders of Preferred Stock are entitled to a liquidation preference in the event of any liquidation, dissolution or winding up of the Corporation based on their shares' aggregate issue price and accrued and unpaid dividends. Holders may convert their shares of Preferred Stock into common stock at any time and we have the right to cause each holder to convert their shares of Preferred Stock at any time after the eighteen (18) month anniversary of the original issue date if the common stock has traded for more than twenty (20) consecutive trading days above \$0.50 (as adjusted for stock splits, stock dividends and similar transactions). Holders of shares of Preferred Stock are not entitled to vote with the holders of common stock, however, for so long as there are 423 shares of Preferred Stock outstanding, we are required to obtain the consent of the holders of the Preferred Stock to take certain corporate actions, including to incur indebtedness in excess of \$250,000 in the aggregate. In addition, we agreed to use its reasonable best efforts to register the shares of common stock issuable upon conversion of the Preferred Stock in due course following the exchange.

On May 4, 2020, the Company received a loan in the amount of \$190,000 from the Paycheck Protection Program ("PPP"). The Company anticipates this loan will be forgiven under the rules of the PPP.

Contractual Obligations

The following table summarizes, as of November 30, 2019, our contractual obligations by future period:

	Payments Due by Fiscal Year			
	2020	2021 - 2022	2023-2024	2025 and beyond
Debt obligations ^{(a)(c)}	\$ 3,355,265	\$ 3,100,500	\$ -	\$ -
Interest on debt obligations ^{(b)(c)}	321,288	295,185	-	-
Operating leases	68,442	273,791	244,965	300,660
Total ^(d)	\$ 3,744,995	\$ 3,669,476	\$ 244,965	\$ 300,660

^(a) At November 30, 2019, the outstanding principal balance by issuance was as follows: October 2018 Notes due April 2020-\$1,275,000, April/May 2019 Notes due April 2020-\$2,080,265, July 2019 Notes due June 2021-\$2,282,500, and September 2019 Notes due June 2021-\$818,000.

^(b) Represents interest on current and long-term debt obligations.

^(c) On April 10, 2020, we converted the October 2018, April/May 2019, July 2019 and September 2019 Notes to shares of preferred stock. See Note 20, "Subsequent Events," in the Notes to Consolidated Financial Statements included in Item 8 of this report for information on the debt conversion.

^(d) Excludes consulting agreements which relate to employment agreements recognized as payroll expense.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as of November 30, 2019 and 2018.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 3, "Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements included in Item 8 of this report for a discussion of recently issued and adopted accounting standards.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions. Our significant accounting policies are outlined in Note 3, "Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements included in Item 8 of this report. We believe that the following are the more critical judgmental areas in the application of our accounting policies that currently affect our financial position and results of operations:

Revenue Recognition

Revenue is recognized upon the transfer of control of products to the Company's customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those products or services. Revenue is generally recognized at the time title to the goods is passed and the risk of loss is transferred to the customer. Depending on the contract terms, transfer of control is upon shipment of goods ("free on truck") to or upon the customer's pick-up of the goods. The amount of revenue is recognized net of actual returns and discounts offered to its customers. The Company's returns have been immaterial and the Company will recognize an estimated reserve, when material, based on its analysis of historical experience and an evaluation of current market conditions.

Sales to customers are generally based on net 30-60 day credit terms, unless otherwise stated. Online sales are processed by credit cards. Cash receipts recorded in deferred revenue are recorded as revenues when the Company satisfies its performance obligation.

The Company accounts for shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated products. Shipping and handling costs, associated with the distribution of finished products to customers, are recorded in selling, general and administrative ("SG&A") expenses and are recognized when the product is shipped to the customer. Costs to obtain a contract consist of commissions paid to employees. As product revenue is recognized at a point in time, the practical expedient stated in ASC 340-40-25-4, *Contracts with Customers*, is met, and the Company may expense commissions as incurred.

The Company's products come with a standard assurance type warranty which cannot be purchased separately and accounted for pursuant to ASC 460, *Guarantees*. As historical warranty claims have been immaterial, the Company has recognized expenses in cost of goods sold as incurred. The Company will recognize an estimated reserve, when material, based on its analysis of historical experience.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, the Company determines deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Deferred tax assets are recognized to the extent the Company believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Company determines that it would be able to realize its deferred tax assets in the future in excess of their net recorded amount, it would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) it determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

The Company recognizes interest and penalties related to unrecognized tax benefits on the income tax expense line in the accompanying consolidated statement of operations. As of November 30, 2019, no accrued interest or penalties are included on the related tax liability line in the consolidated balance sheet.

Stock-Based Compensation

All stock option awards granted to employees are valued at fair value by using either the Black-Scholes or Binomial Lattice option pricing models and recognized on a straight-line basis over the service periods of each award. The Company accounts for equity instruments issued in exchange for the receipt of goods or services from non-employees using the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration for employees and non-employee services is determined on the earlier of a performance commitment or completion of performance by the provider of goods or services.

If there is a modification of the terms of an award, either by repricing or extending the expiry of the award, the award is re-measured. If the modification results in an increase in the fair value of the new award as compared to the old award immediately prior to the modification, the excess fair value is recognized as compensation expense.

Convertible Debt Instruments

When the Company has determined that the embedded conversion options should not be bifurcated from their host instruments the Company accounts for convertible debt instruments in accordance with ASC 470-20, *Debt with Conversion and Other Options*. The Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. The Company amortizes any debt discount over the term of the notes, using the straight-line method, which approximates the effective interest method. The Company records, when necessary, any induced conversion expense, at the time of conversion for the difference between the reduced conversion price per share and the original conversion price per share.

Impairment of Long-lived Assets

Long-lived assets to be held and used are analyzed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Company evaluates at each balance sheet date whether events and circumstances have occurred that indicate possible impairment. If there are indications of impairment, the Company uses future undiscounted cash flows of the related asset or asset group over the remaining life in measuring whether the assets are recoverable. In the event such cash flows are not expected to be sufficient to recover the recorded asset values, the assets are written down to their estimated fair value.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Not applicable.

ITEM 8 - FINANCIAL STATEMENTS

Reference is made to Pages F-1 through F-33 comprising a portion of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

As previously disclosed, in October 2019, we received notice from McGovern Hurley LLP, the Company's former independent registered public accounting firm, stating that it will no longer be performing audit services for public entities registered with the SEC and resigning with immediate effect. Subsequently, we appointed Mayer Hoffman McCann CPAs, the New York Practice of Mayer Hoffman McCann P.C., as the Company's independent registered public accounting firm, effective as of October 28, 2019. In connection with the change in accountants, there were not any disagreements between the Company and McGovern Hurley on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of McGovern Hurley, would have caused McGovern Hurley to make reference to the subject matter of such disagreements in connection with its audit reports on the Company's financial statements. Additionally, during the Company's fiscal years ended November 30, 2018 and 2017 and the subsequent interim period from December 1, 2018 to October 29, 2019, there were no reportable events within the meaning of Item 304(a)(1)(v) of Regulation S-K, except that management concluded that, as of November 30, 2017, the Company's internal controls over financial reporting were not effective due to a material weakness, which was identified and disclosed in Item 9A (Management's Report on Internal Control over Financial Reporting) of the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2017. In addition, management concluded that, as of November 30, 2018, February 28, 2019, May 31, 2019 and August 31, 2019, the Company's disclosure controls and procedures were not effective due to a significant deficiency, which was identified and disclosed in Item 9A (Management's Report on Internal Control over Financial Reporting) of the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2018 and Item 4 (Controls and Procedures) of the Company's Quarterly Reports on Form 10-Q for the fiscal quarters ended February 28, 2019, May 31, 2019 and August 31, 2019, respectively.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer ("PEO") and Principal Financial Officer ("PFO"), evaluated the effectiveness of our disclosure controls and procedures as of November 30, 2019 pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended. Disclosure controls and procedures are designed to ensure that material information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's (the "SEC") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that material information is accumulated and communicated to our management, including our PEO and PFO, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives. Management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our PEO and PFO concluded that as of November 30, 2019, our disclosure controls and procedures were not effective.

Management's Report on Internal Controls over Financial Reporting

Our PEO and PFO concluded that as of November 30, 2019, our internal controls over financial reporting were not effective. The material weakness in internal control over financial reporting resulted from (a) small accounting department where segregation of duties cannot be completely accomplished at this stage in our corporate lifecycle, (b) employee turnover and new personnel processing financial information, and (c) not having adequate personnel to evaluate the accounting for complex, non-routine transactions which resulted in an error in the accounting for our 2018 convertible notes as described in Note 15, "Convertible Notes Payable and Derivative Liabilities," in the Notes to Consolidated Financial Statements included in Item 8 of this report. To remediate the material weakness described above, we have initiated compensating controls in the near term and are enhancing and have designed and implemented, or expect to implement, measures that we believe address or will address these control weaknesses. These measures include hiring qualified accounting personnel with expertise to perform specific functions, hiring financial consultants, and ongoing senior management review and audit committee oversight. We expect to incur additional costs to remediate these weaknesses, primarily personnel costs and external consulting fees. The material weakness will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded that these controls are operating effectively. We expect that the remediation of this material weakness will be completed by the end of fiscal year 2020.

Except as noted above, there has been no change in our internal controls over financial reporting as of November 30, 2019, that has or is reasonably likely to materially affect, our internal controls over financial reporting. We may not be successful in implementing these systems or in developing other internal controls, which may undermine our ability to provide accurate, timely and reliable reports on our financial and operating results. Further, we will not be able to fully assess whether the steps we are taking will remediate the material weaknesses in our internal control over financial reporting until we have completed our implementation efforts and sufficient time passes in order to evaluate their effectiveness. If we identify additional material weaknesses in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. Moreover, in the future we may engage in business transactions, such as implementation of new information systems that could negatively affect our internal control over financial reporting and result in material weaknesses.

ITEM 9B. OTHER INFORMATION

On May 5, 2020, the Company consummated the acquisition (the "**Acquisition**") of all of the issued and outstanding equity interests of Roboro Industries Pty Ltd., a South African private company ("**Roboro**"), pursuant to that certain Stock Purchase Agreement (the "**Purchase Agreement**"), dated and effective as of May 5, 2020, by and among the Company, Roboro, the stockholders of Roboro set forth on Annex I thereto (collectively, the "**Sellers**") and Josh Looch, in the capacity of the representative of the Sellers (the "**Seller Representative**"). The Purchase Agreement contains customary representation, warranties and covenants of the parties. As a result of the Acquisition, Roboro became a wholly-owned subsidiary of the Company.

As consideration for the Acquisition, the Company paid the Sellers an aggregate of \$500,000 in cash, subject to post-closing adjustments for net working capital and unpaid transaction expenses, which funds were deposited into an escrow account with DM Kisch Inc., as escrow agent. Through the Acquisition the Company became obligated to an outstanding noteholder of Roboro in the principal amount of Rand 1,788,000 (approximately US \$97,000), plus interest accrued in the months of March and April of 2020, calculated at an annual rate of seven percent (7%).

Concurrently with the Acquisition, the Sellers agreed to purchase an aggregate of 1,388,889 shares of the Company's common stock pursuant to subscription agreements by and between the Company and each of the Sellers. The purchase of the shares of Common Stock will be funded and completed by the release of the escrow funds to the Company upon the satisfaction of certain customary conditions by the parties. The shares will be restricted when issued and subject to a vesting period of 15 months.

The Company intends to utilize Roboro exclusively as a manufacturing and assembly supplier for its products and does not intend Roboro to manufacture or assemble products for any other company. We believe that the Acquisition will be beneficial as it will reduce our previous risk of relying upon a third-party supplier for the manufacture and assembly of our Byrna HD and magazines, and will provide us with useful technical know-how to facilitate the opening of one or more additional manufacturing facilities and create critical supplier and component redundancy.

On May 9, 2020, the Nominating Committee nominated and the Board of Directors appointed Vladimir Kitaygorodsky as a Director of the Company to fill the seat vacated by William B. Richards. Mr. Kitaygorodsky (48) is a managing partner at Shibumi Capital LLC, an investment fund for public and private investments that he founded in July 2011. While at Shibumi Capital, Mr. Kitaygorodsky also cofounded Beacon Protection, a commercial and residential security company based in the Northeast. Mr. Kitaygorodsky graduated Summa Cum Laude from Bowdoin, where he was a 4-year James Bowdoin Scholar and a member of the 1990 and 1993 Division III ECAC Championship lacrosse teams. Following his graduation and prior to founding Shibumi Capital Mr. Kitaygorodsky worked for more than 15 years in investment banking and asset management. Mr. Kitaygorodsky brings extensive knowledge of public and private financing structure as well as the private security market to the Company's Board of Directors.

Part III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

As of the date of this Report, our directors and officers are as follows:

Bryan Ganz	62	Chief Executive Officer, President, Chairman of the Board of Directors and Director
Lisa Wager	60	Chief Legal Officer, Corporate Secretary
James Dunfey	56	Chief Accounting Officer
Karen Bowling	64	Director
Don Levantin	55	Director
Paul Jensen	65	Director
Beatrice Mitchell	63	Director
Herbert Hughes	60	Director

Bryan Ganz became the Company's President effective July 13, 2018, Chief Executive Officer effective April 1, 2019 and has been a Director since June 2016. Mr. Ganz brings more than 30 years of global business experience in sales management, manufacturing, new product design and development, as well as mergers & acquisitions. Since July 2013, Mr. Ganz is the founder, majority shareholder and a principal of Northeast Industrial Partners LLC ("NEIP"), a consulting firm that owns and operates majority controlled privately held companies and holds minority positions in public and private companies, where he provides consulting services to companies where he holds a minority. Since April 2015, Mr. Ganz has also controlled Scudder Bay Property Management LLC, a captive private REIT, where he controls the property management for the residential rental units owned by Scudder ay Capital LLC. Prior to his employment with NEIP, Mr. Ganz lead numerous sales of companies, divisions and interests, including but not limited to, the sale of Maine Industrial Tire LLC, Starbright Agricultural Tire Factory (China), GPX International Tire LLC, and Rumaguma Agricultural Tire Factory (Belgrade, Serbia). Mr. Ganz has a JD from Columbia Law School where he was a Harlan Fiske Stone Scholar and a BS in Business Administration from Georgetown University. Mr. Ganz is well qualified to serve as a director due to his extensive experience turning around and restructuring start-up companies.

Lisa Wager was named Chief Legal Officer effective October 29, 2018 and Corporate Secretary since April 1, 2019. Ms. Wager has not had any other employment during the last five years. Prior to joining the Company, Ms. Wager was a Partner at Morgan Lewis, an international law firm, where she concentrated in securities, M&A, intellectual property, and complex commercial litigation, advised Boards and Management of public and private companies and broker-dealers on securities law and litigation related risk management, co-founded and edited the firm's first Securities Law Roundup periodical and served as Vice Chair of the NY Hiring Committee and a member of the firm-wide committee. She has more than 20 years of experience in state and federal court, was an active speaker and writer while in private practice, and has served on a number of bar association committees including the Intellectual Property, State Legislation, and Human Rights Committees of the Association of the Bar of the City of New York, the Membership Committee of the Business Section of the American Bar Association (Co-Chair), the Securities Litigation Subcommittee of the ABA Business Section, (Co-Chair) and co-chaired the Section's Annual Review of Developments in Business Litigation. Ms. Wager has a JD from Columbia Law School where she was a Harlan Fiske Stone Scholar and winner of the Lawrence S. Greenbaum Prize for Oral Advocacy and a BS from Union College. After graduating from law school, Ms. Wager clerked for the Hon. John F. Keenan, a United States District Judge in the Southern District of New York. Ms. Wager has been active on non-profit and advisory boards, including the Board of Visitors and the Alumnae Association of Columbia Law School (Chair), as well as community service related boards.

James Dunfey was appointed Chief Accounting Officer effective December 31, 2019. He previously served as the Company's Controller, effective September 2019. Mr. Dunfey's accounting and controls experience include experience in costing, analysis, planning and controls for manufacturing enterprises running on SAP. Prior to joining the Company in September 2019, Mr. Dunfey served as Chief Accountant and Cost Controller at Anika Therapeutics, Inc. (NASDAQ: ANIK), an integrated joint preservation and regenerative therapies company, where he worked for 15 years. Mr. Dunfey has a BA in Finance from the University of Massachusetts Amherst.

Karen Bowling has been a Director since October 17, 2016. Ms. Bowling brings more than 30 years of diverse executive management experience to our Board of Directors. Ms. Bowling has been the Director of the Center for Entrepreneurship at the University of North Florida since January 2019, where she developed the strategic direction and develop all processes and procedures and provide operational oversight of the Center. Prior to joining the Center for Entrepreneurship at the University of North Florida, from September 2016 until January 2019, Ms. Bowling was the president of Thrive Consulting, a consulting firm focused on assisting start-up organizations. From January 2015 to September 2016, Ms. Bowling was Public Affairs Director at Foley & Lardner LLP, where she represented clients in all aspects of government affairs. From 2011 to 2014 Ms. Bowling served as chief administration officer for the city of Jacksonville, FL, where she oversaw day to day operations, including its budget and employees. From 2001 to 2011, Ms. Bowling was chief executive officer of Solantic walk-in urgent care, a chain of healthcare centers known for applying retail concepts to urgent care. Ms. Bowling has sat on and chaired numerous boards across a dozen sectors and currently sits on the 4th Circuit Judicial Nominating Committee. She is immediate past chair of the Florida State College of Jacksonville where she served for 8 years. Ms. Bowling holds a BA in Literature-Communications from the University of North Florida. Ms. Bowling is well qualified to serve as a director due to her experience with start-up companies managing budgets and position on multiple board of directors.

Don Levantin has been a Director since August 1, 2017. Mr. Levantin is a senior executive with a proven record of positioning companies for growth, profitability and acquisition. Since March 2020, Mr. Levantin has been the vice-president of operations of RF-Solutions ("RF"), a wireless communications company, where is in charge of operations. Prior to joining RF, from August 2018 to March 2019, Mr. Levantin was VP- Energy & Commodity Markets at EKA Software Solutions ("EKA"), a commodities management platform, where he was in charge of the energy and commodity market platform. Prior to joining EKA, from April 2018 to August 2018, Mr. Levantin worked at ADMJ Consulting, a business consulting firm, where he acted as a business consultant. From October 2013 to March 2018, Mr. Levantin was Chief Executive Officer and a board member of Amphora Inc., a leading global software solution and service provider for energy and commodity trading, risk management, and logistics execution. Earlier in his career, Mr. Levantin co-founded and ran Commoditrack, a real-time mark-to-market and risk management platform for commodities, which was acquired by the Intercontinental Exchange (ICE) and later by Sungard Financial Systems. Prior to his work in the software sector, Mr. Levantin was a commodity trader with Philipp Brothers Commodity Corp. and Phibro Energy. He holds a BS in business and economics from Lehigh University. Mr. Levantin is an accomplished strategist in conceptualizing, building and operating corporations on a global level. Mr. Levantin is well qualified to serve as a director due to his experience conceptualizing, growing and running global corporations, as well as his experience in software solutions, risk management, and finance.

Paul Jensen has been a Director since July 13, 2018. Mr. Jensen first joined the Company as President and Chief Operating Officer on October 1, 2017 and served as Chief Executive Officer July 13, 2018 until he retired on April 1, 2019. Mr. Jensen is a seasoned, global executive with direct experience in developing high-performance teams, managing complex projects, and building a global network of trusted advisors and business partners. From April 2008 to June 2017, Mr. Jensen served as chief executive officer of HALO Maritime Defense Systems ("HALO"), a technology company he co-founded that provides advanced marine automated security systems. Prior to HALO, Mr. Jensen worked for Nypro Inc., a plastics injection molding contract manufacturer, where he held senior management positions for nearly two decades. Mr. Jensen also held positions with Kodak and GE, as well as the United States Army - 9 years active duty serving in command positions with the 82nd Airborne Division and XVIIIth Airborne Corps, leading up to Operation Urgent Fury, and on the Staff and Faculty, U.S. Military Academy, as an Assistant Professor of Chemistry - he was twice awarded the Meritorious Service Medal. A Distinguished Graduate of the United States Military Academy at West Point (1977). Mr. Jensen received his M.S. in Chemistry from M.I.T. (1979 - Fannie and John Hertz Fellow) and holds an M.B.A. with honors from Golden Gate University (1982). Mr. Jensen is also a graduate of the Senior Executive Program at the University of Tennessee and has served on the adjunct faculty at the Fuqua School of Business, Duke University. Mr. Jensen is well qualified to serve as a director due to his decades of experience in product development and manufacturing for the defense and security sectors, with plastic injection molding, and building a business from inception to success.

Beatrice Mitchell has been a Director since July 9, 2019. Ms. Mitchell is a managing director of Sperry, Mitchell & Company, an independent merger & acquisition advisory firm, she co-founded in 1986, where she has advised clients on over 300 merger and acquisition transactions across the country in a broad range of fields. Since 1986 Ms. Mitchell also has been a co-owner and director of Percival Scientific, a manufacturer of biological incubators and plant growth chambers. Ms. Mitchell has been a lecturer at Columbia Business School, New York University and the University of Virginia. Ms. Mitchell was recognized in 2016, 2017 and 2019 as one of The Most Influential Women in Mid-Market M&A by Mergers & Acquisitions. She is also on the Board of Managers at Haverford College (Finance, External Affairs and Nom and Gov. Committees), and serves on the Boards of the InterSchool Orchestras of New York (Executive and Finance committees), The Institute for Career Development (Executive, Finance, Audit committees), and Off The Record and The Cosmopolitan Club. Ms. Mitchell received a BA Psychology from Yale University and a degree from Columbia Graduate School of Business. Ms. Mitchell is well qualified to serve as a director due to her extensive experience with public and private companies in their early stages, including but not limited to, their related mergers, acquisitions, and financing transactions.

Hebert Hughes has been a Director since July 9, 2019. Mr. Hughes has over 30 years of experience in the financial industry as an advisor and leader of a diverse range of business. Since March 2017, Mr. Hughes has been the chief financial officer of Wormhole Labs, a technology company in augmented reality, esports, and gaming industry, where he focuses on capital formation and business development. Mr. Hughes has also been a managing director of HHM Capital, since 2005, a financial institution which provides bespoke investment banking and advisory services to ultra-high net worth individuals and families, where he provides such advisory services. From March 2015 to June 2019, Mr. Hughes was the chief executive officer of Domino Sands, an oil service business, where he oversaw the acquisition of mining, processing capacity and distribution to oil. Mr. Hughes received a BA in Economics from Harvard University. Mr. Hughes is well qualified to serve as a director due to his broad experience with the tech start up process, including private equity and other forms of financings and with branding and marketing of new tech products, as well as depth of understanding of risk management.

Family Relationships

There are no family relationships between any of our officers or directors.

Meetings of the Board of Directors and Shareholders

Our Board of Directors met in person and telephonically nine times during fiscal year ended November 30, 2019 and also acted by unanimous written consent. Each Director was present at least 75% of the Board of Directors meetings held while such individual was a Director.

Board Committees

The Company has established an Audit Committee, Nominating and Corporate Governance Committee, Compensation Committee and Strategic Planning Committee. The Audit Committee, Nominating and Corporate Governance Committee, Compensation Committee and Strategic Planning Committee met in person and telephonically four, one, zero, and zero times, respectively, during the fiscal year ended November 30, 2019, and also acted by unanimous written consents.

Audit Committee

We have a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of our Audit Committee are Herbert Hughes, Karen Bowling and Don Levantin. Each of these Committee members is "independent" within the meaning of Rule 10A-3 under the Exchange Act. Our board has determined that Herbert Hughes is an "audit committee financial expert", as such term is defined in Item 407(d)(5) of Regulation S-K. Herbert Hughes serves as Chairman of our Audit Committee. Each member of the Audit Committee was present at 100% of the Audit Committee meetings held during such director's tenure as a member of the Audit Committee.

Our Audit Committee oversees our corporate accounting, financial reporting practices and the audits and reviews of financial statements. As summarized below, the Audit Committee:

- evaluates the independence and performance of, and assesses the qualifications of, our independent auditor and engages such independent auditor;
- approves the plan and fees for the annual audit, quarterly reviews, tax and other audit-related services and approves in advance any non-audit service and fees therefor to be provided by the independent auditor;
- monitors the independence of the independent auditor and the rotation of partners of the independent auditor on our engagement team as required by law;
- reviews the financial statements to be included in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q and reviews with management and the independent auditors the results of the annual audit and reviews of our quarterly financial statements;
- oversees all aspects of our systems of internal accounting and financial reporting control; and
- provides oversight in connection with legal, ethical and risk management compliance programs established by management and the board, including compliance with requirements of Sarbanes-Oxley and makes recommendations to the board of directors regarding corporate governance issues and policy decisions.

Compensation Committee

The members of our Compensation Committee are Herbert Hughes, Beatrice Mitchell, and Don Levantin. Each of these Committee members is "independent" within the meaning of Rule 10A-3 under the Exchange Act. In addition, each member of our Compensation Committee qualifies as a "non-employee director" under Rule 16b-3 of the Exchange Act. Our Compensation Committee assists the board of directors in the discharge of its responsibilities relating to the compensation of the board of directors and our executive officers. Don Levantin serves as Chairman of our Compensation Committee.

The Committee's compensation-related responsibilities include, but are not limited to:

- reviewing and approving on an annual basis the corporate goals and objectives with respect to compensation for our executive officers;
- determining the need for and the appropriateness of employment agreements and change in control agreements for each of our executive officers or any other officer or director;

- providing oversight of management's decisions concerning the performance and compensation of other company officers, employees, consultants and advisors;
- reviewing our incentive compensation and recommending changes in such plans to our board of directors as needed, and exercising all the authority of our board of directors with respect to the administration of such plans;
- reviewing and recommending to our board of directors the compensation of independent directors, including incentive and equity-based compensation; and
- selecting, retaining and terminating such compensation consultants, outside counsel or other advisors as it deems necessary or appropriate.

The Compensation Committee has the authority to directly engage, at our expense, any compensation consultants or other advisers as it deems necessary to carry out its responsibilities in determining the amount and form of employee, executive and director compensation.

Nominating and Corporate Governance Committee

The members of our Nominating and Corporate Governance Committee are Karen Bowling and Paul Jensen. The purpose of the Nominating and Corporate Governance Committee is to recommend to the board nominees for election as directors and persons to be elected to fill any vacancies on the board, develop and recommend a set of corporate governance principles and oversee the performance of the board.

The Committee's responsibilities include:

- recommending, to the board of directors, nominees for election as directors at any meeting of shareholders and nominees to fill vacancies on the board of directors;
- considering candidates proposed by shareholders in accordance with the requirements in its charter;
- reviewing with the entire board of directors, on an annual basis, the requisite skills and criteria for board candidates and the composition of the board as a whole;
- the authority to retain search firms to assist in identifying board candidates, approve the terms of the search firm's engagement, and cause the Company to pay the engaged search firm's engagement fee;
- recommending to the board of directors on an annual basis the directors to be appointed to each committee of the board of directors; and
- overseeing an annual self-evaluation of the board of directors and its committees to determine whether it and its committees are functioning effectively.

The Nominating and Corporate Governance Committee may delegate any of its responsibilities to subcommittees as it deems appropriate. The Nominating and Corporate Governance Committee is authorized to retain independent legal and other advisors, and to conduct or authorize investigations into any matter within the scope of its duties.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth all compensation paid to our named executive officers at the end of the fiscal years ended November 30, 2019 and 2018. Individuals we refer to as our "named executive officers" include our Chief Executive Officer and our most highly compensated executive officers whose salary and bonus for services rendered in all capacities exceeded \$100,000 during the fiscal year ended November 30, 2019.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards ⁽¹⁾ (\$)	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation ⁽⁷⁾ (\$)	Total Compensation (\$)
					Annual Incentive Plan	Long-Term Incentive Plans			
Bryan Ganz (2)	2019	100,000	95,000	104,580	0	0	0	109,833	409,413
	2018	0	0	0	0	0	0	149,466	149,466
Paul Jensen (3)	2019	66,667	0	15,251	0	0	0	20,551	102,469
	2018	200,000	0	0	0	0	0	0	200,000
Dean Thrasher ⁽⁴⁾	2019	0	0	0	0	0	0	50,120	50,120
	2018	0	0	39,046	0	0	0	156,580	195,626
Lisa Wager ⁽⁵⁾	2019	75,000	23,750	104,580	0	0	0	90,000	293,330
	2018	0	0	0	0	0	0	12,500	12,500
Rakesh Malhotra ⁽⁶⁾	2019	0	0	0	0	0	0	61,667	61,667
	2018	0	0	0	0	0	0	45,500	45,500

Notes:

- (1) Options have been valued using Black-Scholes methodology. The following assumptions were made for purposes of calculating the value of options-based awards: a projected dividend of zero; forfeiture rate of zero. The actual value realized, if any, on option/warrant exercises will be dependent on overall market conditions and the future performance of the Company and its common stock.
- (2) Bryan Ganz was paid a total of \$149,466, in shares of the Company's stock, for his services as President during the year ended November 30, 2018. For his services from December 1, 2019 through June 30, 2019 as President and effective April 1, 2019 as CEO, Mr. Ganz was paid \$109,833, consisting of 333,333 shares of the Company's stock and 52.5 units of the private placements the Company closed May and July of 2019. Additionally, effective July 1, 2019, Mr. Ganz became an employee with an annual base salary of \$240,000 and has since been paid a pro-rata portion of his salary. In December 2019, Mr. Ganz was granted a bonus for his 2019 services consisting of 600,000 incentive stock options with a term of 5 years and an exercise price of \$0.19, and 500,000 shares of restricted common stock. Because the December 2019 grants were for services rendered in the 2019 Fiscal Year they are included for informational purposes in this chart. They are not, however reflected in the Company's financial statements for the year ended November 30, 2019 because they were not granted until the 2020 Fiscal Year and, in accordance with GAAP, were not expensed in the 2019 Fiscal Year.
- (3) Paul Jensen served as President and Chief Operating Officer of the Company until July 13, 2018 when he became Chief Executive Officer, with an annual salary of \$200,000 payable in a combination of cash and restricted stock. Mr. Jensen resigned as CEO on April 1, 2019, and therefore received a pro-rata portion of his salary for 2019, but remains a director of the Company. In December 2019, Mr. Jensen was awarded 87,500 fully vested options with a life of 5 years and an exercise price of \$0.19 for his services as a director from July 1, 2019 through November 30, 2019. Because the December 2019 grants were for services rendered in the 2019 Fiscal Year they are included for informational purposes in this chart. They are not, however reflected in the Company's financial statements for the year ended November 30, 2019 because they were not granted until the 2020 Fiscal Year and, in accordance with GAAP, were not expensed in the 2019 Fiscal Year.

- (4) Dean Thrasher served as CEO until July 13, 2018 pursuant to a consulting agreement between the Company and a company that he controlled, and as Executive Chairman from July 13, 2018 until April 1, 2019. In 2018, the Company paid Mr. Thrasher \$156,580 in cash and restricted stock to the corporation controlled by Mr. Thrasher for services rendered in 2018 by Mr. Thrasher as CEO and Executive Chairman. In 2019, Mr. Thrasher was paid \$50,120 for his services as Executive Chairman through April 1, 2019. Mr. Thrasher remained a director of the Company until his resignation effective July 9, 2019.
- (5) Lisa Wager became the Company's Chief Legal Officer on October 29, 2018. Ms. Wager was paid \$12,500 in shares of the Company's stock for services rendered through November 30, 2018. For services as CLO from December 1, 2019 through June 30, 2019, Ms. Wager was paid a total of \$90,000 consisting of 250,000 shares of the Company's stock and 42.5 units of the private placements the Company closed May and July of 2019. Effective July 1, 2019, Ms. Wager became an employee with an annual base salary of \$180,000. In December 2019, Ms. Wager was issued a bonus for her services rendered in fiscal 2019 consisting of 600,000 incentive stock options with a term of 5 years and an exercise price of \$0.19, and 125,000 shares of restricted common stock. Because the December 2019 grants were for services rendered in the 2019 Fiscal Year they are included for informational purposes in this chart. They are not, however reflected in the Company's financial statements for the year ended November 30, 2019 because they were not granted until the 2020 Fiscal Year and, in accordance with GAAP, were not expensed in the 2019 Fiscal Year.
- (6) Mr. Malhotra became CFO effective December 1, 2018 and was compensated pursuant to consulting agreements for services performed as CFO in the fiscal years ended 2018 and 2019. Mr. Malhotra was paid \$10,500 at the commencement of his services as CFO and was paid \$3,333 on monthly basis until we mutually agreed on the termination of Mr. Malhotra's services as Chief Financial Officer of the Company effective October 31, 2019.
- (7) Amount represents consulting fees expensed during the year.

Narrative Disclosure to Summary Compensation Table

Bryan Ganz

Effective June 1, 2018, the Company entered into a consulting agreement with Mr. Ganz pursuant to which Mr. Ganz served as President of the Company beginning on July 13, 2018. Pursuant to the terms of the agreement, Mr. Ganz was paid for 2018 services by a grant of 500,000 shares of the Company's stock in each of the Company's fiscal 2018 third and fourth quarters, and by a grant of 250,000 shares per quarter thereafter through March 31, 2019.

Effective April 1, 2019, Mr. Ganz was appointed Chief Executive Officer. For his continued services as President and CEO from April 1, 2019 through June 30, 2019, Mr. Ganz was paid pursuant to Board resolutions in Company securities consisting of 52.5 units of the private placements the Company closed in May and July of 2019. Beginning July 1, 2019, Mr. Ganz became an employee of the Company at an annual base salary of \$240,000. Mr. Ganz is eligible for an annual bonus with respect to each fiscal year ending during his employment.

Lisa Wager

The Company entered into a consulting agreement with Ms. Wager, pursuant to which Ms. Wager served as the Chief Legal Officer of the Company from October 29, 2018 through February 28, 2019. Pursuant to the agreement she was to be paid in shares of the Company's stock at an annual rate of 1 million shares. For her continued services as CLO from March 1, 2019 through June 30, 2019, Ms. Wager was paid pursuant to Board resolutions in Company securities consisting of 83,333 shares of the Company's stock and 42.5 units of the private placements the Company closed in May and July of 2019. Effective July 1, 2019, Ms. Wager became an employee of the Company with an annual base salary of \$180,000. Ms. Wager is eligible for an annual bonus with respect to each fiscal year ending during her employment.

Dean Thrasher

Effective July 1, 2018 the Company executed a consulting agreement with the corporation owned by Mr. Thrasher. Pursuant to the agreement Thrasher served as Executive Chairman from July 13, 2018 through March 31, 2019 (the "Agreement Term") for compensation of \$3,500 per month together with 180,000 shares of common stock per quarter. Mr. Thrasher stepped down as Executive Chairman upon the conclusion of the Agreement Term but remained a director of the Company until July 9, 2019.

Paul Jensen

Effective October 1, 2017, the Company entered into an agreement with Paul Jensen to serve as President and Chief Operating Officer through March 31, 2019. Pursuant to the agreement, Mr. Jensen received an annual salary of \$200,000, to be paid through June 30, 2018 in shares of the Company's common stock based upon the weighted average closing price of the Company's shares for the twenty (20) trading days prior to the end of the applicable quarter, and commencing July 1, 2018, in a combination of cash and stock. Effective July 13, 2018, Mr. Jensen was appointed to the Board and named Chief Executive Officer of the Company. Mr. Jensen's contract term ended March 31, 2019 at which time he retired and stepped down as Chief Executive Officer of the Company effective April 1, 2019. Mr. Jensen continues to be a director of the Company.

Rakesh Malhotra

Effective December 1, 2018, the Company signed a twelve-month contract with the corporation owned and controlled by the CFO to pay an annual compensation of \$50,000 for the CFO services. The Company paid \$10,500 at commencement and was committed to pay \$3,333 on monthly basis. Effective October 31, 2019, the Company and Mr. Malhotra mutually agreed on the termination of Mr. Malhotra's services as Chief Financial Officer of the Company.

Employment of James Dunfey

Effective September 6, 2019, the Company entered into an offer letter agreement with Mr. Dunfey, in connection with Mr. Dunfey's employment as the Company's Controller. By the terms of the offer letter agreement, Mr. Dunfey will be paid \$133,000 annually. Mr. Dunfey is also eligible for a discretionary annual bonus of 10% to 30% of his annual salary and an award of up to 133,000 stock options. Effective December 31, 2019, Mr. Dunfey was appointed as the Company's Chief Accounting Officer. In connection with his appointment to Chief Accounting Officer, Mr. Dunfey's base compensation was increased by \$5,000 per annum.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information concerning the outstanding equity awards of each of the Named Executive Officers as of November 30, 2019:

STOCK AWARDS

Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b) (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (g) (9)	Market Value of Shares or Units of Stock That Have Not Vested (h) (8)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (i) (7)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (j) (6)
<i>Bryan Ganz</i>	-	-	-	-	-	-	-	-	-
<i>Paul Jensen</i>	-	-	-	-	-	-	-	-	-
<i>Rakesh Malhotra⁽²⁾</i>	-	-	-	-	-	-	-	-	-
<i>Dean Thrasher</i>	-	-	-	-	-	-	-	-	-

- (1) All outstanding options have been issued pursuant to the Company's 2017 Incentive Stock Option Plan which was approved by the Board and by the shareholders at the Company's 2017 annual shareholder meeting. In October 2018, the Company stopped trading on the Toronto Stock Exchange and began trading on the Canadian Stock Exchange. On October 13, 2019 the Board approved certain technical amendments to the 2017 stock option plan to conform to the CSE policies. Those amendments ("First Amendment to the 2017 Stock Option Plan") are subject to approval by a majority of the Company's shareholders either by consent or at the next annual meeting.
- (2) As of November 30, 2019, Mr. Malhotra owned 50,000 options to purchase common stock. Effective October 31, 2019, we mutually agreed upon the termination of Mr. Malhotra as the CFO of the Company. Pursuant to the terms of the 2017 Stock Option Plan, Mr. Malhotra's options expired 90 days thereafter, on January 29, 2020. He did not exercise any options prior to his termination.

2017 Stock Option Plan

The Company's stock option plan (the "2017 Stock Option Plan") was approved by the stockholders at the annual meeting held on December 19, 2017. The 2017 Stock Option Plan is comprised of 18,993,274 shares of common stock to be available in the form of stock options. Certain warrants that were previously issued as compensation by the Company were entitled to exchange such warrants for an option under the 2017 Stock Option Plan. Until warrants are exchanged for options, the plan reserve shall be reduced by the number of shares of common stock which may be purchased under those warrants.

The purpose of the 2017 Stock Option Plan is to enable the Company to offer any person, whose past, present and/or potential future contributions to the Company have been, are, or will be important to its success, an opportunity to acquire a proprietary interest in the Company. The term of any option granted under the 2017 Stock Option Plan will be fixed by the board of directors at the time such option is granted, provided that options will not be permitted to exceed a term of ten years.

The exercise price of any options granted under the 2017 Stock Option Plan will be determined by the board of directors, in its sole discretion. While the shares are listed on the CSE, options will be non-assignable and non-transferable. So long as the shares are listed on the CSE, options on no more than 2% of the issued shares may be granted to any one consultant, or in aggregate to all persons performing investor relations activities, in any 12-month period. If the option holder ceases to be someone eligible to receive a grant of options under the 2017 Stock Option Plan, then that holder's existing options shall expire on the earlier of (i) the expiry date fixed at the time of the option grant, and (ii) ninety days after the date that the option holder ceases to be eligible to receive a grant of options under the 2017 Stock Option Plan.

On October 13, 2019, the Board approved a First Amendment to the 2017 Stock Option Plan (the "First Amendment") to conform the plan to the CSE. The First Amendment will amend the 2017 Stock Option Plan as follows:

- (a) The definition of an Eligible Person in the 2017 Stock Option Plan was deleted in its entirety and replaced to provide that so long as the Company is listed on the Canadian Stock Exchange (the "Exchange" options may be granted to any person eligible under CSE policy 6.5, and, in the event the issuer ceases to be listed on the CSE, to any person eligible under Canadian NI 45-106 section 2.24.
- (b) The definition of the "Exchange" was deleted and changed to mean "the Canadian Securities Exchange."
- (c) Section 2, which defined "Investor Relations Activities" in accordance with TSX policies related thereto, was deleted and replaced with the definition provided in the relevant CSE policy.
- (d) Section 5, which contained certain TSX policies related to the issuance of options, was deleted and replaced with the requirement that all options granted under the plan be subject to and comply with, the rules and policies of the stock exchange on which the Company's shares are listed and any other regulatory body having jurisdiction.
- (e) Section 8, which reflected certain TSX policies related to the initial exercise price of options issued under the plan and any subsequent reductions thereto, was deleted and replaced with language reflecting the CSE policies on the initial exercise price of options and any subsequent reductions thereto for options held by insiders.

All other provisions of the 2017 Stock Option Plan remain in full force and effect. The First Amendment is subject to approval by the majority of the Company's shareholders which may be obtained by consent or by vote at a general or special meeting of the shareholders.

Pension Plan Benefits and Defined Contribution Plans

The Company does not have a pension plan or defined benefit plan that provides for payments or benefits to the Named Executive Officers at, following, or in connection with retirement.

Compensation of Directors

The following sets forth the compensation awarded to, earned by, or paid to the named director by us during the year ended November 30, 2019.

Name	Fees earned or paid in cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-equity incentive plan compensation (\$)	All other compensation (\$)	Total (\$)
Bryan Ganz(5)	100,000	95,000	114,000	0	109,833	409,413
Karen Bowling	0	0	9,521	0	0	9,521
Donald Levantin	0	0	12,005	0	0	12,005
Paul Jensen	0	0	2,898	0	0	2,898
Beatrice Mitchell(1)	0	0	5,382	0	0	5,382
Herbert Hughes(2)	0	0	5,796	0	0	5,796
Dean Thrasher(3)	0	0	0	0	0	0
William B. Richards(4)	0	0	0	0	0	0

- (1) Effective July 9, 2019, Ms. Mitchell was elected as a Director.
- (2) Effective July 9, 2019, Mr. Hughes was elected as a Director.
- (3) Effective April 1, 2019, Mr. Thrasher retired as Executive Chairman and effective July 9, 2019, resigned as a Director.
- (4) Effective July 9, 2019, Mr. Richards was elected as a Director. Effective January 29, 2020, Mr. Richards resigned as a Director of the Company. In December he was granted options valued at \$5,382 for his services during 2019, which options expired without being exercised 90 days after he resigned.
- (5) Mr. Ganz did not receive any compensation for his services as a Director. His compensation, including stock and options awarded in December 2019 for services as President and CEO in the fiscal year ended November 30, 2019, is described above.

During the year ended November 30, 2019, no member of the Board received any cash compensation for their service as a Board member.

During the year ended November 30, 2019, stock compensation was granted to the non-employee members of the Board in options pursuant to the 2017 Stock Option Plan. The stock compensation granted to each non-employee member was determined on an individual discretionary basis, by the compensation committee, based upon certain criteria, including but not limited to, participation with the Company's operations, membership on a committee of the Board and chairmanship of a committee of the Board.

Compensation Policies and Practices and Risk Management

The Compensation Committee has reviewed the design and operation of the Company's compensation policies and practices for all employees, including executives, as they relate to risk management practices and risk-taking incentives. The Compensation Committee believes that the Company's compensation policies and practices do not encourage unnecessary or excessive risk taking and that any risks arising from the Company's compensation policies and practices for its employees are not reasonably likely to have a material adverse effect on the Company.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of May 6, 2020, information regarding beneficial ownership of our capital stock by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock;
- each of our named executive officers;
- each of our directors; and
- all of our current executive officers and directors as a group.

Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power of the applicable security, including options that are currently exercisable or exercisable within 60 days of February 29, 2020. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown that they beneficially own, subject to community property laws where applicable.

Our calculation of the percentage of beneficial ownership is based on 124,792,754 shares of our common stock issued and outstanding as of May 6, 2020.

Common stock subject to stock options currently exercisable or exercisable within 60 days of May 6, 2020, are deemed to be outstanding for computing the percentage ownership of the person holding these securities and the percentage ownership of any group of which the holder is a member but are not deemed outstanding for computing the percentage of any other person.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Byrna Technologies Inc., 107 Audubon Road, Suite 201 Wakefield, Massachusetts 01880.

<u>Name</u>	<u>Number of Shares of Common Stock</u>	<u>Percent of Class</u>
Named Executive Officers and Directors		
Paul Jensen ⁽¹⁾	2,850,877	2.27%
Bryan Ganz ⁽²⁾	7,641,447	5.32%
Karen Bowling ⁽³⁾	1,102,500	*
Lisa Wager ⁽⁴⁾	1,459,613	1.16%
James Dunfey ⁽⁵⁾	50,000	*
Don Levantin ⁽⁶⁾	2,295,553	1.82%
Beatrice Mitchell ⁽⁷⁾	162,500	*
Herbert Hughes ⁽⁸⁾	611,104	*
All Officers and Directors as a group (8 persons)	16,173,594	12.32%
5% Shareholders		
Arthur Cohen	7,943,367	6.37%
Pierre Lapeyre	12,525,897	10.03%
Joseph Healey	6,551,512	5.25%

* Less than 1%

- (1) Consists of 2,186,844 shares of our common stock owned by Mr. Jensen and warrants and options exercisable into 576,493 and 87,500 shares of our common stock, respectively, within 60 days of the filing of this Annual Report.
- (2) Consists of 1,953,333 shares of common stock owned by Mr. Ganz, our Chief Executive Officer, President, Chairman of the Board and Director, in his individual capacity and 4,227,884 shares of common stock owned by Northeast Industrial Partners LLC, of which Mr. Ganz is the majority holder and warrants and options exercisable into 980,229 and 600,000 shares of our common stock, respectively, within 60 days of the filing of this Annual Report.
- (3) Consists of options exercisable into 1,102,500 shares of our common stock within 60 days of the filing of this Annual Report.
- (4) Consists of 541,666 shares of our common stock owned by Ms. Wager and warrants and options exercisable into 317,947 and 600,000 shares of our common stock, respectively, within 60 days of the filing of this Annual Report.
- (5) Consists of options exercisable into 50,000 shares of our common stock within 60 days of the filing of this Annual Report.
- (6) Consists of 900,000 shares of our common stock owned by Mr. Levantin and warrants and options exercisable into 736,386 and 659,167 shares of our common stock, respectively, within 60 days of the filing of this Annual Report.
- (7) Consists of options exercisable into 162,500 shares of our common stock within 60 days of the filing of this Annual Report.
- (8) Consists of warrants and options exercisable into 436,104 and 175,000 shares of our common stock, respectively, within 60 days of the filing of this Annual Report.

Changes in Control

We are not aware of any arrangements that may result in "changes in control" as that term is defined by the provisions of Item 403(c) of Regulation S-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Certain Relationships and Related Transactions

Agreement with André Buys

On April 13, 2018, the Company entered into a Purchase and Sale Agreement (the "Purchase and Sale Agreement") with André Buys ("Buys") pursuant to which the Company purchased certain intellectual property from Buys for consideration to consist of a first payment of cash at the closing and a second payment of \$500,000 cash or \$750,000 in Company's common stock (the "Second Payment"), and engaged him as its Chief Technology Officer ("CTO"). Under the Agreement, the Company is prohibited from terminating Mr. Buys without cause prior to April 13, 2021. On December 19, 2019 the Company and Buys entered into an amendment to the Agreement (the "Amendment") which provided, among other things, that in lieu of the Second Payment the Company would issue to Buys (and/or his designees) shares of restricted common stock of the Company valued at \$630,000 as soon after the effective date of the Amendment as it is approved by the Company's Board and can be effected. The Company also agreed to make an additional cash payment of \$80,000 to Mr. Buys, which has been paid. Under the Amendment the number of shares to be issued was to be calculated based on the average closing price of the Company's stock for the 20 days before the Amendment was signed and approved by the Board, both of which occurred on December 19, 2019. The Amendment also terminates Mr. Buys' security interest in and reversionary rights to the intellectual property covered by the Agreement, modifies certain terms of the Purchase and Sale Agreement relating to royalties, raises Mr. Buys' compensation as CTO to \$12,500 per month and provides that, upon Mr. Buy's relocation to Boston, he will become a full-time employee of the Company and earn a salary of \$14,000 per month plus certain benefits..

Rental of Corporate Headquarters

The Company rents the facility at this location, at a monthly rent of \$700 plus utilities and other variable costs which averages \$2,089.62 monthly, from a Company controlled by our Chief Executive Officer.

Related Person Transactions Policy and Procedure

Our audit committee must review and approve any related person transaction we propose to enter into. Our audit committee charter details the policies and procedures relating to transactions that may present actual, potential or perceived conflicts of interest and may raise questions as to whether such transactions are consistent with the best interest of our company and our stockholders. A summary of such policies and procedures is set forth below.

Any potential related party transaction that is brought to the audit committee's attention will be analyzed by the audit committee, in consultation with outside counsel or members of management, as appropriate, to determine whether the transaction or relationship does, in fact, constitute a related party transaction. At its meetings, the audit committee will be provided with the details of each new, existing or proposed related party transaction, including the terms of the transaction, the business purpose of the transaction and the benefits to us and to the relevant related party.

In determining whether to approve a related party transaction, the audit committee must consider, among other factors, the following factors to the extent relevant:

- whether the terms of the transaction are fair to us and on the same basis as would apply if the transaction did not involve a related party;
- whether there are business reasons for us to enter into the transaction;
- whether the transaction would impair the independence of an outside director; and
- whether the transaction would present an improper conflict of interest for any director or executive officer.

Any member of the audit committee who has an interest in the transaction under discussion must abstain from any voting regarding the transaction, but may, if so requested by the chairman of the audit committee, participate in some or all of the audit committee's discussions of the transaction. Upon completion of its review of the transaction, the audit committee may determine to permit or to prohibit the transaction.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth the aggregate fees billed for each of the last two fiscal years for professional services rendered by McGovern Hurley LLP, the principal accountant for the audit of the Company's financial statements for the fiscal year ended November 30, 2018 and review of financial statements included in the Company's quarterly reports for the fiscal years November 30, 2018 and 2019 and Mayer Hoffman McCann P.C., the principal accountant for the audit of the Company's financial statements for the fiscal year ended November 30, 2019.

Audit-Related fees include services for the review of interim financial statements, tax fees include the preparation of tax returns and other fees include services performed in relation to the preparation of various SEC Forms and advisory services.

	2019	2018
Audit Fees	\$ 83,012	\$ 44,500
Audit-Related Fees	\$ 0	\$ 0
Tax Fees	\$ 0	\$ --
All Other Fees	\$ 0	\$ --
TOTAL	\$ 83,012	\$ 44,500

PART IV

ITEM 15. EXHIBIT, FINANCIAL STATEMENT SCHEDULES SIGNATURES

(a) The following documents are filed as part of this Report:

(1) Financial Statements

F-1 to F-33.

(2) Financial Statements Schedule

None.

(3) Exhibits

We hereby file as part of this Report the exhibits listed in the attached Exhibit Index. Exhibits which are incorporated herein by reference can be inspected and copied at the public reference facilities maintained by the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of such material can also be obtained from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates or on the SEC website at www.sec.gov.

BYRNA TECHNOLOGIES INC. (formerly Security Devices International, Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2019 AND 2018

Together with Reports of Independent Registered Public Accounting Firms

(Amounts expressed in US Dollars)

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Byrna Technologies Inc. (formerly Security Devices International, Inc.)

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Byrna Technologies Inc. (formerly Security Devices International, Inc.) (“Company”) as of November 30, 2019 and the related consolidated statements of operations and comprehensive loss, cash flows, and changes in stockholders’ equity (deficit) for the year ended November 30, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of November 30, 2019 and the results of their operations and their cash flows for the year ended November 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed in Note 3 to the financial statements, the Company changed its method of accounting for revenue from contracts with customers as a result of the adoption of Accounting Standards Codification Topic 606, Revenue from Contracts with Customers effective December 1, 2018, under the modified retrospective method.

Going Concern Uncertainty

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred recurring losses and cash shortfalls from operations and is dependent on future financings and revenue streams to fund operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans regarding these matters is also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Mayer Hoffman McCann CPAs
(The New York Practice of Mayer Hoffman McCann P.C.)

We have served as the Company's auditor since 2019.

New York, New York
May 18, 2020



Audit. Tax. Advisory.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Byrna Technologies Inc. (formerly, Security Devices International, Inc.)

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Byrna Technologies Inc. (formerly, Security Devices International, Inc.) (the “Company”) as of November 30, 2018, and the related consolidated statement of operations and comprehensive loss, consolidated statement of cash flows, and consolidated statement of changes in stockholders’ equity for the year then ended, and the related notes (collectively referred to as the financial statements).

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of November 30, 2018, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company’s operating loss and accumulated deficit as at November 30, 2018 raise substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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McGovern Hurley

We have served as the Company's auditors since 2017.

McGovern Hurley LLP

McGovern Hurley LLP

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Canada
May 18, 2020

BYRNA TECHNOLOGIES INC.
Consolidated Balance Sheets
(Amounts expressed in US Dollars)

	November 30,	
	2019	2018
	\$	\$
ASSETS		
CURRENT		
Cash	1,081,900	1,182,387
Restricted cash (Note 4)	92,000	-
Accounts receivable (Note 5)	438,255	18,914
Inventory, net (Note 16)	959,748	129,121
Prepaid expenses and other current assets (Note 18)	377,305	901,247
Total Current Assets	<u>2,949,208</u>	<u>2,231,669</u>
Patent rights, net (Note 17)	99,002	106,334
Deposits for equipment (Note 10)	196,921	205,664
Property and equipment, net (Note 10)	<u>321,288</u>	<u>113,418</u>
TOTAL ASSETS	<u><u>3,566,419</u></u>	<u><u>2,657,085</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	650,719	380,542
Convertible notes payable (Note 15)	2,758,578	978,361
Accrued interest	266,143	16,767
Derivative liabilities (Note 15)	-	957,301
Total Current Liabilities	<u>3,675,440</u>	<u>2,332,971</u>
Long-term convertible notes payable	<u>1,874,972</u>	<u>167,077</u>
Total Liabilities	5,550,412	2,500,048
Commitments (Note 12)		
STOCKHOLDERS' (DEFICIT) EQUITY		
Capital stock		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, Nil shares issued and outstanding (2018 - Nil).	-	-
Common stock, \$0.001 par value 300,000,000 shares authorized, 104,021,836 shares issued and outstanding (2018: 200,000,000 shares authorized, 101,976,899 shares issued and outstanding)	104,022	101,977
Additional paid-in capital	36,480,520	33,341,695
Shares to be issued	20,000	-
Treasury stock receivable (3,000,000 shares)	(888,000)	-
Accumulated deficit	(37,662,123)	(33,252,338)
Accumulated other comprehensive loss	<u>(38,412)</u>	<u>(34,297)</u>
Total Stockholders' (Deficit) Equity	<u>(1,983,993)</u>	<u>157,037</u>
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	<u><u>3,566,419</u></u>	<u><u>2,657,085</u></u>

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

BYRNA TECHNOLOGIES INC.
Consolidated Statements of Operations and Comprehensive Loss
(Amounts expressed in US Dollars)

	Years Ended November 30,	
	2019	2018
	\$	\$
Revenue (Note 5)	924,419	250,227
Cost of goods sold	(775,412)	(186,068)
Gross Profit	<u>149,007</u>	<u>64,159</u>
OPERATING EXPENSES		
Depreciation (Note 10)	30,054	19,392
Amortization of patent rights (Note 17)	7,332	3,666
Foreign currency transaction loss (gain)	12,031	(46,093)
Selling, general and administrative	<u>3,400,158</u>	<u>2,125,896</u>
TOTAL OPERATING EXPENSES	<u>3,449,575</u>	<u>2,102,861</u>
LOSS FROM OPERATIONS	(3,300,568)	(2,038,702)
OTHER INCOME (EXPENSE)		
Accretion of debt discounts (Note 15)	(1,120,872)	(154,428)
Interest expense (Note 15)	(414,364)	(148,887)
Change in fair value of derivative liabilities (Note 15)	426,019	188,543
LOSS BEFORE INCOME TAXES	<u>(4,409,785)</u>	<u>(2,153,474)</u>
Income tax provision (Note 11)	-	-
NET LOSS	(4,409,785)	(2,153,474)
Foreign exchange translation adjustment for the year	(4,115)	(1,673)
COMPREHENSIVE LOSS	<u>(4,413,900)</u>	<u>(2,155,147)</u>
Net loss per share - basic and diluted	<u>(0.04)</u>	<u>(0.02)</u>
Weighted-average number of common shares outstanding during the year	<u>103,543,833</u>	<u>94,446,113</u>

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

BYRNA TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
(Amounts expressed in US Dollars)

	Years Ended November 30,	
	2019	2018
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(4,409,785)	(2,153,474)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	218,154	128,799
Non-cash expense for shares issued in 2018 for services	200,000	250,000
Accretion of debt discounts	1,120,872	154,428
Provision for inventory	44,786	-
Foreign currency transaction loss	(4,115)	(46,093)
Change in fair value of derivative liability	(426,019)	(188,543)
Issuance of common shares for services	314,339	1,332,673
Issuance of convertible notes payable for services	112,500	-
Stock to be issued for services	20,000	-
Cancellation of shares for services	(19,996)	-
Accrued interest	249,376	16,767
Depreciation	46,844	19,392
Amortization of patent rights	7,332	3,666
Changes in assets and liabilities:		
Accounts receivable	(419,341)	15,690
Inventory	(875,413)	28,182
Prepaid expenses and other current assets	(226,060)	(1,146,176)
Accounts payable and accrued liabilities	270,177	(11,431)
NET CASH USED IN OPERATING ACTIVITIES	(3,776,349)	(1,596,120)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of patent rights	-	(110,000)
Deposit for and purchases of property and equipment	(245,971)	(311,523)
NET CASH USED IN INVESTING ACTIVITIES	(245,971)	(421,523)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from convertible notes	5,068,265	1,275,000
Repayment of 2016 convertible notes	(1,035,930)	-
Repayment of unsecured convertible debentures	-	(40,357)
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,032,335	1,234,643
Effects of foreign currency exchange rate changes	(18,502)	344
NET DECREASE IN CASH AND RESTRICTED CASH FOR THE YEAR	(8,487)	(782,656)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	1,182,387	1,965,043
CASH AND RESTRICTED CASH, END OF YEAR	1,173,900	1,182,387
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
INCOME TAXES PAID	-	-
INTEREST PAID	161,595	132,624

SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

During the year ended November 30, 2019, 3,000,000 shares of outstanding common stock was agreed to be returned to the Company by FinTekk AP, LLC ("FinTekk") for unused marketing services of \$550,000. The \$550,000 consists of \$888,000 Treasury Stock Receivable, partially offset by \$338,000 of the associated Additional Paid-in Capital and is included in Stockholders' Deficit at November 30, 2019. See Note 18.

During the year ended November 30, 2019, \$2,290,373 of warrants were issued with convertible notes payable.

During the year ended November 30, 2018, \$524,089 of warrants were issued with convertible notes payable and \$1,000,000 of common stock comprising of 6,666,666 shares were issued for future services. As of November 30, 2018, \$750,000 of the \$1,000,000 common stock amount remained in prepaid expenses.

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

BYRNA TECHNOLOGIES INC.
Consolidated Statement of Changes in Stockholders' Equity (Deficit)
(Amounts expressed in US Dollars)

	Shares of Common Stock #	Common Stock amount \$	Stock To be Issued \$	Treasury Stock Receivable \$	Additional Paid-in Capital \$	Accumulated Deficit \$	Accumulated Other Comprehensive Loss \$	Total \$
Balance, November 30, 2017	93,014,133	93,014	-	-	31,365,097	(31,098,864)	(32,624)	(326,623)
Issuance of common Stock for services	8,962,766	8,963	-	-	1,323,710	-	-	1,332,673
Stock-based compensation for issuance of stock options	-	-	-	-	128,799	-	-	128,799
Issuance of warrants	-	-	-	-	524,089	-	-	524,089
Net loss	-	-	-	-	-	(2,153,474)	-	(2,153,474)
Foreign currency translation	-	-	-	-	-	-	(1,673)	(1,673)
Balance, November 30, 2018	101,976,899	101,977	-	-	33,341,695	(33,252,338)	(34,297)	157,037
Issuance of common stock for services	2,179,875	2,180	-	-	312,159	-	-	314,339
Cancellation of shares	(134,938)	(135)	-	-	(19,861)	-	-	(19,996)
Redemption of stock issued for service- (Note 18)	-	-	-	(888,000)	338,000	-	-	(550,000)
Issuance of warrants with convertible notes payable	-	-	-	-	2,290,373	-	-	2,290,373
Stock to be issued	-	-	20,000	-	-	-	-	20,000
Stock-based compensation for issuance of stock options	-	-	-	-	218,154	-	-	218,154
Net loss	-	-	-	-	-	(4,409,785)	-	(4,409,785)
Foreign currency translation	-	-	-	-	-	-	(4,115)	(4,115)
Balance, November 30, 2019	104,021,836	104,022	20,000	(888,000)	36,480,520	(37,662,123)	(38,412)	(1,983,993)

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

1. BASIS OF PRESENTATION

Security Devices International, Inc. ("SDI") was incorporated under the laws of the state of Delaware on March 1, 2005. On February 3, 2014, SDI incorporated a wholly owned subsidiary in Canada, Security Devices International Canada Corp. ("SDI Canada"). On March 1, 2018, SDI acquired all the shares of a company in South Africa, Byrna South Africa (Pty) Ltd. ("Byrna South Africa"). On March 4, 2020, SDI changed its name to Byrna Technologies Inc. (the "Company"). SDI Canada was dissolved on December 19, 2019. See Note 19. These consolidated financial statements for the years ended November 30, 2019 and 2018 include the accounts of the Company and its subsidiaries SDI Canada and Byrna South Africa. All material intercompany accounts and transactions have been eliminated. Certain prior year amounts have been reclassified to conform with the presentation of amounts for the year ended November 30, 2019.

2. NATURE OF OPERATIONS AND GOING CONCERN

The Company is a less-lethal defense technology company, specializing in innovative next generation solutions for security situations that do not require the use of lethal force. The Company has implemented manufacturing partnerships in the United States and South Africa, to assist in the deployment of their patented and patent pending family of 40mm and .68 caliber products. These products consist of the current manufacture of Blunt Impact Projectile 40mm ("BIP") line of products, a line of 12 gauge less-lethal products, and the .68 caliber handheld personal security device called the Byrna[®] HD and Byrna[®] HD magazines and projectiles.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. There is substantial doubt about the Company's ability to continue as a going concern for one year after the issuance of these financial statements.

The Company's activities are subject to risk and uncertainties including:

The Company has not earned adequate revenue to sustain its operations and has used cash in its operations. Therefore, the Company will need additional financing to continue its operations if it is unable to generate substantial revenue growth.

The Company has incurred a cumulative loss of \$37,662,123 from inception to November 30, 2019. The Company has funded operations through the issuance of common stock, warrants, and convertible notes payable. The Company generates revenue from operations. However, it still expects to incur significant losses before the Company's revenues can sustain its operations. The Company's future success is dependent upon its ability to raise sufficient capital or generate adequate revenue, to cover its ongoing operating expenses, and also to continue to develop and be able to profitably market its products. Management's plans to continue operations include seeking to expand sales of the Byrna[®] HD in new marketing channels domestically and internationally, offering new products to drive revenue increases in the way that the April 2019 launch of the Byrna[®] HD drove the fiscal 2019 revenue increase. In addition, subsequent to the year ended November 30, 2019, the Company (1) raised approximately \$3.2 million through early warrant exercises and (2) exchanged all outstanding convertible debt for preferred stock, resulting in the Company no longer having any outstanding notes payable. See Note 20 for additional information. The Company may explore other financing alternatives to raise capital, if needed. There can be no assurance that such revenue will be generated, or financing will be available at all or on favorable terms. Based on these factors, there is substantial doubt about the ability of the Company to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty; such adjustments could be material.

The Company is also significantly impacted by COVID-19, experiencing both positive and negative effects from the virus and resulting suspension of economic activity and daily routines. The government mandated lock down orders and stay-at-home requirements have significantly disrupted the Company's supply chain and temporarily stopped production of the Byrna[®] HD. While production has resumed, the Company cannot predict the extent of supply disruption that may result from the ongoing pandemic or whether the increased demand the Company is experiencing will continue after the immediate health crisis has abated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported and reported amount of revenues and expenses, and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements. Significant estimates include accruals, valuation allowance for deferred tax assets, inventory, determination of the Company's ability to continue as a going concern, estimates in the fair value of derivative liabilities, estimates for calculations of stock-based compensation and warrants issued, estimates of the useful life of (1) property and equipment and (2) patent rights, and accounting for conversion features on convertible debt transactions. These estimates are based on management's best estimates and judgment. Management will adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with certainty, actual results could differ significantly from these estimates.

b) Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, the Company determines deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Deferred tax assets are recognized to the extent the Company believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Company determines that it would be able to realize its deferred tax assets in the future in excess of their net recorded amount, it would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company records uncertain tax positions in accordance with Accounting Standards Codification ("ASC") 740, *Income Taxes*, on the basis of a two-step process in which (1) it determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

The Company recognizes interest and penalties related to unrecognized tax benefits on the income tax expense line in the accompanying consolidated statement of operations. As of November 30, 2019, no accrued interest or penalties related to unrecognized tax benefits are included in the consolidated balance sheet. See Note 11.

c) Revenue Recognition

Revenue is recognized upon the transfer of control of products to the Company's customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those products or services. Revenue is generally recognized at the time title to the goods is passed and the risk of loss is transferred to the customer. Depending on the contract terms, transfer of control is upon shipment of goods ("free on truck") to or upon the customer's pick-up of the goods. The amount of revenue is recognized net of actual returns and discounts offered to its customers. The Company's returns to date through November 30, 2019 have been immaterial and the Company will recognize an estimated reserve, when material, based on its analysis of historical experience and an evaluation of current market conditions.

Sales to customers are generally based on net 30-60-day credit terms, unless otherwise stated. Online sales are processed by credit cards. Cash receipts recorded in deferred revenue are recorded as revenues when the Company satisfies its performance obligation.

BYRNA TECHNOLOGIES INC.
Notes to Consolidated Financial Statements
November 30, 2019 and 2018
(Amounts expressed in US Dollars)

The Company accounts for shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated products. Shipping and handling costs, associated with the distribution of finished products to customers, are recorded in selling, general and administrative ("SG&A") expenses and are recognized when the product is shipped to the customer. Shipping and handling costs included in SG&A were \$21,487 and \$13,936 during the years ended November 30, 2019 and 2018, respectively. Costs to obtain a contract consist of commissions paid to employees. As product revenue is recognized at a point in time, the practical expedient stated in ASC 340-40-25-4, *Contracts with Customers*, is met, and the Company may expense commissions as incurred.

The Company's products come with a standard assurance type warranty which cannot be purchased separately and accounted for pursuant to ASC 460, *Guarantees*. As historical warranty claims have been immaterial, the Company has recognized expenses in cost of goods sold as incurred. The Company will recognize an estimated reserve, when material, based on its analysis of historical experience.

d) Loss Per Share

Basic loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding for the year. Diluted loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding plus common stock equivalents (if dilutive) related to stock options and warrants for each year and the conversion feature of convertible notes payable. There were no common stock equivalent shares outstanding during the years ended November 30, 2019 and 2018 that have been included in dilutive loss per share calculation as the effects would have been anti-dilutive. At November 30, 2019, there are 2,911,667 options and 45,787,219 warrants outstanding, which are convertible into equal number of common stock shares of the Company. At November 30, 2018, there were 6,376,667 options and 26,041,160 warrants outstanding, which were convertible into equal number of common stock shares of the Company.

e) Stock-Based Compensation

The Company accounts for all stock-based payment awards granted to employees and non-employees as stock-based compensation expense at fair value. The Company's stock-based payments include stock options and grants of warrants. The measurement date for employee awards is the date of grant, and stock-based compensation costs are recognized as expense over the employees' requisite service period, on a straight-line basis. The measurement date for non-employee awards is generally the date the services were completed, resulting in financial reporting period adjustments to stock-based compensation during the vesting terms for changes in the fair value of the awards. Stock-based compensation costs for non-employees are recognized as expense over the vesting period on a straight-line basis. Stock-based compensation is classified in the accompanying statements of operations based on the function to which the related services are provided, which is in SG&A expenses. The Company recognizes stock-based compensation expense over the contractual term of the options. Forfeitures are accounted for as they occur.

The fair value of each stock option grant is estimated on the date of grant by using either the Black-Scholes or Binomial Lattice option pricing models. The Company estimates its expected stock volatility based on the historical volatility of its stock. The expected term of the Company's stock options granted to employees has been determined utilizing the method as prescribed by the SEC's Staff Accounting Bulletin, Topic 14. The expected term for stock options granted to non-employees is equal to the contractual term of the options. The risk-free interest rate is determined by reference to the US Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is based on the fact that the Company has never paid cash dividends on common stock and does not expect to pay any cash dividends in the foreseeable future. See Note 7.

f) Foreign Currency

The Company maintains its books and records in US dollars which is its functional and reporting currency. The Company's two operating subsidiaries are foreign private companies. SDI Canada and Byrna South Africa maintain their books and records in their functional currency, Canadian dollars and South African rand, respectively. Both subsidiaries' financial statements are converted to US dollars for consolidation purposes. The translation method used is the current rate method. Under the current rate method, all assets and liabilities are translated at the current rate, stockholders' equity accounts are translated at historical rates, and revenues and expenses are translated at average rate for the year. The resulting translation adjustment has been included in accumulated other comprehensive loss. Gains or losses resulting from transactions in currencies other than the functional currency are reflected in the consolidated statement of operations and comprehensive loss for the related reporting periods.

BYRNA TECHNOLOGIES INC.
Notes to Consolidated Financial Statements
November 30, 2019 and 2018
(Amounts expressed in US Dollars)

g) Comprehensive Loss

Comprehensive loss includes all changes in equity (deficit) during a period from non-owner sources. Items included in comprehensive loss, which are excluded from net loss, include foreign currency translation adjustments relating to its Canadian and South African subsidiaries.

h) Financial Instruments

The carrying amount of accounts receivable and accounts payable and accrued liabilities, approximated their fair value because of the relatively short maturity of these instruments. The Company determines fair value based on its accounting policy for fair value measurement (i.e. exit price that would be recovered for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date). The Company has not used derivative financial instruments such as forwards to hedge foreign currency exposures. Convertible debt issued is initially recognized at fair value. Derivative liabilities are measured at fair value at each reporting period and convertible debt is subsequently measured at amortized cost.

i) Fair Value Measurement

The Company follows ASC 820-10, *Fair Value Measurements and Disclosures*, which among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, a three-tier fair value hierarchy has been established, which prioritizes the inputs used in measuring fair value as follows:

- Level 1-Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
 - Level 2-Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
 - Level 3-Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.
- Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The carrying values of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term nature of these instruments. The Company's derivative liability which had a balance of \$Nil and \$957,301 at November 30, 2019 and 2018, respectively, was classified within Level 3 of the fair value hierarchy as it was valued using pricing models that incorporate management assumptions that cannot be corroborated with observable market data. See Note 15.

j) Convertible Debt Instruments

When the Company has determined that the embedded conversion options should not be bifurcated from their host instruments the Company accounts for convertible debt instruments in accordance with ASC 470-20, *Debt with Conversion and Other Options*. The Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. The Company amortizes any debt discount over the term of the notes, using the straight-line method, which approximates the effective interest method. The Company records, when necessary, any induced conversion expense, at the time of conversion for the difference between the reduced conversion price per share and the original conversion price per share.

BYRNA TECHNOLOGIES INC.
Notes to Consolidated Financial Statements
November 30, 2019 and 2018
(Amounts expressed in US Dollars)

k) Intellectual Property

The perpetual, irrevocable, exclusive and non-exclusive license to use technology with respect to the cost of patent rights acquired in 2018 is capitalized and amortized over the estimated useful life, currently estimated to be 15 years.

l) Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided commencing in the month following acquisition using the following annual rate and method:

Computer equipment and software	30% declining balance method
Furniture and fixtures	30% declining balance method
Leasehold improvements	Straight line over period of lease
Molds	20% straight line over 5 years

m) Restricted Cash

Cash that is subject to legal restrictions or unavailable for use in operations is classified as restricted cash.

n) Impairment of Long-lived Assets

Long-lived assets to be held and used are analyzed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Company evaluates at each balance sheet date whether events and circumstances have occurred that indicate possible impairment. If there are indications of impairment, the Company uses future undiscounted cash flows of the related asset or asset group over the remaining life in measuring whether the assets are recoverable. In the event such cash flows are not expected to be sufficient to recover the recorded asset values, the assets are written down to their estimated fair value. There were no impairments of long-lived assets during the years ended November 30, 2019 and 2018, respectively.

o) Inventories

Inventories are principally comprised of raw materials and finished goods, and are valued at the lower of cost or net realizable value with cost being determined on the first-in, first-out basis. The Company reviews inventories for slow-moving items to determine adjustments that it estimates will be needed to record inventory at lower of cost or net realizable value. Inventory costs include subcontracted manufacturing costs. Inbound freight costs, inclusive of freight between distribution facilities, are included in costs of goods sold.

p) Advertising

Advertising related costs are expensed as incurred and are included in SG&A expenses. Advertising expenses were \$366,786 and \$262,248 during the years ended November 30, 2019 and 2018, respectively. Prepaid advertising expenses recorded in prepaid expenses and other current assets were \$Nil and \$750,000 at November 30, 2019 and 2018, respectively.

q) Research and development

Research and development ("R&D") costs are expensed as incurred and are included in SG&A expenses. R&D costs were \$158,105 and \$164,162 during the years ended November 30, 2019 and 2018, respectively.

r) Consolidation

These consolidated financial statements include the accounts of the Company and the entities it controls. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity or arrangement to obtain benefit from its activities. In assessing control, potential voting rights that currently are exercisable are considered. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. These consolidated financial statements include the results of the Company and its wholly owned subsidiaries, SDI Canada, and Byrna South Africa.

On March 1, 2018, the Company purchased all the shares of a South African entity Rephit (Pty) Ltd., an inactive company, for \$300 (South African rand 4,000) and subsequently changed the name of the subsidiary to Byrna South Africa. The Company acquired Byrna South Africa to facilitate the development of the Byrna[®] HD and other projects related to the patent portfolio purchased from Andre Buys ("Buys"), the Company's Chief Technology Officer ("CTO").

s) Recent Accounting Pronouncements

In May 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-09, *Compensation - Stock Compensation: Scope of Modification Accounting*, which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. An entity will account for the effects of a modification unless the fair value of the modified award is the same as the original award, the vesting conditions of the modified award are the same as the original award and the classification of the modified award as an equity instrument or liability instrument is the same as the original award. This update became effective for the Company on December 1, 2018, including interim periods. The Company adopted and will apply the update prospectively to any award modifications as there were no modifications to share-based payment awards during 2018 and 2019.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASC 606"). Subsequently, the FASB issued several updates to ASC 606. ASC 606 also includes new guidance on costs related to a contract, which is codified in ASC Subtopic 340-40. In applying ASC 606, revenue is recognized when control of promised goods or services transfers to a customer and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. The major provisions of the new standard include: the determination of enforceable rights and obligations between parties; the identification of performance obligations including those related to material right obligations; the allocation of consideration based upon relative standalone selling price; accounting for variable consideration; the determination of whether performance obligations are satisfied over time or at a point in time; and enhanced disclosure requirements. The Company adopted ASC 606 during the first quarter of 2019 by applying the modified retrospective method to all contracts which resulted in (a) no impact to the financial statements and (b) additional financial statement disclosures. See Note 5 for additional information.

In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASC 842"). The FASB issued the update to require the recognition of lease assets and liabilities on the balance sheet of lessees. ASU 2016-02 requires adoption using a modified retrospective approach, with the option apply the guidance either at the beginning of the earliest period presented or at the beginning of the period in which it is adopted. The Company adopted ASC 842 in the first quarter of 2020 and is in process of evaluating the impact of this guidance on its financial statements and related disclosures.

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic: 260), Distinguishing Liabilities from Equity (Topic: 480), Derivatives and Hedges (Topic 815)*. FASB issued the update to simplify the accounting for certain financial instruments with down round features. The Company adopted ASU 2017-11 in the first quarter of 2020. Currently, the Company does not have financial instruments with down round features but will apply this update prospectively.

In June 2018, the FASB issued ASU 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. FASB issued the update to include share-based payment transaction for acquiring goods or services from nonemployees in Topic 718, Compensation - Stock Compensation. The Company adopted ASU 2018-07 in the first quarter of 2020 prospectively, and the Company does not expect this to have a material impact on its financial statements for share-based payments issued to nonemployees during fiscal 2020.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic: 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. FASB issued the update to modify the disclosure requirements in Topic 820. ASU 2018-07 will be effective for the Company in the first quarter of 2021. Early adoption is permitted. The Company is currently evaluating the impact of this update on its disclosures.

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In 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The guidance changes the impairment model used to measure credit losses for most financial assets. A new forward-looking expected credit loss model will replace the existing incurred credit loss model and will impact the Company's accounts and other receivables. This is expected to generally result in earlier recognition of allowances for credit losses. ASU 2016-13 will be effective for the Company in the first quarter of 2021. Early adoption is permitted. The Company is currently evaluating the impact of adopting this update on the consolidated financial statements.

In 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The guidance simplifies the accounting for income taxes by primarily addressing the following: recognition of a deferred tax liability after transition to/from the equity method, evaluation when a step-up in the tax basis of goodwill should be related to a business combination or when it should be considered a separate transaction, inclusion of the amount of tax based on income in the income tax provision and any incremental amount as a tax not based on income, and recognition of the effect of an enacted change in tax laws or annual effective tax rates in the period the change was enacted. The guidance is effective for the Company in the first quarter of 2022. Early adoption is permitted. Several of the amendments in the update are required to be adopted using a prospective approach, while other amendments are required to be adopted using a modified-retrospective approach or retrospective approach. The Company is currently evaluating the impact of adopting this update on the consolidated financial statements.

4. RESTRICTED CASH

The Company's restricted cash consists of cash that the Company is contractually obligated to maintain in accordance with the terms of its November 2019 lease agreement.

5. REVENUE, DEFERRED REVENUE AND ACCOUNTS RECEIVABLE

The Company generates revenue primarily from sales of finished products. Revenue is recognized upon the transfer of control of products to the Company's customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those products or services.

Product Sales

The Company generates revenue through the wholesale distribution of its products and accessories to dealers/distributors, large end-users (security companies and law enforcement agencies) and through an e-commerce portal to consumers. Revenue is recognized upon transfer of control of goods to the customer, which generally occurs when title to goods is passed and risk of loss transfers to the customer. Depending on the contract terms, transfer of control is upon shipment of goods to or upon the customer's pick-up of the goods. Payment terms are generally 30-60 days for established customers, whereas new customers have prepaid terms for their first order. The amount of revenue recognized is net of returns and discounts that the Company offers to its customers. The Company's returns have been immaterial and the Company will recognize an estimated reserve, when material, based on its analysis of historical experience and an evaluation of current market conditions.

The Company excludes from revenue taxes collected from customers and remitted to government authorities related to sales of the Company's products. Shipping and handling costs that occur after control of goods has been transferred to the customer and that are not billed to the customer are accounted for as fulfillment costs.

Deferred Revenue

Changes in deferred revenue which relate to unfulfilled e-commerce orders for the year ended November 30, 2019 are summarized below. The associated performance obligations were satisfied during fiscal 2020.

	Deferred Revenue
Balance, November 30, 2018	\$ -
Net additions to deferred revenue	10,842
Balance, November 30, 2019	\$ 10,842

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See Note 3 for further discussion of the adoption of the new revenue standard.

Accounts Receivable

The following table presents the Company's accounts receivable:

	November 30,	
	2019	2018
Accounts receivable	\$ 438,255	\$ 18,914

Accounts receivable at November 30, 2019 primarily relates to sales of the new Byrna[®] HD to several large distributors.

Revenue Disaggregation

The following table presents disaggregation of the Company's revenue by product type and distribution channel:

<i>Product type</i>	Years Ended November 30,	
	2019	2018
Byrna [®] HD	\$ 850,404	\$ -
Law Enforcement	74,015	250,227
Total	\$ 924,419	\$ 250,227

<i>Distribution channel</i>	Years Ended November 30,	
	2019	2018
Wholesale (dealer/distributors and large end-users)	\$ 602,838	\$ 250,227
E-commerce	321,581	-
Total	\$ 924,419	\$ 250,227

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	November 30,	
	2019	2018
Trade payables	\$ 600,878	\$ 126,366
Deferred revenue	10,842	-
Other accrued liabilities	38,999	254,176
	\$ 650,719	\$ 380,542

The increase in trade payables at November 30, 2019 is primarily due to an increase in purchases of raw material inventory. Other accrued liabilities at November 30, 2018 relate primarily to professional and consulting fees.

7. STOCK-BASED COMPENSATION

2017 Plan

In 2017, the Company adopted the Security Devices International Inc. 2017 Stock Option Plan (the "2017 Plan") for the issuance of stock options and other stock-based awards, authorizing 9,379,857 shares of the Company's common stock to be issued. On December 19, 2017, the 2017 Plan was amended to increase the number of shares reserved for issuance from 9,379,857 to 18,993,274.

At the time that the 2017 Plan was adopted, the Company was trading on the Toronto Stock Exchange ("TSX"). On October 15, 2018, the Company ceased trading on the TSX and was listed on the Canadian Stock Exchange ("CSE"). As part of this change, the Company amended the 2017 Plan to allow for the exercise of options under the 2017 Plan to be traded on the CSE. Accordingly, on October 13, 2019, the Board approved the first amendment to the 2017 Plan (the "First Amendment"). The First Amendment amends the 2017 Plan for specific rules and definitions that must be adhered to on the CSE. All other provisions of the 2017 Plan remain. The First Amendment is subject to approval by the majority of the Company's shareholders which may be obtained by consent or by vote at a general or special meeting of the shareholders.

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7. STOCK-BASED COMPENSATION-Cont'd

During the years ended November 30, 2019 and 2018, the Company granted options to purchase 120,000 shares and 1,900,000 shares, respectively, of common stock to employees and directors. The Company recorded stock-based compensation expense for options granted to employees and directors of \$31,530 and \$98,343 during the years ended November 30, 2019 and 2018, respectively.

During the years ended November 30, 2019 and 2018, the Company granted options to purchase no shares and 250,000 shares, respectively, of common stock to non-employees. The Company recorded stock-based compensation expense for options granted to non-employees of \$Nil and \$30,456 during the years ended November 30, 2019 and 2018, respectively.

Stock Option Valuation

The assumptions that the Company used to determine the grant-date fair value of stock options granted to employees and non-employees for the years ended November 30, 2019 and 2018 were as follows:

Year ended November 30, 2019

Employee Options (Black-Scholes option pricing model)

Risk free rate		2.00%
Expected dividends		0%
Expected volatility		133%
Expected life		5 years
Market price of the Company's common stock on date of grant	\$	0.14
Exercise price	\$	0.14

Year ended November 30, 2018

Employee Options (Binomial Lattice option pricing model)

Risk free rate		2.77%
Expected dividends		0%
Expected volatility		190%
Expected life		7 years
Market price of the Company's common stock on date of grant of options	\$	0.15
Exercise price	\$	0.16

Director and Non-Employee Options (Black-Scholes option pricing model)

Risk free rate		2.00%
Expected dividends		0%
Expected volatility		133%
Expected life		5 years
Market price of the Company's common stock on date of grant of options	\$	0.14
Exercise price	\$	0.14

The following table summarizes option activity under the 2017 Plan during the years ended November 30, 2019 and 2018:

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	Number of options	
	2019	2018
Outstanding, beginning of year	6,376,667	4,866,667
Granted	120,000	2,150,000
Expired	(1,270,000)	-
Cancelled	(2,315,000)	(640,000)
Outstanding, end of year	<u>2,911,667</u>	<u>6,376,667</u>
Exercisable, end of year	<u>1,411,667</u>	<u>5,189,167</u>

2019:

Weighted-average exercise price:		
Options outstanding at end of year	CDN\$ 0.19	(\$0.14)
Options granted during the year	CDN\$ 0.19	(\$0.14)
Options expired during the year	CDN\$ 0.37	(\$0.28)
Options cancelled during the year	CDN\$ 0.22	(\$0.17)

The aggregate intrinsic value of options outstanding and exercisable at November 30, 2019 is \$19,600.

2018:

Weighted-average exercise price:		
Options outstanding at end of year	CDN\$ 0.22	(\$0.18)
Options granted during the year	CDN\$ 0.20	(\$0.16)
Options cancelled during the year	CDN\$ 0.30	(\$0.23)

The aggregate intrinsic value of options outstanding and exercisable at November 30, 2018 is \$88,500.

The share options outstanding at the end of the year had a weighted-average remaining contractual life as follows:

	2019	2018
	(Years)	(Years)
Total outstanding options	4.3	3.5
Total exercisable options	3.1	2.0

Incentive Warrants

During the year ended November 30, 2019, the Company issued 750,000 warrants each to two consultants (the "Incentive Warrants") to purchase common shares. The Incentive Warrants were issued outside of the 2017 Plan. Stock-based compensation expense for the year ended November 30, 2019 was \$186,624, before a tax benefit of \$50,986 which has been fully reserved in the valuation allowance. The Company did not issue Incentive Warrants in 2018. As of November 30, 2019, non-vested stock-based compensation expense associated with the Incentive Warrants was \$7,465.

Incentive Warrant Valuation

The assumptions that the Company used to determine the grant-date fair value of Incentive Warrants granted to two consultants for the year ended November 30, 2019 were as follows:

Year ended November 30, 2019

Incentive Warrants (Black-Scholes option pricing model)

Risk free rate	2.00%
Expected dividends	0%
Expected volatility	149%
Expected life	3 years
Market price of the Company's common stock on date of grant	\$ 0.16
Exercise price	\$ 0.16

Stock-Based Compensation Expense

Total stock-based compensation expenses of \$218,154 and \$128,799 for the years ended November 30, 2019 and 2018, respectively, were recorded in SG&A expenses.

As of November 30, 2019, there was \$30,715 of unrecognized expense related to non-vested stock-based compensation arrangements granted. The weighted-average period over which total compensation cost related to non-vested awards not yet recognized is expected to be recognized is 1.4 years.

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8. WARRANTS

On September 16, 2019, the Company entered into a securities purchase agreement with two investors to sell a total of 818.0 units, for aggregate principal of \$818,000, at a price of \$1,000 per unit, consisting of (i) \$1,000 10% interest secured convertible promissory note, convertible into the Company's common stock at a conversion price of \$0.15 per share and (ii) four thousand warrants each exercisable for one share of common stock at an exercise price of \$0.25 per share on or before January 22, 2024. The Company issued 3,272,000 warrants in connection with this transaction. The relative grant date fair value of these warrants was estimated at \$363,846 using the Binomial lattice option pricing model and reflected in additional paid-in capital, with the following assumptions:

Risk free rate	1.69%
Expected dividends	0%
Expected volatility	150%
Expected life	4.35 years
Market price of the Company's common stock on date of grant	\$ 0.16
Exercise price	\$ 0.25

On July 22, 2019, the Company entered into a securities purchase agreement with several investors to sell a total of 2,282.5 units, for aggregate principal of \$2,282,500, at a price of \$1,000 per unit, consisting of (i) \$1,000 10% interest secured convertible promissory note, convertible into the Company's common stock at a conversion price of \$0.15 per share and (ii) four thousand warrants each exercisable for one share of common stock at an exercise price of \$0.25 per share on or before January 22, 2024. The Company issued 9,130,000 warrants in connection with this transaction. The relative grant date fair value of these warrants was estimated at \$1,038,081 using the Binomial lattice option pricing model and reflected in additional paid-in capital, with the following assumptions:

Risk free rate	1.8%
Expected dividends	0%
Expected volatility	154%
Expected life	4.5 years
Market price of the Company's common stock on date of grant	\$ 0.16
Exercise price	\$ 0.25

On April 22, 2019 and May 20, 2019, the Company entered into a securities purchase agreement with several accredited investors to sell a total of 2,080.265 units, for aggregate principal of \$2,080,265, at a price of \$1,000 per unit, consisting of (i) \$1,000 10% interest secured convertible promissory note, convertible into the Company's common stock at a conversion price of \$0.15 per share and (ii) four thousand warrants each exercisable for one share of common stock at an exercise price of \$0.25 per share on or before October 22, 2023. The Company issued 8,321,058 warrants in connection with this transaction. The relative grant date fair value of these warrants was estimated at \$888,444 using the Binomial lattice option pricing model and is reflected in additional paid-in capital, with the following assumptions:

Risk free rate	2.21-2.39%
Expected dividends	0%
Expected volatility	155-156%
Expected life	4.5 years
Market price of the Company's common stock on date of grant	\$ 0.15
Exercise price	\$ 0.25

On October 22, 2018, the Company entered into a securities purchase agreement with several accredited investors to sell 1,275.0 units, for aggregate principal of \$1,275,000, at a price of \$1,000 per unit, consisting of (i) \$1,000 10% interest convertible promissory note ("the 2018 Notes"), convertible into the Company's common stock at a conversion price of \$0.15 per share (See Note 15), and (ii) four thousand warrants each exercisable for one share of common stock at an exercise price of \$0.25 per share on or before the five year anniversary of the issuance.

Pursuant to this private placement, the Company issued 5,100,000 warrants. The grant date fair value of these warrants was estimated at \$524,089 using the Binomial lattice option pricing model and reflected in additional paid-in capital, with the following assumptions:

Risk free rate	3.05%
Expected dividends	0%
Expected volatility	159%
Expected life	5 years
Market price of the Company's common stock on date of grant	\$ 0.14
Exercise price	\$ 0.25

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8. WARRANTS-Cont'd

The following table summarizes warrant activity during the years ended November 30, 2019 and 2018:

	Number of Warrants Granted	Weighted- Average Exercise Price \$
Outstanding at November 30, 2017	20,941,160	0.18
Granted	5,100,000	0.25
Expired	-	-
Outstanding at November 30, 2018	<u>26,041,160</u>	<u>0.19</u>
Granted	22,223,058	0.25
Expired	<u>(2,476,999)</u>	<u>(0.16)</u>
Outstanding at November 30, 2019	<u><u>45,787,219</u></u>	<u><u>0.22</u></u>
Exercisable at November 30, 2019	45,037,219	0.22
Exercisable at November 30, 2018	26,041,160	0.19

The warrants outstanding at the end of the year had a weighted-average remaining contractual life as follows:

	<u>2019</u> (Years)	<u>2018</u> (Years)
Total outstanding warrants	3.55	3.88
Total exercisable warrants	3.50	3.88

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9. RELATED PARTY TRANSACTIONS

The following transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by related parties. Amounts due to related parties are unsecured, non-interest bearing (with the exception of notes payable) and due on demand.

The Company expensed a total of \$51,876 and \$27,600 related to 360,000 and 180,000 shares of common stock issued for services provided by Dean Thrasher ("Thrasher"), a former director of the Company, during the years ended November 30, 2019 and 2018, respectively. The Company also recorded stock-based compensation expense of \$39,046 during the year ended November 30, 2018 related to stock options to acquire 1,150,000 shares of common stock which expired during the year ended November 30, 2019 (2019: \$Nil).

The Company expensed \$8,333 for royalties due to Buys during the year ended November 30, 2019. The Company also recorded stock-based compensation expense of \$16,909 and \$10,568 during the year ended November 30, 2019 and 2018, respectively, related to stock options granted to him in 2018 to acquire 1,500,000 shares of common stock.

The Company leased office premises at Wakefield, Massachusetts for rent, utilities and maintenance charge of approximately \$2,090 per month from a corporation owned and controlled by Bryan Ganz ("Ganz"), President and, effective April 1, 2019, Chief Executive Officer ("CEO") of the Company. The Company expensed approximately \$23,600 and \$12,939 for these items for the years ended November 30, 2019 and 2018, respectively.

Current directors and officers of the Company participated in the April 22, 2019, May 20, 2019 and July 22, 2019 financing for 316 units for total proceeds of \$315,588, of which \$95,000 was issued to officers for services rendered. Directors and officers of the Company participated in the October 2018 financing for total proceeds of \$100,000 of units.

The Company issued 1,744,937 and 2,296,100 shares of common stock for \$272,339 and \$330,908, respectively, for services to its directors and management during the years ended November 30, 2019 and 2018.

The Company's payables due to related parties were \$Nil and \$137,380 as of November 31, 2019 and 2018, respectively.

10. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated depreciation. The following table summarizes cost and accumulated depreciation as of November 30, 2019 and 2018, respectively.

	November 30, 2019		November 30, 2018	
	Cost \$	Accumulated Depreciation \$	Cost \$	Accumulated Depreciation \$
Computer equipment and software	116,348	58,804	77,382	46,837
Furniture and fixtures	20,998	19,513	20,998	18,763
Leasehold improvements	26,471	26,471	26,471	26,471
Molds	507,347	245,088	291,599	210,961
Total	671,164	349,876	416,450	303,032
Net carrying amount		\$ 321,288		\$ 113,418
Depreciation expense		\$ 46,844		\$ 19,392

The Company deposited \$196,921 and \$205,664 with vendors primarily for supply of molds and equipment as of November 30, 2019 and 2018, respectively, where the vendors had not completed the supply of these assets.

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11. INCOME TAXES

Loss before income taxes consists of the following:

	Year Ended November 30,	
	2019	2018
United States	\$ (4,199,856)	\$ (2,113,412)
Foreign	(209,929)	(40,062)
Total	<u>\$ (4,409,785)</u>	<u>\$ (2,153,474)</u>

The Company's provision for income taxes was \$Nil in each of the years ended November 30, 2019 and November 30, 2018.

A reconciliation of the Company's statutory income tax rate to the Company's effective income tax rate is as follows:

	Year Ended November 30,	
	2019	2018
Income at US statutory rate	21.00%	21.00%
State taxes, net of Federal benefit	9.24%	0.00%
Permanent differences	(5.44%)	(1.95%)
Tax law change	0.00%	(107.78%)
Foreign rate differential	0.34%	0.13%
Valuation allowance	(24.34%)	88.60%
Other	(0.79%)	0.00%
Total	<u>0.00%</u>	<u>0.00%</u>

The net deferred income tax asset balance related to the following:

	November 30,	
	2019	2018
Depreciation	\$ (88,502)	\$ -
Stock compensation	96,033	-
Inventory reserve	15,611	-
Net operating loss ("NOL") carryforwards	5,845,058	4,794,900
Total deferred tax assets	5,868,199	4,794,900
Valuation allowance	(5,868,199)	(4,794,900)
Net deferred tax assets (liabilities)	<u>\$ -</u>	<u>\$ -</u>

As of November 30, 2019, the Company had federal and state NOL carryforwards of approximately \$21.3 million and \$6.3 million, respectively, which begin to expire in 2025 for federal and state purposes. The federal NOL carryforwards include approximately \$5.0 million, which do not expire. As of November 30, 2019, the Company has Canadian NOL carryforwards of \$3.4 million, which begin to expire in 2034. As of November 30, 2019, the Company also has \$0.2 million of South African NOLs which do not expire.

Future realization of the tax benefits of existing temporary differences and NOL carryforwards ultimately depends on the existence of sufficient taxable income within the carryforward period. As of November 30, 2019 and 2018, respectively, the Company performed an evaluation to determine whether a valuation allowance was needed. The Company considered all available evidence, both positive and negative, which included the results of operations for the current and preceding years. The Company determined that it was not possible to reasonably quantify future taxable income and determined that it is more likely than not that all of the deferred tax assets will not be realized. Accordingly, the Company maintained a full valuation allowance as of November 30, 2019 and 2018.

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Pursuant to Internal Revenue Code Section 382, use of NOL carryforwards may be limited if the Company experiences a cumulative change in ownership of greater than 50% in a moving three-year period. Ownership changes could impact the Company's ability to utilize the NOL carryforwards remaining at an ownership change date. The Company has not completed a Section 382 study.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations for both federal taxes and the many states in which the company operates or does business in. ASC 740 states that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits.

The Company records uncertain tax positions as liabilities in accordance with ASC 740 and adjusts these liabilities when its judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company's current estimate of the unrecognized tax benefit liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available. As of November 30, 2019 and 2018, respectively, the Company has not recorded any uncertain tax positions in its consolidated financial statements.

The Company recognizes interest and penalties related to unrecognized tax benefits on the income tax expense line in the consolidated statements of operations. As of November 30, 2019 and 2018, respectively, no accrued interest or penalties are included on the related tax liability line in the consolidated balance sheets.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal and state jurisdictions, where applicable. There are currently no pending tax examinations. The Company's tax years are still open under statute from November 30, 2016, to the present. The resolution of tax matters is not expected to have a material effect on the Company's consolidated financial statements.

12. COMMITMENTS

a) Consulting agreements:

Effective November 1, 2018, the Company entered into consulting agreements (the "Consulting Agreements") with two consultants. The consultants will each be paid \$7,500 per month commencing November 1, 2018 and to be increased to \$10,000 per month subsequent to the month the Company begins shipping the Byrna[®] HD product to customers. The term of the contracts with the consultants continue until December 31, 2019. In addition, the Company issued to each consultant 750,000 warrants (the "incentive warrants") to purchase common shares of the Company at a strike price equal to the average trading price of the Company on the OTC QB during the 20 business days preceding such approval. 50% of the incentive warrants vested upon issuance and balance vest upon the completion of the service term. The incentive warrants have a three-year life. See Note 7.

Effective October 29, 2018, the Company entered into a consulting agreement with Lisa Wager ("Wager") pursuant to which she serves as CLO of the Company. By the terms of the consulting agreement, Wager was paid a total of 250,000 common shares for the services calculated at 83,333 common shares per month commencing November 1, 2018 and expiring on January 31, 2019. A total of 416,666 common shares were issued during the year ended November 30, 2019. When this agreement ended, Wager was retained and paid by board resolutions from February 1 through June 30, 2019 and became an employee effective July 1, 2019. Her base salary was \$15,000/month per board resolution.

The Company executed a consulting agreement effective July 1, 2018 with a corporation owned by Thrasher, then executive chairman. The contract expired on March 31, 2019.

Effective June 1, 2018, the Company entered into a consulting agreement with Ganz pursuant to which Ganz serves as President of the Company. By the terms of the consulting agreement, Ganz was paid \$200,000 annually in shares of the Company's common stock for his service, subject to stock exchange approval. The common shares were issued quarterly, ending March 31, 2019. For the Company's 2018 fiscal third and fourth quarters, Ganz was paid 500,000 common shares for each quarter. Based on the consulting agreement, Ganz received 833,333 shares during the year ended November 30, 2019 for services through March 31, 2019. Ganz was paid pursuant to board resolution for April-June 2019 and became an employee effective July 1, 2019 with a base salary of \$20,000/month set by board resolution.

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On April 13, 2018, the Company entered into a Purchase and Sale Agreement (the "Agreement") with Buys, a resident of South Africa, pursuant to which the Company purchased from Buys a portfolio of registered patent rights and other intellectual property relating to air and/or gas fired long guns or pistols and munitions used with such pistols and long guns, including self-stabilizing shaped or "finned" rounds (the "Portfolio"). As consideration for the Portfolio, the Company (i) paid Buys \$100,000, (ii) agreed to pay Buys either \$500,000 in cash or \$750,000 worth of Company stock within two years (the "Second Payment") at Buys' discretion and (iii) agreed to pay Buys certain royalty payments for sales of products by the Company using technology covered by the Portfolio. In addition, the Company agreed to employ Buys as the CTO at a starting salary of \$10,000 per month and to issue Buys 1,500,000 options under the Company's 2017 Plan for shares of the Company's common stock with a strike price of \$0.16 and a trigger price of \$0.30, \$0.50 and \$1.00 for each batch of 500,000 options, respectively. The Company's stock price must close above the trigger price for 20 days in order for the option to be triggered. The options have a seven-year life from grant date and Buys must remain employed by the Company for three years in order for the options to vest. The Agreement further provided that, until the earlier of, April 13, 2020 or the date the Second Payment is made, Buys will be paid a royalty of 10% of the Net Sales Price ("NSP") of products developed from the Portfolio, which will then be reduced to 4% until the sixth anniversary, 3% until the eighth anniversary, and 2% until the last expiration date of any of the intellectual property in the Portfolio. Until the royalty exceeds \$25,000 per year, the Company is committed to a minimum payment of \$25,000 per year beginning on the earlier of April 13, 2019 or Buys' relocation to Boston. In the event that the Company fails to make the Second Payment, the Portfolio would revert to Buys, but the Company would retain perpetual, irrevocable, exclusive and non-exclusive licenses to use Buys' "tailfin" technology for 40mm rounds, and have and retain a perpetual, irrevocable, non-exclusive license to use the Portfolio related to any and all products that Buys or the Company developed within two years of April 13, 2018. The Company agrees that it will not terminate Buys except for cause prior to the vesting of his options. The agreement was amended subsequent to November 30, 2019. See Note 20 for additional information.

b) Lease commitments

The Company has the following lease commitments by fiscal year at November 30, 2019:

Location	2020	2021	2022	2023	2024	2025 and beyond
Wilmington, MA	\$ 24,987	\$ 115,371	\$ 117,972	\$ 120,979	\$ 123,986	\$ 300,660
Fort Wayne, IN	30,357	30,585	7,646	-	-	-
South Africa*	13,098	2,217	-	-	-	-
Total	\$ 68,442	\$ 148,173	\$ 125,618	\$ 120,979	\$ 123,986	\$ 300,660

(*USD based on November 30, 2019 exchange rate)

The above lease commitments reflect annual escalation. During the years ended November 30, 2019 and 2018, the Company recognized rent expense of \$60,316 and \$36,659 respectively.

13. EXCLUSIVE SUPPLY AND PURCHASE AGREEMENTS

The Company executed a manufacturing agreement with Roboro effective December 1, 2019 (binding agreement July 2019), whereby Roboro is its exclusive manufacturer in South Africa of various products including the Byrna[®] HD. Roboro's manufacturing activities will include plastic molding component production and assembly, dispatch and other services. The contract term is through November 30, 2021 with two-year renewal terms. Roboro provided manufacturing services during the year end November 30, 2019.

The Company entered into a Development, Supply and Manufacturing Agreement with the BIP manufacturer on August 1, 2017. This agreement provides the Company to order and purchase only from the BIP manufacturer certain BIP assemblies and components for use by the Company to produce less-lethal and training projectiles as described in the agreement. The agreement is for a term of four years with an automatic extension for additional one-year terms if neither party has given written notice of termination at least sixty (60) days prior to the end of the then-current term. The agreement does not contain any minimum purchase commitments.

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The Company entered a License and Supply Agreement with Safariland, LLC on May 1, 2017. This agreement provides the Company to license and sell only to Safariland, LLC for certain BIP standard payloads for integration with and production of certain less-lethal impact munitions in North America. This agreement is for a term of four years with an automatic extension for an additional one-year term if neither party has given written notice of termination at least 90 days prior to the end of the then-current term.

14. SEGMENT AND GEOGRAPHICAL DISCLOSURES

The Company does not provide separate segment reporting. The CEO, who is also the Chief Operating Decision Maker, evaluates the business as a single entity, which includes reviewing financial information and making business decisions based on the overall results of the business. As such, the Company's operations constitute a single operating segment and one reportable segment.

The tables below summarize the Company's revenue and long-lived assets for the fiscal years ended November 30, 2019 and 2018, respectively by geographic region. The Company's long-lived assets consist of patent rights, property and equipment, and deposits for equipment.

<i>Revenue</i>	US	Canada	South Africa	Total
2019	\$ 536,471	\$ -	\$ 387,948	\$ 924,419
2018	126,846	123,381	-	250,227
<i>Long-lived assets</i>	US	Canada	South Africa	Total
2019	\$ 614,027	\$ 3,184	\$ -	\$ 617,211
2018	421,304	4,112	-	425,416
<i>Total Assets</i>	US	Canada	South Africa	Total
2019	\$ 2,307,257	\$ 50,415	\$ 1,208,747	\$ 3,566,419
2018	2,629,315	27,770	-	2,657,085

15. CONVERTIBLE NOTES PAYABLE AND DERIVATIVE LIABILITIES

Convertible Notes Payable (short-term) \$2,758,578 (2018: \$978,361)

On April 22, 2019 and May 20, 2019, the Company entered into a securities purchase agreement with several accredited investors to sell a total of 2,080,265 units, for aggregate principal of \$2,080,265, with each \$1,000 unit consisting of (i) a \$1,000 10% interest convertible promissory note (collectively the "April/May 2019 Notes") due April 15, 2020, convertible into the Company's common stock at a conversion price of \$0.15 per share, and (ii) four thousand (4,000) warrants each exercisable for one share of common stock at an exercise price of \$0.25 per share on or before October 22, 2023. The April/May 2019 Notes are secured secondarily by all of the Company assets and accrue interest at 10% per annum, payable in cash at maturity. The principal amount, plus accrued interest, may be converted at the option of the holder at any time during the term to maturity into shares of common stock at a conversion price of \$0.15 per share. The note embodies certain traditional default provisions that are linked to credit or interest risks, such as bankruptcy proceedings, liquidation events and corporate existence. The Company concluded that the April/May 2019 Notes meet the definition of conventional convertible debt provided in ASC 815 and the embedded conversion option is not subject to bifurcation and classification in the financial statements in liabilities at fair value. In connection with the issuance of the April/May 2019 Notes, the Company issued the holders warrants to purchase the common stock. The warrants are exercisable until October 23, 2023 for 8,321,060 of shares at a purchase price of \$0.25 per share. The Company concluded that the warrants are indexed to the stock and, accordingly, the analysis resulted in the conclusion that these warrants achieved equity classification in the financial statements. As a result of the repayment of the November 2016 Subordinate Secured Debentures on May 31, 2019, the April/May 2019 Notes entered senior security position.

The Company accounted for this transaction as a financing transaction, wherein the net proceeds received were allocated to the financial instruments issued which resulted in a discount. The warrants were valued at \$888,444 and the balance of the convertible debt for \$1,191,821. The discount is being charged to interest and is being accreted over the term of the note using the effective interest method. The effective interest rate on the liability component, inclusive of the contractual rate and the accretion of the discount, was 72.35% during fiscal 2019. During the year ended November 30, 2019 (2018: \$Nil), the Company recorded \$457,570 of interest from the accretion of the discount. In addition, the Company recorded interest expense of \$123,726 for the year ended November 30, 2019 (2018: \$Nil). The Company was required to consider whether the hybrid contract embodied a BCF. The calculation of the effective conversion amount did not result in a BCF because the effective conversion price was equal to the Company's stock price on the date of issuance.

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On October 22, 2018, the Company entered into a Securities Purchase Agreement with several accredited investors to sell 1,275.0 units, for aggregate principal of \$1,275,000, with each \$1,000 of unit consisting of (i) a \$1,000 10% interest convertible promissory note (collectively the "October 2018 Notes") due April 15, 2020, convertible into the Company's common stock at a conversion price of \$0.15 per share, and (ii) four thousand (4,000) warrants each exercisable for one share of common stock at an exercise price of \$0.25 per share on or before the five year anniversary of the issuance. These notes are secured secondarily by all of the Company assets and accrue interest at 10% per annum, payable in cash at maturity. As a result of the repayment of the November 2016 Subordinate Secured Debentures on May 31, 2019, these convertible notes entered senior security position. The principal amount, plus accrued interest, may be converted at the option of the holder at any time during the term to maturity into shares of common stock at a conversion price of \$0.15 per share. The October 2018 Notes embodies certain traditional default provisions that are linked to credit or interest risks, such as bankruptcy proceedings, liquidation events and corporate existence. The Company concluded that the October 2018 Notes meet the definition of conventional convertible debt provided in ASC 815, *Derivatives and Hedging* ("ASC 815") and the embedded conversion option is not subject to bifurcation and classification in the financial statements in liabilities at fair value. In connection with the issuance of the October 2018 Notes, the Company issued the holders warrants to purchase the common stock. The warrants are exercisable until October 23, 2023 for 5,100,000 of shares at a purchase price of \$0.25 per share. The Company concluded that the warrants are indexed to the stock and, accordingly, the analysis resulted in the conclusion that these warrants achieved equity classification in the financial statements.

The Company accounted for this transaction as a financing transaction, wherein the net proceeds received were allocated to the financial instruments issued which resulted in a discount. The warrants were valued at \$524,089 and the balance of the convertible debt was \$750,911. The discount is being charged to interest and is being accreted over the term of the note using the effective interest method. During the year ended November 30, 2019, the Company recorded \$413,702 in accretion which includes the \$95,584 adjustment related to the correction of a 2018 error discussed below. (2018: \$35,530). In addition, the Company recorded interest expense of \$124,356 for the year ended November 30, 2019 (2018: \$16,767). The effective interest rate on the liability component, inclusive of the contractual rate and the accretion of the discount, was 50.54% during fiscal 2019. The Company was required to consider whether the hybrid contract embodied a beneficial conversion feature ("BCF"). The calculation of the effective conversion amount did not result in a BCF because the effective conversion price was equal to the Company's stock price on the date of issuance.

The initial 2018 accounting for the October 2018 Notes concluded that, based on the Company's initial interpretation of the debt agreement, all three criteria under ASC 815-15-25-1 were met, and therefore, the conversion feature in the agreement required classification and measurement as a derivative financial instrument. During 2019, the Company re-evaluated the terms of the agreement and determined that the underlying notes did not contain any embedded terms or features that require classification as derivatives and the calculation of the effective conversion amount did not result in a beneficial conversion feature.

The table below summarizes the initial accounting and impact related to 2018:

October 22, 2018 Issuance:	Original	Revised	Adjustment
Convertible notes payable	\$ 131,547	\$ 750,911	\$ 619,364
Derivative liability	619,364	-	(619,364)
APIC (Warrants)	524,089	524,089	-
Proceeds	<u>\$ 1,275,000</u>	<u>\$ 1,275,000</u>	<u>\$ -</u>

October 22, 2018 Issuance:	Year Ended November 30, 2018		
	Original	Revised	Adjustment
Convertible notes payable	\$ 167,077	\$ 793,946	\$ 626,869
Derivative liability	531,285	-	(531,285)
Accrued interest payable	16,767	16,767	-
Total Liabilities impact			<u>\$ 95,584</u>
Interest expense - accretion	\$ 35,530	\$ 43,035	\$ 7,505
Interest expense	16,767	16,767	-
Change in fair value of derivative liability	(88,079)	-	88,079
Statement of Operations impact			<u>\$ 95,584</u>

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The Company evaluated the consolidated financial statement impact in each of the previously filed annual and quarterly reporting periods and concluded that the correction is quantitatively and qualitatively immaterial to its previously filed consolidated financial statements. Since the derivative liability at November 30, 2018 should have been \$Nil, the \$95,584 impact related to the year ended November 30, 2018 statement of operations and comprehensive loss is reflected in the line, "Accretion of debt discounts" in the consolidated statement of operations and comprehensive loss for the year ended November 30, 2019. In recording the adjustment to accretion of debt discounts, the amounts reported in the line "Changes in fair value of derivative liabilities" in the consolidated statement of operations and comprehensive loss for the year ended November 30, 2019, represents changes to derivative liability associated with the December 7, 2016 CAD\$1,363,000 Series B secured convertible debentures.

The CAD\$1,363,000 (\$1,015,026) of Series B Secured Convertible Debentures ("Subordinate Secured Debentures") were issued pursuant to a Trust Indenture agreement dated December 7, 2016 (the "Indenture") in exchange for the Unsecured Debentures in equal principal amount and an additional CAD\$36,000 (\$26,640) of Series B Secured Convertible Debentures were issued pursuant to the Indenture in payment of accrued interest. These debentures matured on June 6, 2019 and accrued interest at 12% per annum, payable semi-annually. The debentures were secured by all of the Company's assets. The principal amount, plus accrued interest, could have been converted at the option of the holder at any time during the term to maturity into shares of the Company's common stock at a conversion price of \$0.24 (CAD \$0.31) per share, subject to anti-dilution protection with a minimum conversion price of \$0.135 and for capital reorganization events. The debentures also embodied certain traditional default provisions that were linked to credit or interest risks, such as bankruptcy proceedings, liquidation events and corporate existence. The Company concluded that the embedded conversion option was not indexed to its stock because it did not pass all the conditions of equity classification provided in ASC 815. The embedded conversion option was subject to classification in the financial statements in liabilities at fair value both at inception and subsequently.

The Company evaluated the terms and conditions of the debentures under the guidance of ASC 815. All three criteria under ASC 815-15-25-1 were met, therefore, the conversion feature required classification and measurement as derivative financial instruments. Accordingly, the evaluation resulted in the conclusion that this derivative financial instrument required bifurcation and liability classification, at fair value. Current standards contemplate that the classification of financial instruments required evaluation at each report date.

The following table reflects the allocation of the purchase on December 7, 2016:

	Face Value
Subordinate Secured Debentures (CAD \$1,399,000)	\$ 1,041,835
Proceeds	1,041,835
Compound embedded derivative (see below for additional information)	(285,612)
Carrying value	<u>\$ 756,223</u>

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15. CONVERTIBLE NOTES PAYABLE AND DERIVATIVE LIABILITIES -Cont'd

The carrying value of the Subordinate Secured Debentures at November 30, 2018 was CAD \$1,301,359 (\$978,361). Effective May 31, 2019, the Company repaid these debentures for CAD \$1,399,000 (\$1,035,930) plus accrued interest.

Discounts (premiums) on the Subordinate Secured Debentures arise from (i) the allocation of basis to other instruments issued in the transaction, (ii) fees paid directly to the creditor and (iii) initial recognition at fair value, which is lower than face value. Discounts (premiums) are amortized through charges (credits) to interest expense over the term of the debt agreement. Amortization of debt discounts (premiums) amounted to CAD \$98,924 (\$73,201) and CAD \$151,795 (\$118,898) during the years ended November 30, 2019 and 2018, respectively. During the year ended November 30, 2019, the Company recorded interest expense of \$67,007 (November 30, 2018: \$131,085).

Convertible Notes Payable (long-term) \$1,874,972 (2018: \$167,077)

On September 16, 2019, the Company entered into a securities purchase agreement with two investors to sell a total of 818.0 of units, for aggregate principal of \$818,000, with each \$1,000 of unit consisting of (i) a \$1,000 10% interest convertible promissory note (collectively the "September 2019 Notes") due June 30, 2021, convertible into the Company's common stock at a conversion price of \$0.15 per share, and (ii) four thousand (4,000) warrants each exercisable for one share of common stock at an exercise price of \$0.25 per share on or before January 22, 2024. The September 2019 Notes are secured *pari passu* with the October 2018, April/May 2019 and July 2019 Notes, by all of the Company's assets and accrue interest at 10% per annum, payable in cash at maturity. However, the principal amount, plus accrued interest, may be converted at the option of the holder at any time during the term to maturity into shares of common stock at a conversion price of \$0.15 per share. The note embodies certain traditional default provisions that are linked to credit or interest risks, such as bankruptcy proceedings, liquidation events and corporate existence. The Company concluded that the September 2019 Notes meet the definition of conventional convertible debt provided in ASC 815 and the embedded conversion option is not subject to bifurcation and classification in the financial statements in liabilities at fair value. In connection with the issuance of the September 2019 Notes, the Company issued the holders warrants to purchase the Company's common stock. The warrants are exercisable until January 22, 2024 for 3,272,000 shares at a purchase price of \$0.25 per share. The Company concluded that the warrants are indexed to the stock and, accordingly, the analysis resulted in the conclusion that these warrants achieved equity classification in the financial statements.

The Company accounted for this transaction as a financing transaction, wherein the net proceeds received were allocated to the financial instruments issued which resulted in a discount. The warrants were valued at \$363,846 and the balance of the convertible debt was \$454,154. The discount is being charged to interest and is being accreted over the term of the note using the effective interest method. The effective interest rate on the liability component, inclusive of the contractual rate and the accretion of the discount, was 47.40% during fiscal 2019. During the year ended November 30, 2019, the Company recorded \$37,943 in interest from the accretion of the discount (2018: \$Nil). In addition, the Company recorded interest expense of \$16,808 for the year ended November 30, 2019 (2018: \$Nil). The Company was required to consider whether the hybrid contract embodied a BCF. The calculation of the effective conversion amount did not result in a BCF because the effective conversion price was equal to the Company's stock price on the date of issuance.

On July 22, 2019, the Company entered into a securities purchase agreement with several investors to sell a total of 2,282.5 units, for aggregate principal of \$2,282,500, with each \$1,000 of unit consisting of (i) a \$1,000 10% interest convertible promissory note (collectively the "July 2019 Notes") due June 30, 2021, convertible into the Company's common stock at a conversion price of \$0.15 per share, and (ii) four thousand (4,000) warrants each exercisable for one share of common stock at an exercise price of \$0.25 per share on or before January 22, 2024. The July 2019 Notes are secured *pari passu* with the October 2018 and April/May 2019 Notes, by all of the Company's assets and accrue interest at 10% per annum, payable in cash at maturity. However, the principal amount, plus accrued interest, may be converted at the option of the holder at any time during the term to maturity into shares of common stock at a conversion price of \$0.15 per share. The note embodies certain traditional default provisions that are linked to credit or interest risks, such as bankruptcy proceedings, liquidation events and corporate existence. The Company concluded that the July 2019 Notes meet the definition of conventional convertible debt provided in ASC 815 and the embedded conversion option is not subject to bifurcation and classification in the financial statements in liabilities at fair value. In connection with the issuance of the July 2019 Notes, the Company issued the holders warrants to purchase the Company's common stock. The warrants are exercisable until January 22, 2024 for 9,130,000 of shares at a purchase price of \$0.25 per share. The Company concluded that the warrants are indexed to the stock and, accordingly, the analysis resulted in the conclusion that these warrants achieved equity classification in the financial statements.

The Company accounted for this transaction as a financing transaction, wherein the net proceeds received were allocated to the financial instruments issued which resulted in a discount. The warrants were valued at \$1,038,081 and the balance of the convertible debt was \$1,244,419. The discount is being charged to interest and is being accreted over the term of the note using the effective interest method. The effective interest rate on the liability component, inclusive of the contractual rate and the accretion of the discount, was 45.79% during fiscal 2019. During the year ended November 30, 2019 (2018: \$Nil), the Company recorded \$138,456 in interest from the accretion of the discount. In addition, the Company recorded interest expense of \$81,920 for the year ended November 30, 2019. (2018: \$Nil). The Company was required to consider whether the hybrid contract embodied a BCF. The calculation of the effective conversion amount did not result in a BCF because the effective conversion price was equal to the Company's stock price on the date of issuance.

The Company was in compliance with all applicable financial and non-financial covenants under its financing arrangements as of November 30, 2019.

On April 10, 2020, the Company converted the October 2018, April/May 2019, July 2019 and September 2019 Notes to shares of preferred stock. See Note 20 for additional information.

The below table summarizes maturities of the Company's debt at November 30, 2019:

Fiscal Year	
2020	\$ 3,355,265
2021	3,100,500
Total	<u>\$ 6,455,765</u>

Derivative Liabilities \$Nil (2018: \$957,301)

The derivative liabilities balance at November 30, 2018 of \$957,301 consisted of (a) \$426,016 related to the CAD\$1,363,000 Convertible Secured Debentures (\$8,044,853 indexed shares) and (b) \$531,285 related to the October 2018 Notes which, as noted in the above section, *Convertible Notes Payable (short-term)*, were incorrectly reported as a derivative. The carrying values of the embedded derivative liabilities is reflected on the balance sheet, with changes in the carrying value being recorded as a change in fair value of derivative liabilities in the statement of operations.

The following table summarizes the effects on gain associated with changes in the fair values of derivative financial instruments by type of financing for the years ended November 30, 2019 and 2018:

	Year Ended November 30, 2019	Year Ended November 30, 2018
Subordinate Secured Debentures	\$ 426,019	\$ 100,464

October 2018 Notes	-	88,079
	<u>\$ 426,019</u>	<u>\$ 188,543</u>

Fair Value Considerations

As the associated notes payable were repaid on May 31, 2019, the derivative balance at November 30, 2019 was \$Nil.

The embedded derivative was fair valued using the income valuation technique using the Lattice valuation model. The following table sets forth the inputs for each significant assumption:

Convertible Secured Debentures	November 30, 2018
Derivative financial instruments	\$ 426,016
Conversion price	\$ 0.135
Volatility	91%
Remaining term (years)	0.52
Risk free rate	2.52%

A reconciliation of the Company's derivative liabilities measured at fair value is as follows:

	Derivative Liability
Balance, November 30, 2017	\$ 539,860
Liability associated with October 2018 Notes	619,364
Change in fair value of derivative liabilities	(188,543)
Foreign currency translation gain	(13,380)
Balance, November 30, 2018	957,301
Correction related to Oct 2018 Notes	(531,285)
Adjustment	3
Settlement	(426,019)
Balance, November 30, 2019	<u>\$ -</u>

16. INVENTORY

The following table summarizes inventory as of November 30, 2019 and 2018, respectively.

	November 30, 2019	November 30, 2018
Raw materials	\$ 449,767	\$ -
Work in process	32,098	-
Finished goods	477,883	129,121
Total	<u>\$ 959,748</u>	<u>\$ 129,121</u>

Inventory at November 30, 2019, primarily relates to the Byrna[®] HD Personal Security Device. Inventory reserves were \$66,020 and \$21,235 at November 30, 2019 and 2018, respectively.

17. PATENT RIGHTS

On April 13, 2018, the Company entered into a purchase and sale agreement with Buys, its CTO, pursuant to which the Company agreed to purchase from Buys the Portfolio of registered patent rights, provisional patent rights, and other intellectual property relating to air and/or gas fired long guns or pistols, including pump action launchers and munitions used with such pistols and long guns, including self-stabilizing shaped or "finned" rounds. As consideration for the Portfolio, the Company paid Buys \$100,000, and incurred \$10,000 in legal costs to transfer these patent rights. This consideration of \$110,000 has been capitalized. The Company also agreed to pay Buys either \$500,000 in cash or \$750,000 worth of Company stock within two years (the "Second Payment") at Buys' discretion, if the Company elected to retain certain patents within the patent portfolio. In the event that the Company fails to make the Second Payment, the Portfolio would revert to Buys, but the Company would retain perpetual, irrevocable, exclusive and non-exclusive licenses to use technology with respect to the Portfolio and any technology developed within two years of April 13, 2018. Pursuant to an amendment of the Agreement subsequent to November 30, 2019, the Company made two additional payments to Buys and Buys no longer retains any reversion rights or security interests in the Portfolio. These patent rights have a maximum life of 20 years, expiring on various dates beginning from November 2033 to 2038, and are amortized straight-line commencing June 2018 over a period of 15 years. The Company amortized \$7,332 and \$3,666 during the years ended November 30, 2019 and 2018, respectively. As the Agreement included an option for full acquisition of the rights, conditional upon certain future events taking place, the Company recorded the minimum rights to a license arrangement as patent rights. As at November 30, 2019 and 2018, the amounts recorded as patent rights refer to the perpetual, irrevocable, exclusive and non-exclusive license to use technology with respect to the portfolio.

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The below table summarizes amortization of the Company's patents as of November 30, 2019 for the next five years:

Fiscal Year	
2020	\$ 7,332
2021	7,332
2022	7,332
2023	7,332
2024	7,332

18. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets as of November 30, 2019 include VAT receivables of \$147,457, security deposit of approximately \$92,000 for the MA lease which was returned in fiscal 2020 after the Company established a restricted cash account, and prepaid legal fees associated with future registrations of \$55,862.

Prepaid expenses and other current assets as of November 30, 2018 included the prepayment of \$750,000 by the issuance of common shares to FinTekk, related to the marketing campaign for the launch of the Company's fiscal 2019 launch of the new Byrna® HD product.

In November 2018, the Company made a share issuance of 6,666,666 common stock to FinTekk at a price of \$0.15 per share with a fair value of \$1,000,000. The shares were issued pursuant to a debt settlement agreement, to retire certain debt owing by the Company to FinTekk, in connection with a sponsorship agreement (the "Sponsorship Agreement"). The Sponsorship Agreement detailed a marketing campaign for the launch of the Company's new Byrna® HD product over the 2018 and 2019 fiscal years. The Company recognized \$250,000 of expense related to the Sponsorship Agreement for the year ended November 30, 2018 with \$750,000 remaining in prepaid expense at November 30, 2018. In November 2019, the Company reached an agreement to terminate its marketing agreement with FinTekk and Rick Ware Racing, LLC ("RWR"). As of November 30, 2019, 2,966,666 of the 6,666,666 of common shares were deemed earned. Pursuant to the termination agreement, FinTekk returned the remaining 3,700,000 shares of Company stock on January 8, 2020 and the Company will serve as primary sponsor of RWR for two additional NASCAR "Monster" series races. The 3,700,000 common shares were recognized as a redemption of stock issued for service within the statement of changes in stockholders' equity (deficit) for the year ended November 30, 2019 in the amount of \$550,000, prepaid expenses were reduced to \$Nil and the Company recognized \$200,000 in the Statement of Operations and Accumulated Deficit for services performed by FinTekk.

19. FINANCIAL INSTRUMENTS

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them.

i) Currency Risk

The Company held its cash balances within banks in Canada in both US dollars and Canadian dollars, with banks in the US in US dollars, and with banks in South Africa in US dollars and South African rand. The Company's operations are conducted in the US, Canada and South Africa. The value of the Canadian dollar and South African rand against the US dollar may fluctuate with the changes in economic conditions.

During the year ended November 30, 2019, in comparison to the prior year, the US dollar strengthened in relation to both the Canadian dollar and South African rand, and upon the translation of the Company's subsidiaries' revenues, expenses, assets and liabilities held in Canadian dollars and South African rand, respectively, the Company recorded a translation adjustment loss of \$4,115, which primarily related to the CAD (2018- a loss of \$1,673), in other comprehensive loss. The convertible debentures issued by the Company in Canadian currency reflected a currency gain of \$17,297 and \$46,093 for the years ended November 30, 2019 and 2018, respectively.

The Company's Canadian and South African subsidiary revenues, cost of goods sold, operating costs and capital expenditures are denominated in Canadian dollars and South African rand, respectively. Consequently, fluctuations in the US dollar exchange rate against the Canadian dollar and South African rand increases the volatility of sales, cost of goods sold and operating costs and overall net earnings when translated into US dollars. The Company is not using any forward and option contracts to fix the foreign exchange rates. Using a 10% fluctuation in the US exchange rate, the impact on the loss and stockholders' deficit is not material.

ii) 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 financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable. The Company maintains cash with high credit quality financial institutions located in the US, Canada and South Africa. The Company maintains cash and cash equivalent balances with financial institutions in the United States in excess of amounts insured by the Federal Deposit Insurance Corporation.

The Company provides credit to its customers in the normal course of its operations. It carries out, on a continuing basis, credit checks on its customers.

iii) Revenue Concentration

For the year ended November 30, 2019, two customers represented approximately 37% of total revenues as approximately 41% of the Company's 2019 revenues were generated through its direct sales to consumers on its e-commerce platform. (2018 - 65% from two customers).

The accounts receivable from two customers represent approximately 77% of accounts receivable as of November 30, 2019 (2018 - 88% from three customers).

The Company's customers are in North America and South Africa.

iv) Vendor Concentration

During 2019, the Company purchased 100% of its BIP inventory from one supplier and Roboro is its exclusive manufacturer/assembler in South Africa of the Byrna[®] HD and magazines. The Company's operations rely significantly on these two suppliers. The Company is Roboro's primary customer. Notwithstanding, the Company can source alternative suppliers.

20. SUBSEQUENT EVENTS

The Company is significantly impacted by COVID-19, experiencing both positive and negative effects from the virus and resulting suspension of economic activity and daily routines. On the positive side, the general level of apprehension among the population, has led many people to seek means of protecting themselves and their families in the event that there is a breakdown or a fraying of the fabric of civil society. This general uneasiness has driven a run on guns and ammunition as well as increased demand for non-lethal weapons such as the Byrna[®] HD. On the negative side, the government mandated lockdown orders and stay-at-home requirements significantly disrupted the Company's supply chain for manufacture and import of the Byrna HD, essentially bringing production in South Africa to a temporary standstill. At this time, it is impossible to say whether supply disruption will continue and whether the increased demand resulting from the economic uncertainty will continue after the immediate health crisis has abated. On March 31, 2020, the production facility in South Africa was deemed an essential business by the South African government. The Company has resumed operations and the supply chain is currently functioning. Our employees in Massachusetts remain subject to stay-at-home orders and are working remotely.

BYRNA TECHNOLOGIES INC.
Notes to Consolidated Financial Statements
November 30, 2019 and 2018
(Amounts expressed in US Dollars)

Effective May 5, 2020, the Company acquired 100% of the outstanding common shares of Roboro for \$500,000, subject to working capital adjustments and unpaid transaction expenses. As part of this stock acquisition, the Company also assumed payment of Roboro's outstanding debt of rand 1,788,000 (approximately USD \$97,000) plus accrued interest for March and April 2020. Concurrently with this stock acquisition, Roboro's sellers agreed to purchase 1,388,889 of the Company's common stock at \$0.36 per share for total consideration of \$500,000. The shares will be restricted when issued and subject to a 15 month vesting schedule.

On May 4, 2020, the Company received a loan in the amount of \$190,000 from the Paycheck Protection Program.

On April 10, 2020, the Company exchanged an aggregate of approximately \$6.95 million of all its outstanding October 2018 Notes, April/May 2019 Notes, July 2019 Notes and September 2019 Notes (collectively the "Notes"), representing principal and accrued interest, for 1,391 shares Series A Convertible Preferred Stock ("Preferred Stock"). The Company no longer has any outstanding notes payable. At the closing, in accordance with the Amendment and the Security Purchase Agreements pursuant to which the Notes were issued, the Company also issued 1,498,417 warrants to the holders reflecting 4,000 warrants for each \$1,000 (US dollars) of unpaid interest accrued on the Notes.

Each share of Preferred Stock has a \$5,000 issue price. Dividends accrue on the issue price at a rate of 10.0% per annum and are payable to holders of Preferred Stock as, when and if declared by the Company's Board of Directors. Each share of Preferred Stock, is convertible into the number of shares of common stock equal to the issue price divided by the conversion price of \$0.15. Upon conversion of the Preferred Stock, all accrued and unpaid dividends will be converted to common stock utilizing the same conversion formula. The conversion price is subject to proportional adjustment for certain transactions relating to the Company's common stock, including stock splits, stock dividends and similar transactions. Holders of Preferred Stock are entitled to a liquidation preference in the event of any liquidation, dissolution or winding up of the Corporation based on their shares' aggregate issue price and accrued and unpaid dividends. Holders may convert their shares of Preferred Stock into common stock at any time and the Company has the right to cause each holder to convert their shares of Preferred Stock at any time after the eighteen (18) month anniversary of the original issue date if the common stock has traded for more than twenty (20) consecutive trading days above \$0.50 (as adjusted for stock splits, stock dividends and similar transactions). Holders of shares of Preferred Stock are not entitled to vote with the holders of common stock, however, for so long as there are 423 shares of Preferred Stock outstanding, the Company is required to obtain the consent of the holders of the Preferred Stock to take certain corporate actions, including to incur indebtedness in excess of \$250,000 in the aggregate. In addition, the Company agreed to use its reasonable best efforts to register the shares of common stock issuable upon conversion of the Preferred Stock in due course following the exchange.

During March 2020, the Company raised approximately \$3.2 million through early warrant exercises, where 19,979,107 warrants were exercised for 19,979,107 shares of common stock. The warrant exercise price was reduced from \$0.25 to \$0.16 per warrant to induce warrant holders to exercise.

On February 20, 2020, the October 2018 Notes, April/May 2019 Notes, July 2019 Notes and September 2019 Notes were amended by consent of all holders (the "Amendment") to waive all rights to receive interest in cash and to accept payment in kind of accrued interest.

On December 19, 2019, the Company dissolved its subsidiary, SDI Canada.

On December 18, 2019 the Company and Buys, its CTO, agreed to certain amendments to the terms of the previously announced purchase and sale agreement entered into on April 13, 2018 pursuant to which Buys sold and assigned certain intellectual property rights to the Company, which rights were subject to reversion in the event a Second Payment of \$500,000 or \$750,000 of restricted common shares of the Company's stock was not made by April 13, 2020 and Buys retained a security interest in the intellectual property pending the Second Payment. Pursuant to the amended terms (the "Amended Agreement"), which were approved by the Board on December 19, 2019, the Company will issue Buys restricted common stock valued at \$630,000 (based on the average closing price over the 20 days prior to issuance) and an additional cash payment to Buys of \$80,000 was payable prior to April 13, 2020. The Amended Agreement also terminates Buys' security interest and reversionary rights to the intellectual property and modifies other terms of the purchase and sale agreement to, among other things, clarify ambiguities related to the royalty terms.

Subsequent to November 30, 2019 the Company granted (1) 3,917,500 stock options to its employees, management and directors and (2) 625,000 shares of restricted stock to management.

Exhibit No.	Description
3.1	<u>Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 28, 2018).</u>
3.2	<u>Amended and Restated By-laws dated October 13, 2019 (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on October 24, 2019).</u>
3.3	<u>Certificate of Designations of Series A Convertible Preferred Stock (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on April 15, 2020).</u>
4.1	<u>Trust Indenture by and among the Company, Security Devices International Canada Corp., and TSX Trust Company dated December 7, 2016 (incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 28, 2018).</u>
4.2	<u>Purchase and Sale Agreement by and among the Company and Andre Buys of South Africa, dated April 13, 2018 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on April 16, 2018).</u>
4.3	<u>Form of Common Stock Purchase Warrant (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on October 23, 2018).</u>
4.4	<u>Form of First Amendment to Common Stock Purchase Warrant (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on October 23, 2018).</u>
4.5	<u>Form of Secured Convertible Note, dated January 15, 2020, by and between Security Devices International Inc. and various purchasers (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on January 22, 2020).</u>
4.6	<u>Form of Secured Convertible Note, dated January 15, 2020 (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on January 22, 2020).</u>
4.7	<u>Common Stock Purchase Warrant, dated January 15, 2020 (incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on January 22, 2020).</u>

- [10.1](#) [2017 Revised Stock Option Plan of the Company \(incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 28, 2018\).](#)
- [10.2](#) [Consulting Agreement dated June 15, 2016 between the Company and Northeast Industrial Partners, LLC, as amended by Extension Agreement to Consulting Agreement, dated May 1, 2017, between the Company and Northeast Industrial Partners, LLC \(incorporated herein by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 28, 2018\).](#)
- [10.3](#) [Securities Purchase Agreement, by and among the Company, Northeast Industrial Partners, LLC, and the purchasers party thereto dated December 7, 2016 \(incorporated herein by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 28, 2018\).](#)
- [10.4](#) [Employment Agreement between the Company and Dean Thrasher dated January 1, 2017 \(incorporated herein by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 28, 2018\).](#)
- [10.5](#) [Manufacturing Supply Agreement by and between the Company and Micron Products, Inc. dated August 11, 2017 \(incorporated herein by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 28, 2018\).](#)
- [10.6](#) [Employment Letter by and between the Company and Paul Jensen dated August 28, 2017 \(incorporated herein by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 28, 2018\).](#)
- [10.7](#) [Registration Rights Agreement by and between the Company and the Selling Shareholders dated November 28, 2017 \(incorporated herein by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 28, 2018\).](#)
- [10.8](#) [Form of Subscription Agreement by and between the Company and each selling Shareholder dated November 28, 2017 \(incorporated herein by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 28, 2018\).](#)
- [10.9](#) [License and Supply Agreement by and between the Company and Safariland, LLC dated May 1, 2017 \(incorporated herein by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 28, 2018\).](#)
- [10.10](#) [Securities Purchase Agreement, by and among the Company, Northeast Industrial Partners, LLC, and the purchasers party thereto, dated October 22, 2018 \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on October 23, 2018\).](#)
- [10.11](#) [Securities Purchase Agreement, by and among the Company, Northeast Industrial Partners, LLC, and the purchasers party thereto, dated April 22, 2019 \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on April 23, 2019\).](#)
- [10.12](#) [Securities Purchase Agreement, by and among the Company, Northeast Industrial Partners, LLC, and the purchasers party thereto, dated July 22, 2019 \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on July 23, 2019\).](#)

10.13	<u>Amendment to the October 2018 Notes (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on July 23, 2019).</u>
10.14	<u>Amendment to the April 2019 Notes (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on July 23, 2019).</u>
10.15	<u>Purchase and Sale Agreement by and among by and among the Company and Andre Buys of South Africa, dated April 13, 2018 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on January 8, 2020).</u>
10.16	<u>Amendment to Purchase and Sale Agreement by and among the Company and Andre Buys of South Africa, dated December 19, 2019 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on January 8, 2020).</u>
10.17	<u>Offer Letter to James Dunfey, dated September 4, 2019 (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on January 8, 2020).</u>
10.18	<u>Memorandum of Understanding dated October 18, 2018 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on January 22, 2020).</u>
10.19	<u>Debt Settlement Agreement, effective October 25, 2018 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on January 22, 2020).</u>
10.20	<u>Sponsorship Agreement dated October 30, 2018 (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on January 22, 2020).</u>
10.21	<u>Memorandum of Understanding dated January 8, 2020 (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on January 22, 2020).</u>
10.22	<u>Securities Purchase Agreement, by and among the Company, Northeast Industrial Partners, LLC, and the purchasers party thereto, dated October 22, 2018 (incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on January 22, 2020).</u>
10.23	<u>Securities Purchase Agreement, by and among the Company, Northeast Industrial Partners, LLC, and the purchasers party thereto, dated April 22, 2019 (incorporated herein by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on January 22, 2020).</u>

10.24	Amendment to the October 2018 Notes (incorporated herein by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on January 22, 2020).
10.25	Amendment to the April 2019 Notes (incorporated herein by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on January 22, 2020).
10.26	Stock Purchase Agreement, dated as of May 5, 2020, by and among the Company, Roboro, the Sellers and the Seller Representative.*
21.1	List of Registrant's Subsidiaries*
23.1	Consent of Independent Registered Public Accounting Firm*
31.1	Certification of the Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).*
31.2	Certification of the Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).*
32.1	Certification of the Principal Executive Officer and Principal Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350**
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema*
101.CAL	XBRL Taxonomy Calculation Linkbase*
101.LAB	XBRL Taxonomy Label Linkbase*
101.PRE	XBRL Definition Linkbase Document*
101.DEF	XBRL Definition Linkbase Document*

* Filed herewith

** Furnished herewith

Item 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

May 18, 2020

Byrna Technologies Inc.

By: /s/ Bryan Ganz
Name: Bryan Ganz
Title: Chief Executive Officer, President and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Position</u>	<u>Date</u>
<u>/s/ Bryan Ganz</u> Bryan Ganz	Chief Executive Officer, President and Director (Principal Executive Officer)	May 18, 2020
<u>/s/ James Dunfey</u> James Dunfey	Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	May 18, 2020
<u>/s/ Karen Bowling</u> Karen Bowling	Director	May 18, 2020
<u>/s/ Don Levantin</u> Don Levantin	Director	May 18, 2020
<u>/s/ Paul Jensen</u> Paul Jensen	Director	May 18, 2020
<u>/s/ Beatrice Mitchell</u> Beatrice Mitchell	Director	May 18, 2020
<u>/s/ Herbert Hughes</u> Herbert Hughes	Director	May 18, 2020
<u>/s/ Vladimir Kitaygorodsky</u> Vladimir Kitaygorodsky	Director	May 18, 2020

STOCK PURCHASE AGREEMENT

by and among

**BYRNA TECHNOLOGIES INC.,
as Buyer**

**ROBORO INDUSTRIES PTY LTD.,
as the Company**

**THE STOCKHOLDERS OF THE COMPANY NAMED HEREIN,
as the Sellers**

and

**JOSH LOOCK
As the Seller Representative**

Dated as of May 5, 2020

STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this "**Agreement**"), is made and entered into effective as of May 5, 2020, by and among (i) Byrna Technologies Inc., a Delaware corporation ("**Buyer**"), (ii) Roboro Industries Pty Ltd., a South African private company (the "**Company**"), (iii) the stockholders of the Company set forth on Annex I hereto (collectively, the "**Sellers**", and together with the Company, the "**Seller Parties**"), and (iv) Josh Loock, in the capacity of the representative of the Sellers (the "**Seller Representative**") in accordance with this Agreement.

RECITALS

WHEREAS, Sellers own all of the issued and outstanding equity interests of the Company;

WHEREAS, Sellers desire to sell and convey to Buyer, and Buyer desires to purchase from Sellers, all of the issued and outstanding equity interests of the Company, subject to the terms and conditions set forth herein; and

WHEREAS, certain capitalized terms used herein are defined in Exhibit A below.

NOW, THEREFORE, in consideration of the premises and the respective representations, warranties, covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I PURCHASE OF COMPANY STOCK

1.1. **Purchase of Company Stock.** At the Closing, and on the terms and subject to all of the conditions of this Agreement, Sellers will sell, transfer, assign and convey to Buyer, and Buyer will purchase and accept from Sellers, one hundred percent (100%) of the capital shares or other equity interests of the Company (the "**Purchased Shares**"), free and clear of any and all Liens.

1.2. **Purchase Consideration.**

(a) Upon the terms and subject to the conditions set forth in this Agreement, the consideration to be paid by Buyer for the Purchased Shares shall be Five Hundred Thousand U.S. Dollars (\$500,000) (the "**Purchase Consideration**"). The Purchase Consideration to be paid to the Sellers at Closing pursuant to, and as may be adjusted by this Agreement, shall be an amount equal to the Purchase Consideration (without duplication), (i) plus (or minus if negative) the Net Working Capital Adjustment Amount, and (ii) minus the amount of all unpaid Transaction Expenses.

(b) In addition to the Purchase Consideration, Buyer has agreed to pay an outstanding noteholder loan (the "**Loan**") held by the Company in the principal amount of Rand 1,788,000, plus interest accrued in the months of March and April of 2020, calculated at an annual rate of seven percent (7%). Payment of the Loan will be made by Buyer in four (4) equal monthly installments commencing on the date of the Closing. The holder of the Loan may elect to receive shares of Buyer Common Stock in lieu of cash payments, in which case Buyer will issue fifty percent (50%) more of the cash amount in shares of Buyer Common Stock to the holder.

1.3. **Payment of Closing Purchase Consideration.** At or prior to the Closing, Buyer, the Seller Representative and DM Kisch Inc, or a mutually agreeable escrow agent (the "**Escrow Agent**"), shall enter into an escrow agreement, in form and substance reasonably satisfactory to the Parties (the "**Escrow Agreement**"). At the Closing, Buyer shall deposit with the Escrow Agent, an amount in cash equal to Five Hundred Thousand U.S. Dollars (\$500,000), to be set aside by the Escrow Agent and held, and disbursed by the Escrow Agent, in accordance with the terms and conditions of the Escrow Agreement. Each Seller shall subsequently receive its pro rata share of the Purchase Consideration based on the percentage of the Purchased Shares owned by such Seller. The parties acknowledge that such amounts shall be subject to adjustment after the Closing based on the Adjustment Amount in accordance with Section 1.5.

1.4. **Estimated Closing Statement.** Prior to the Closing, the Company will have delivered to Buyer a certificate signed by an officer of the Company (the "**Estimated Closing Statement**") and reasonably acceptable to Buyer, setting forth Sellers' good faith estimate (including all calculations in reasonable detail) based on the financial statement and books and records of the Company of (i) the Net Working Capital and attaching an estimated consolidated balance sheet of the Company as of the Closing and (ii) the amount that Transaction Expenses will be on the Closing Date, including the amount owed to each payee thereof. The Estimated Closing Statement shall be prepared applying the definitions of Net Working Capital and Transaction Expenses contained herein. The Estimated Closing Statement shall also include the wire instructions for the payment to the Escrow Agent to be made under Section 1.3.

1.5. **Post-Closing Purchase Consideration Adjustment.**

(a) As soon as practicable (but in any event within sixty (60) days) after the Closing, Buyer will prepare and deliver to the Seller Representative a certificate ("**Buyer Closing Statement**") that sets forth Buyer's determination (along with Buyer's detailed calculation thereof) of (i) the actual Purchase Consideration, (ii) the calculation of the Net Working Capital and (iii) the amount of unpaid Transaction Expenses.

(b) The Seller Representative will have twenty (20) days after its receipt of the Buyer Closing Statement to review it. To the extent reasonably required to complete their review of the Buyer Closing Statement, the Seller Representative and its Representatives will be provided with reasonable access to the books, records and working papers of the Company used to prepare the Buyer Closing Statement, Buyer's and the Company's finance personnel and any other information of the Companies that the Seller Representative reasonably requests relating to the determination of the Purchase Consideration, and Buyer and the Company shall cooperate with the Seller Representative and its Representatives in connection therewith. The Seller Representative may deliver notice to Buyer on or prior to the twentieth (20th) day after receipt of the Buyer Closing Statement specifying in reasonable detail all disputed items and the basis therefor. If the Seller Representative fails to deliver such notice in such twenty (20) day period, the Seller Representative (on behalf of Sellers) will have waived its right to contest the Buyer Closing Statement. If the Seller Representative notifies Buyer of any objections to the Buyer Closing Statement in such twenty (20) day period, the Seller Representative and Buyer will, within 10 (ten) days following the date of such notice, attempt to resolve their differences and any written resolution by them as to any disputed amount will be final and binding for all purposes under this Agreement. If at the conclusion of such ten (10) day period Buyer and the Seller Representative have not reached an agreement on any objections with respect to the Buyer Closing Statement, then upon then upon request of either Buyer or the Seller Representative, the parties will refer the dispute to the Independent Expert for final resolution of the dispute in accordance with Section 1.5(c).

(c) If a dispute with respect to the Buyer Closing Statement is submitted in accordance with this Section 1.5 to the Independent Expert for final resolution, the parties will follow the procedures set forth in this Section 1.5(c). Each of the Seller Representative and Buyer agrees to execute, if requested by the Independent Expert, a reasonable engagement letter with respect to the determination to be made by the Independent Expert. All fees and expenses of the Independent Expert will be borne by (i) Buyer in the proportion that the aggregate dollar amount of the disputed items submitted to the Independent Expert by Buyer that are unsuccessfully disputed by Buyer (as finally determined by the Independent Expert) bears to the aggregate dollar amount of disputed items submitted by Buyer and the Seller Representative, and (ii) Sellers in the proportion that the aggregate dollar amount of the disputed items submitted to the Independent Expert by the Seller Representative that are unsuccessfully disputed by the Seller Representative (as finally determined by the Independent Expert) bears to the aggregate dollar amount of disputed items submitted by Buyer and the Seller Representative. Except as provided in the preceding sentence, all other costs and expenses incurred by the parties in connection with resolving any dispute under this Section 1.5 before the Independent Expert will be borne by the party incurring such cost and expense. The Independent Expert will determine only those issues still in dispute as of the date that Buyer or the Seller Representative receives notice from the other party that such other party has elected to resolve a dispute under this Section 1.5 using the Independent Expert, and the Independent Expert's determination will be based solely upon and consistent with the terms and conditions of this Agreement. The determination by the Independent Expert will be based solely on presentations with respect to such disputed items by Buyer and the Seller Representative to the Independent Expert and not on the Independent Expert's independent review; provided, that such presentations will be deemed to include any work papers, records, accounts or similar materials delivered to the Independent Expert by Buyer or the Seller Representative in connection with such presentations and any materials delivered to the Independent Expert in response to requests by the Independent Expert. Each of the Seller Representative and Buyer will use their reasonable efforts to make their respective presentations as promptly as practicable following submission to the Independent Expert of the disputed items, and each such party will be entitled, as part of its presentation, to respond to the presentation of the other party and any questions and requests of the Independent Expert. In deciding any matter, the Independent Expert will be bound by the provisions of this Agreement, including this Section 1.5, and may not assign a value to any item greater than the greatest value for such item claimed by Buyer or the Seller Representative or less than the smallest value for such item claimed by Buyer or the Seller Representative. It is the intent of the parties hereto that the process set forth in this Section 1.5(c) and the activities of the Independent Expert in connection herewith are not (and should not be considered to be or treated as) an arbitration proceeding or similar arbitral process and that no formal arbitration rules should be followed (including rules with respect to procedures and discovery). The Seller Representative and Buyer will request that the Independent Expert's determination be made within forty-five (45) days after its engagement, or as soon thereafter as possible, will be set forth in a written statement delivered to Buyer and the Seller Representative and will be final, conclusive, non-appealable and binding for all purposes hereunder. The term "**Final Statement**" will mean the definitive statement agreed to by the Seller Representative and Buyer in accordance with Section 1.5(b) or the definitive Buyer Closing Statement resulting from the determination made by the Independent Expert in accordance with this Section 1.5(c).

(d) For purposes of this Agreement, the "*Adjustment Amount*" shall mean an amount equal to Net Working Capital Adjustment Amount minus the unpaid Transaction Expenses as of the Closing Date. If the Adjustment Amount is a positive amount, then Buyer and the Seller Representative shall provide written instructions to the Escrow Agent to pay to the Sellers from the escrow account within ten (10) Business Days after the date on which the Final Statement Date is determined (the "*Final Statement Date*") an amount in cash equal to the Adjustment Amount by wire transfer in immediately available funds to such account as designated by the Sellers in writing payable to, or upon the order of, Sellers. If the Adjustment Amount is a negative amount, then the Sellers shall pay to Buyer within ten (10) Business Days after the Final Statement Date an amount in cash equal to the Adjustment Amount by wire transfer in immediately available funds to such account(s) as designated by Buyer in writing.

**ARTICLE II
CLOSING**

2.1. **Closing.** The closing of the transactions contemplated by this Agreement (the "**Closing**") will take place simultaneously with the execution and delivery of this Agreement at the offices of Ellenoff, Grossman & Schole LLP, 1345 Avenue of the Americas, New York, New York 10105, commencing at 10:00 am (New York City time). By mutual agreement of the parties the Closing may take place by conference call and facsimile (or other electronic transmission of signature pages) with exchange of original signatures by overnight mail. The date of the Closing (the "**Closing Date**"), shall be the date of this Agreement. The parties agree that to the extent permitted by applicable Law, the Closing will be deemed effective as of 12:01 a.m. (New York City time) on the Closing Date.

2.2. **Closing Deliveries by Buyer.** At or prior to the Closing, Buyer will deliver or cause to be delivered to the Sellers the following, each in form and substance reasonably acceptable to the Sellers:

- (a) evidence of the payment of the Purchase Price in immediately available funds to the Escrow Agent as required by Section 1.3
- (b) a certificate from its secretary or other executive officer certifying as to, and attaching, (A) copies of Buyer's Governing Documents as in effect as of the Closing Date, (B) the resolutions of Buyer's board of directors authorizing the execution, delivery and performance of this Agreement and each of the Ancillary Documents to which it is a party or by which it is bound, and the consummation of the transactions contemplated hereby and thereby, and (C) the incumbency of officers authorized to execute this Agreement or any Ancillary Document to which Buyer is or is required to be a party or otherwise bound; and
- (c) the Escrow Agreement duly executed by Buyer.

2.3. **Closing Deliveries by Sellers.** At or prior to the Closing, Sellers will deliver or cause to be delivered to Buyer the following, each in form and substance reasonably acceptable to Buyer:

- (a) a certificate from the Company's secretary or other executive officer certifying as to, and attaching, (A) copies of the Company's Governing Documents as in effect as of the Closing Date, (B) the resolutions of Company's stockholders and the Company's board of directors authorizing the execution, delivery and performance of this Agreement and each of the Ancillary Documents to which it is a party or by which it is bound, and the consummation of the transactions contemplated hereby and thereby, and (C) the incumbency of officers authorized to execute this Agreement or any Ancillary Document to which the Company is or is required to be a party or otherwise bound;
- (b) Stock transfer forms representing the Purchased Shares and stock powers duly executed in blank and in a form reasonably acceptable to Buyer necessary to transfer the Purchased Shares to Buyer on the books and records of the Company;
- (c) the books and records of the Company;
- (d) the required notices, consents, Permits, waivers authorizations, orders and other approvals listed in Schedule 2.3, and all such notices, consents, Permits, waivers, authorizations, orders and other approvals will be in full force and effect and not be subject to the satisfaction of any condition that has not been satisfied or waived;

- the same;
- (e) release and extinguishment of all (i) Indebtedness of the Company and (ii) Liens on any of the assets of the Company, and documentation evidencing thereto;
- (f) the Consultant Agreement with Josh Look, in the form attached as Exhibit B hereto (the "*Consultant Agreement*") duly executed by each party thereto;
- (g) the Escrow Agreement duly executed by the Seller Representative.
- (h) a good standing certificate for the Company from the proper state official in its jurisdiction of organization and each other jurisdiction in which the Company is qualified to do business as a foreign entity as of the Closing Date (or similar documents applicable for such jurisdictions), certified as of a date no later than thirty (30) days prior to the Closing;
- (i) the Estimated Closing Statement in accordance with Section 1.4;
- (j) payoff letters from the Company's creditors in form and substance reasonably acceptable to Buyer;
- (k) resignations effective immediately upon the Closing of the directors and officers of the Company in their capacities as directors and/or officers, as requested by Buyer;
- (l) suitable documentation to add additional employees of Buyer or its Affiliates as signatories to the Bank Accounts of the Company set forth on Schedule 3.24, as prescribed by Buyer; and
- (m) evidence of the termination of each contract or arrangement set forth on Schedule 2.3(xiv) in each case effective at or prior to the Closing.

2.4 **Transfer of Ownership.** Ownership, risk and benefit in and to the Purchased Shares will transfer from Sellers to Buyer on the Closing Date.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF SELLER PARTIES

Except as set forth in the disclosure schedules delivered by the Seller Parties to Buyer on the date hereof (the "*Company Disclosure Schedules*"), the Section numbers of which are numbered to correspond to the Section numbers of this Agreement to which they refer, the Seller Parties hereby jointly and severally represent and warrant to Buyer as of the date of this Agreement and the Closing Date, as follows:

3.1. **Organization and Qualification.** The Company is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was organized and has full power and authority to own the assets owned by it and conduct its business as and where it is being conducted by it. The Company is duly licensed or qualified to do business, and is in good standing as a foreign entity, in all jurisdictions in which its assets or the operation of its business makes such licensing or qualification necessary, all of which jurisdictions are listed on Schedule 3.1. The Company has all requisite power and authority to own, lease or use, as the case may be, its properties and business. During the past five (5) years, the Company has not been known by or used any corporate, fictitious or other name in the conduct of the Company's business or in connection with the use or operation of its assets. Schedule 3.1 lists all current directors and officers of the Company, showing each such Person's name and positions.

3.2. **Authorization and Binding Effect; Corporate Documentation.** Each Seller Party has full power and authority to enter into this Agreement and the Ancillary Documents to which it is or is required to be a party and to consummate the transactions contemplated hereby and thereby and to perform its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of each Seller Party, including requisite board of directors and stockholder approval of the Company. Each of this Agreement and each Ancillary Document to which a Seller Party is or is required to be a party has been duly executed and delivered by each such Seller Party and constitutes a legal, valid and binding obligation of such Seller Party, enforceable against such Seller Party in accordance with its terms, except as the enforceability thereof may be limited by the Permitted Exceptions. The copies of the Governing Documents of the Company, as amended to date, copies of which have heretofore been delivered to Buyer, are true, complete and correct copies of the Governing Documents of the Company, as amended through and in effect on the date hereof. The minute books and records of the proceedings of the Company, copies of which have been delivered to Buyer, are true, correct and complete in all material respects.

3.3. **Title to the Purchased Shares.** Sellers own good, valid and marketable title to the Purchased Shares, free and clear of any and all Liens, and upon delivery of the Purchased Shares to Buyer on the Closing Date in accordance with this Agreement, and upon Buyer's payment of the estimated Purchase Consideration payable at the Closing in accordance with Section 1.3, the entire legal and beneficial interest in the Purchased Shares and good, valid and marketable title to the Purchased Shares, free and clear of all Liens (other than those imposed by applicable securities Laws or those incurred by Buyer), will pass to Buyer.

3.4. **Capitalization.** Prior to giving effect to the transactions contemplated by this Agreement, Sellers are the beneficial and record owner of all of the issued and outstanding equity interests of the Company, with each Seller owning the equity interests in the Company set forth on Schedule 3.4. The Purchased Shares to be delivered by Sellers to Buyer constitutes all of the issued and outstanding equity interests of the Company. All of the issued and outstanding equity interests of the Company (i) have been duly and validly issued, (ii) are fully paid and nonassessable (to the extent applicable) and (iii) were not issued in violation of any preemptive rights or rights of first refusal or first offer. There are no issued or outstanding options, warrants or other rights to subscribe for or purchase any equity interests of the Company or securities convertible into or exchangeable for, or that otherwise confer on the holder any right to acquire any equity securities of the Company, or preemptive rights or rights of first refusal or first offer with respect to the equity securities of the Company, nor are there any Contracts, commitments, understandings, arrangements or restrictions to which a Seller Party is a party or bound relating to any equity securities of the Company, whether or not outstanding. There are no outstanding or authorized stock appreciation, phantom stock or similar rights with respect to the Company, nor are there any voting trusts, proxies, shareholder agreements or any other agreements or understandings with respect to the voting of the equity securities of the Company. All of the equity securities of the Company have been granted, offered, sold and issued in compliance with all applicable foreign, state and federal securities Laws.

3.5. **Subsidiaries.** The Company does not have, and has never had, any Subsidiaries or ownership, directly or indirectly, of any securities or other interests in any other Person. The Company is not a party to any agreement relating to the formation of any joint venture, association or other Person. Other than Sellers, the Company is not controlled by any Person, and the Company is not in control of any other Person. Notwithstanding anything to the contrary contained in this Agreement, and without limiting any other remedies of the Buyer Indemnified Party hereunder, in the event that the representations and warranties in this Section 3.5 are not true and correct, any reference in this Agreement or any Ancillary Document to the Company shall include any Subsidiary of the Company to the extent reasonably applicable.

3.6. **Non-Contravention.** Except as set forth on Schedule 3.6, neither the execution, delivery and performance of this Agreement or any Ancillary Documents by any Seller Party, nor the consummation of the transactions contemplated hereby or thereby, will (a) violate or conflict with, any provision of the Governing Documents of the Company, (b) violate or conflict with any Law or Order to which the Company or any Seller, their respective assets or the Purchased Shares are bound or subject, (c) with or without giving notice or the lapse of time or both, breach or conflict with, constitute or create a default under, or give rise to any right of termination, cancellation or acceleration of any obligation or result in a loss of a material benefit under, or give rise to any obligation of the Company or any Seller to make any payment under, or to the increased, additional, accelerated or guaranteed rights or entitlements of any Person under, any of the terms, conditions or provisions of any Contract, agreement, or other commitment to which a Seller or the Company is a party or by which a Seller or the Company, their respective assets or the Purchased Shares may be bound, (d) result in the imposition of a Lien (other than a Permitted Lien) on any Purchased Shares or any assets of the Company or (e) require any filing with, or Permit, consent or approval of, or the giving of any notice to, any Governmental Authority or other Person.

3.7. **Financial Statements.** Attached to Schedule 3.7 are true and correct copies of (i) the reviewed balance sheet, income statement, statement of stockholder's equity and statement of cash flows for the Company as of and for the fiscal years ended December 31, 2019 and December 31, 2018, and (ii) the unaudited balance sheet of the Company as of March 31, 2020 and the related unaudited income statement and statement of cash flows for the three (3) fiscal month period then ended (such financial statements described in clauses (i) and (ii), collectively, the "**Financial Statements**"). The Financial Statements were prepared in accordance with the books and records of the Company, are true, correct and complete in all material respects, and present fairly and accurately in all material respects the financial condition and results of operations of the Company as of the respective dates thereof and for the periods specified therein. The Financial Statements have been prepared in accordance with IFRS, consistently applied throughout and among the periods indicated (except that the unaudited statements exclude the footnote disclosures and other presentation items required for IFRS and exclude year-end adjustments which will not be material in amount). The Company maintains accurate books and records reflecting its assets and Liabilities and maintains proper and adequate internal accounting controls that provide reasonable assurance that (i) the Company does not maintain any off-the-book accounts and that the Company's assets are used only in accordance with management directives, (ii) transactions are executed with management's authorization, (iii) transactions are recorded as necessary to permit preparation of the financial statements of the Company and to maintain accountability for its assets, (iv) access to its assets is permitted only in accordance with management's authorization, (v) the reporting of its assets is compared with existing assets at regular intervals and verified for actual amounts and (vi) accounts, notes and other receivables and inventory are recorded accurately, and proper and adequate procedures are implemented to effect the collection of accounts, notes and other receivables on a current and timely basis. All of the financial books and records of the Company are complete and accurate in all material respects and have been maintained in the ordinary course consistent with past practice and in accordance with applicable Laws.

3.8. **Absence of Liabilities.** The Company does not have any Liabilities except obligations to be performed after the date hereof under any Contracts which are disclosed on Schedule 3.11, 3.12, or 3.17(a). The Company does not have any Indebtedness other than current trade payables incurred in the Ordinary Course of Business.

3.9. **Absence of Certain Changes.** Except as set forth on Schedule 3.9, since December 31, 2019: (a) the Company has conducted its business only in the Ordinary Course of Business, and (b) there has not been any change in or development with respect to the Company's business, operations, condition (financial or otherwise), results of operations, prospects, assets or Liabilities, except for changes and developments which have not had, and are not likely to have to have a Material Adverse Effect. Without limiting the foregoing, except as set forth on Schedule 3.9, since December 31, 2019, the Company has not: (i) suffered any loss, damage, destruction or other casualty in excess of \$20,000 in the aggregate, whether or not covered by insurance; (ii) incurred, assumed or become subject to, whether directly or by way of guarantee or otherwise, any Liability except for trade or business obligations incurred in the Ordinary Course of Business in connection with the purchase of goods and services; (iii) sold, transferred, leased or otherwise disposed of any material assets (other than in the Ordinary Course of Business) or permitted or allowed any of its material assets to be subject to any Lien (other than the Permitted Liens); (iv) instituted, settled or agreed to settle any Action before any Governmental Authority; (v) entered into or terminated any material transaction or Contract other than in the Ordinary Course of Business; (vi) instituted any increase in the compensation payable to any of their employees or under any Company Benefit Plan other than in the Ordinary Course of Business, or adopted any new Company Benefit Plans; (vii) made any capital expenditure or commitment therefore for additions to its property, facilities or equipment outside of the Ordinary Course of Business; (viii) made any change in any method of its accounting or accounting practices or any change in its depreciation or amortization policies or rates theretofore adopted or revalued any of its assets; or (ix) agreed or committed, whether in writing or otherwise, to take any action described in this Section 3.9.

3.10. **Title to and Sufficiency of Assets.**

(a) The Company has good and marketable title to all of its assets, free and clear of all Liens other than Permitted Liens. The assets of the Company constitute all of the assets, rights and properties that are used in the operation of the Company's business as it is now conducted and presently proposed to be conducted or that are used or held by the Company for use in the operation of the Company's business, and taken together, are adequate and sufficient for the operation of the Company's business as currently conducted and as presently proposed to be conducted. Immediately following the Closing, all of the assets of the Company will be owned, leased or available for use by the Company on terms and conditions substantially identical to those under which, immediately prior to the Closing, the Company owns, leases, uses or holds available for use such assets.

(b) Upon Closing, the Company will continue to have good and marketable title to all of its assets, free and clear of all Liens other than Permitted Liens, with the exception of the equipment and moveable assets detailed in that certain Dingus Valuations Report, dated as of March 20, 2020 (excluding the twenty-two (22) cavity solid ball molds and the nine (9) cavity molds for pepper balls, which shall remain solely owned by the Company).

3.11. **Personal Property.** All items of Personal Property of the Company with a book value or fair market value of greater than Ten Thousand Dollars (\$10,000) are set forth on Schedule 3.11. All such items of Personal Property are in good operating condition and repair (reasonable wear and tear excepted consistent with the age of such items), and are suitable for their intended use in the Company's business. Schedule 3.11 contains an accurate and complete list and description of leases in respect of the Personal Property (collectively, the "**Personal Property Leases**"). The Personal Property Leases are valid, binding and enforceable in accordance with their terms and are in full force and effect. With respect to the Personal Property Leases, there are no existing defaults under the applicable lease by the Company or, to the Knowledge of the Company, any other party thereto, and no event of default on the part of the Company or, to the Knowledge of the Company, on the part of any other party thereto has occurred which (whether with or without notice, lapse of time or the happening or occurrence of any other event) would constitute a default thereunder. Sellers have delivered to Buyer true and correct copies of the Personal Property Leases (along with any amendments thereto).

3.12. **Real Property.** Schedule 3.12 contains a complete and accurate list of all premises leased or subleased or otherwise used or occupied by the Company (the "**Leased Premises**"), and of all leases, lease guarantees, agreements and documents related thereto, including all amendments, terminations and modifications thereof (collectively, the "**Leases**"), as well as the current annual rent and term under each Lease. Sellers have provided to Buyer a true and complete copy of each of the Leases, and in the case of any oral Lease, a written summary of the material terms of such Lease. The Leases are valid, binding and enforceable in accordance with their terms and are in full force and effect. No event has occurred which (whether with or without notice, lapse of time or both or the happening or occurrence of any other event) would constitute a default on the part of the Company under any Lease. To the Knowledge of the Company, no event has occurred which (whether with or without notice, lapse of time or both or the happening or occurrence of any other event) would constitute a default by any other party under any Lease, and the Company has not received notice of any such condition. The Company has not waived any rights under any Lease which would be in effect at or after the Closing. The Company is in quiet possession of the Leased Premises. All leasehold improvements and fixtures located on the Leased Premises are (i) to the Knowledge of the Company, structurally sound with no material defects, (ii) in good operating condition and repair, subject to ordinary wear and tear, (iii) not in need of maintenance or repair except for ordinary routine maintenance and repair, (iv) in conformity in all material respects with all applicable Laws relating thereto currently in effect and (v) are located entirely on the Leased Premises. The Company has never owned any real property or any interest in real property (other than the leasehold interests in the Leases).

3.13. **Intellectual Property.**

(a) Schedule 3.13(a) sets forth: (i) all U.S. and foreign registrations of Intellectual Property (and applications therefor) owned or licensed by the Company or otherwise used or held for use by the Company in which the Company is the owner, applicant or assignee ("**Registered IP**"), specifying as to each item, as applicable: (A) the nature of the item, including the title, (B) the owner of the item, (C) the jurisdictions in which the item is issued or registered or in which an application for issuance or registration has been filed and (D) the issuance, registration or application numbers and dates; (ii) all material unregistered Intellectual Property owned or purported to be owned by the Company; and (iii) all licenses, sublicenses and other agreements or permissions ("**IP Licenses**") (other than shrink wrap licenses or other similar licenses for commercial off the shelf software with an annual license fee of \$2,000 or less (which are not required to be listed, but are "IP Licenses" as that term is used herein)), under which the Company is a licensee or otherwise is authorized to use or practice any Intellectual Property, and describes (A) the applicable Intellectual Property licensed, sublicensed or used and (B) any royalties, license fees or other compensation payable by the Company, if any. The Company owns, free and clear of all Liens (other than Permitted Liens), has valid and enforceable rights in, and has the unrestricted right to use, sell, license, transfer or assign, all Intellectual Property currently used, licensed or held for use by the Company, and previously used or licensed by the Company, except for the Intellectual Property that is the subject of the IP Licenses. All Registered IP is valid, in force and in good standing, and not subject to any challenge of any kind, and owned exclusively by the Company without obligation to pay royalties, licensing fees or other fees, or otherwise account to any other Person with respect to such Registered IP. The Company has not licensed or sublicensed out any of its owned or licensed Intellectual Property.

(b) The Company has a valid and enforceable license to use all Intellectual Property that is the subject of the IP Licenses. The Company has performed all obligations imposed on it in the IP Licenses, has made all payments required to date, and is not, nor, to the Knowledge of the Company, is any other party thereto, in breach or default thereunder, nor has any event occurred that with notice or lapse of time or both would constitute a default thereunder. The continued use by the Company of the Intellectual Property that is the subject of the IP Licenses in the same manner that it is currently being used is not restricted by any applicable license of the Company. The Company is not a party to any Contract that requires the Company to assign to any Person all of its rights in any Intellectual Property developed by the Company under such Contract.

(c) Schedule 3.13(c) sets forth all licenses, sublicenses and other agreements or permissions under which the Company is the licensor (an ***Outbound IP License***"), and for each such Outbound IP License, describes (i) the applicable Intellectual Property licensed, (ii) the licensee under such Outbound IP License, and (iii) any royalties, license fees or other compensation due to any Company, if any. The Company has performed all obligations imposed on it in the Outbound IP Licenses, and is not, nor, to the Knowledge of Sellers or the Company, is any other party thereto, in breach or default thereunder, nor has any event occurred that with notice or lapse of time or both would constitute a default thereunder.

(d) No Action is pending or, to the Knowledge of the Company, threatened that challenges the validity, enforceability, ownership, or right to use, sell, license or sublicense any Intellectual Property currently licensed, used or held for use by the Company. The Company has not received any written or, to the Knowledge of the Company, oral notice or claim asserting that any infringement, misappropriation, violation, dilution or unauthorized use of the Intellectual Property of any other Person is or may be occurring or has or may have occurred, as a consequence of the business activities of the Company, nor to the Knowledge of the Company is there a reasonable basis therefor. There are no Orders to which the Company is a party or its otherwise bound that (i) restrict the rights of the Company to use, transfer, license or enforce any Intellectual Property owned by the Company, (ii) restrict the conduct of the business of the Company in order to accommodate a third person's Intellectual Property, or (iii) grant any third person any right with respect to any Intellectual Property owned by the Company. The Company is not currently infringing, misappropriating or violating, and has not in the past infringed, misappropriated or violated, any Intellectual Property of any other Person. To the Knowledge of the Company, no other Person is infringing upon, has misappropriated or is otherwise violating any Intellectual Property of the Company. No Person has obtained unauthorized access to third party information and data in the Company's possession, nor has there been any other compromise of the security, confidentiality or integrity of such information or data. The Company and its Representatives have complied with all applicable Laws relating to privacy, personal data protection, and the collection, processing and use of personal information, as well as the privacy policies and guidelines of the Company.

(e) Each employee and independent contractor (including consultants) of the Company has assigned to the Company engaging such Person all Intellectual Property arising from the services performed for the Company by such Person. No current or former officers, employees or independent contractors of the Company have claimed any ownership interest in any Intellectual Property owned by the Company. To the Knowledge of the Company, there has been no violation of the Company's policies or practices related to protection of the Company's Intellectual Property or any confidentiality or nondisclosure Contract relating to the Intellectual Property owned by the Company.

3.14. **Compliance with Laws.** The Company is in compliance with, and has complied, in all material respects with all Laws and Orders applicable to the Company, its assets, employees or business or the Purchased Shares. None of the operations, activity, conduct and transactions of the Company or the ownership, operation, use or possession of its assets or the employment of its employees materially conflicts with the rights of any other Person or materially violates, or with or without the giving of notice or passage of time, or both, will materially violate, conflict with or result in a material default, right to accelerate or loss of rights under, any terms or provisions of any Lien, Contract or any Law or Order to which the Company is a party or by which the Company or its assets, business or employees or the Purchased Shares may be bound or affected. The Company has not received any written or, to the Knowledge of the Company, oral notice of any actual or alleged violation or non-compliance with applicable Laws.

3.15. **Permits.** The Company owns or possesses all right, title and interest in all Permits required to own its assets and conduct its business as now being conducted and as presently proposed to be conducted. All Permits of the Company are listed on Schedule 3.15 and are valid and in full force and effect, and the Company is in compliance in all material respects with the terms and conditions of all Permits. No loss, revocation, cancellation, suspension, termination or expiration of any Permit is pending or, to the Knowledge of the Company, threatened other than expiration or termination in accordance with the terms thereof. The Company has not received any written or, to the Knowledge of the Company, oral notice from any Governmental Authority of any actual or alleged violation or non-compliance regarding any such Permit.

3.16. **Litigation.** Except as described on Schedule 3.16, there is no (a) Action of any nature pending or, to the Knowledge of the Company, threatened, nor is there any reasonable basis for any Action to be made, or (b) Order pending now or rendered by a Governmental Authority in the past seven (7) years, in either case of clauses (a) or (b), by or against the Company, any of their respective current or former directors, officers or equity holders (provided, that any litigation involving the directors, officers or equity holders of the Company must be related to the Company's business or assets or the Purchased Shares), the Company's business or assets or the Purchased Shares. The items listed on Schedule 3.16, (i) are fully covered under the insurance policies of the Company and (ii) if finally determined adverse to the Company, will not have, either individually or in the aggregate, a Material Adverse Effect. During the past five (5) years, none of the Company's current or former officers, senior management or directors have been charged with, indicted for, arrested for, or convicted of any felony or any crime involving fraud.

3.17. **Contracts.**

(a) Schedule 3.17(a) contains a complete, current and correct list of all of the following types of Contracts to which the Company is a party, by which any of its properties or assets are bound, or under which the Company otherwise has material obligations, with each such responsive Contract identified by each corresponding category (i) - (xii) below: (i) any Contract with any Top Customer or Top Supplier; (ii) any Contract or group of related Contracts which involve expenditures or receipts by the Company that require payments or yield receipts of more than \$20,000 in any twelve (12) month period or more than \$40,000 in the aggregate; (iii) any Contract with any of its officers, directors, employees, consultants or Affiliates (other than at-will employment arrangements with employees entered into the Ordinary Course of Business), including all non-competition, severance, and indemnification agreements; (iv) any agreement presently in effect for the license of any Intellectual Property involving the payment by or to the Company in excess of \$20,000 per year; (v) any power of attorney; (vi) any partnership, joint venture, profit-sharing or similar agreement entered into with any Person; (vii) all Contracts relating to any merger, consolidation or other business combination with any other Person or the acquisition or disposition of any other entity or its business or material assets or the sale of the Company, its business or material assets outside of the Ordinary Course of Business; (viii) any loan agreement, agreement of indebtedness, credit, note, security agreement, guarantee, mortgage, indenture or other document relating to Indebtedness, borrowing of money or extension of credit by or to the Company in excess of \$20,000; (ix) any material settlement agreement entered into within three (3) years prior to the date of this Agreement or under which the Company has outstanding obligations (other than customary obligations of confidentiality); (x) any Contract granting, licensing, sublicensing or otherwise transferring any Intellectual Property of the Company other than licenses of the Company's Intellectual Property included in the Company's form customer agreements entered into in the Ordinary Course of Business; (xi) any agreement entered into outside the Ordinary Course of Business and presently in effect, involving payment to or obligations of in excess of \$20,000, not otherwise described in this Section 3.17(a); and (xii) any other Contract that is material to the Company. All oral Contracts that are responsive to the categories listed above are identified in the Company Disclosure Schedules. True and correct copies of all the Contracts required to be listed in Schedule 3.17(a) (including any amendments, modifications or supplements thereto) have been provided to Buyer.

(b) The Company is not a party to or bound by any Contract containing any covenant (i) limiting in any respect the right of the Company or its Affiliates to engage in any line of business, to make use of any of its Intellectual Property or compete with any Person in any line of business or in any geographic region, (ii) imposing non-solicitation restrictions on the Company or its Affiliates, (iii) granting to the other party any exclusivity or similar provisions or rights, including any covenant by the Company that includes an organizational conflict of interest prohibition, restriction, representation, warranty or notice provision or any other restriction on future contracting, (iv) providing "most favored customers" or other preferential pricing terms for the services of the Company or its Affiliates, or (v) otherwise limiting or restricting the right of the Company to sell or distribute any Intellectual Property of the Company or to purchase or otherwise obtain any software or Intellectual Property license.

(c) All of the Contracts required to be listed in Schedule 3.17(a) are in full force and effect, and are valid, binding, and enforceable in accordance with their terms, subject to performance by the other party or parties to such Contract, except as the enforceability thereof may be limited by the Permitted Exceptions. There exists no breach, default or violation on the part of the Company or, to the Knowledge of the Company, on the part of any other party to any such Contract nor has the Company received written or, to the Knowledge of the Company, oral notice of any breach, default or violation. The Company has received notice of an intention by any party to any such Contract that provides for a continuing obligation by any party thereto on the date hereof to terminate such Contract or amend the terms thereof, other than modifications in the Ordinary Course of Business that do not adversely affect the Company. The Company has not waived any rights under any such Contract. To the Knowledge of the Company, no event has occurred which either entitles, or would, with notice or lapse of time or both, entitle any party to any such Contract to declare breach, default or violation under any such Contract or to accelerate, or which does accelerate, the maturity of any Indebtedness of the Company under any such Contract. To the Knowledge of the Company, there is no reason to believe that any Contract with a customer will not remain in effect after the Closing through the remainder of its term or continue to generate substantially the same or more revenue after the Closing through the remainder of its term as it currently generates.

3.18. Tax Matters.

(a) The Company has or will have timely filed, or caused to be timely filed, all Tax Returns and reports required to be filed by it (taking into account all available extensions), which Tax Returns are true, accurate, correct and complete in all material respects, and has paid, collected or withheld, or caused to be paid, collected or withheld, all Taxes required to be paid, collected or withheld, other than such Taxes for which adequate reserves in the Company's financials have been established. The Company has complied with all applicable Laws relating to Tax.

(b) There is no current pending or, to the Knowledge of the Company, threatened Action against the Company by a Governmental Authority in a jurisdiction where the Company does not file Tax Returns that it is or may be subject to taxation by that jurisdiction.

(c) The Company is not being audited by any Tax authority or has not been notified in writing or, to the Knowledge of the Company, orally by any Tax authority that any such audit is contemplated or pending. There are no claims, assessments, audits, examinations, investigations or other Actions pending against the Company in respect of any Tax, and the Company has not been notified in writing of any proposed Tax claims or assessments against it (other than, in each case, claims or assessments for which adequate reserves in the Company's financials have been established).

(d) There are no Liens with respect to any Taxes upon the Company's assets, other than Permitted Liens.

(e) The Company has collected or withheld all Taxes currently required to be collected or withheld by it, and all such Taxes have been paid to the appropriate Governmental Authorities or set aside in appropriate accounts for future payment when due.

(f) The Company does not have any outstanding waivers or extensions of any applicable statute of limitations to assess any amount of Taxes. There are no outstanding requests by the Company for any extension of time within which to file any Tax Return or within which to pay any Taxes shown to be due on any Tax Return.

(g) The Company has not made any change in accounting method or received a ruling from, or signed an agreement with, any taxing authority that would reasonably be expected to have a material impact on its Taxes following the Closing.

(h) The Company does not have any Liability for the Taxes of another Person (other than the Company) (i) under any applicable Tax Law, (ii) as a transferee or successor, or (iii) by contract, indemnity or otherwise. The Company is not a party to or bound by any Tax indemnity agreement, Tax sharing agreement or Tax allocation agreement or similar agreement, arrangement or practice with respect to Taxes (including advance pricing agreement, closing agreement or other agreement relating to Taxes with any Governmental Authority) that will be binding on the Company with respect to any period following the Closing Date.

(i) The Company has not requested, or is it the subject of or bound by any private letter ruling, technical advice memorandum, closing agreement or similar ruling, memorandum or agreement with any Governmental Authority with respect to any Taxes, nor is any such request outstanding.

3.19. **Environmental Matters.** The Company has complied in all respects with all applicable Environmental Laws, and the Company has not received notice of any Actions pending or threatened against the Company or its assets (including the Leased Premises) relating to applicable Environmental Laws, Environmental Permits or Environmental Conditions. The Company does not have any environmental audits, environmental assessments, reports, sampling results, correspondence with Governmental Authorities or other environmental documents relating to the Company's past or current properties, facilities or operation. There are no Hazardous Materials that are being stored or are otherwise present on, under or about the Leased Premises, or, to the Knowledge of the Company, any real property formerly owned, leased or operated by the Company. The Company has not disposed of, or arranged to dispose of, Hazardous Materials at a disposal facility in a manner or to a location that has resulted or will result in liability to the Company under or relating to Environmental Laws. The Company has not assumed, contractually or by operation of Law, any liabilities or obligations under any Environmental Laws. The Company has not operated any above-ground or underground tanks, drum storage areas, disposal sites, or landfills, or created any Environmental Conditions at the Leased Premises. To the Knowledge of the Company, the Company has not released any Hazardous Materials on, under or about any real property constituting or connected with the Leased Premises, that requires investigation or remediation pursuant to Environmental Law or that otherwise is in violation of any requirement of any Environmental Law.

3.20. Employee Benefit Plans.

(a) Set forth on Schedule 3.20 is a true and complete list of each Foreign Plan of the Company (each a "*Company Benefit Plan*"). The Company has not ever maintained or contributed to (or had an obligation to contribute to) any "employee benefit plan" (as defined in Section 3(3) of ERISA).

(b) With respect to each Company Benefit Plan which covers any current or former officer, director, consultant or employee (or beneficiary thereof) of the Company, the Company has provided to Buyer accurate and complete copies, if applicable, of: (i) all Company Benefit Plans and related trust agreements or annuity Contracts (including any amendments, modifications or supplements thereto); (ii) the most recent annual and periodic accounting of plan assets; (iii) the most recent actuarial valuation; and (iv) all communications with any Governmental Authority concerning any matter that is still pending or for which the Company has any outstanding liability or obligation.

(c) With respect to each Company Benefit Plan: (i) such Company Benefit Plan has been administered and enforced in all material respects in accordance with its terms and the requirements of any and all applicable Laws, and has been maintained, where required, in good standing with applicable regulatory authorities and Governmental Authorities; (ii) no breach of fiduciary duty has occurred; (iii) no Action is pending, or to the Company's Knowledge, threatened (other than routine claims for benefits arising in the ordinary course of administration); and (iv) all contributions and premiums required to be made with respect to a Benefit have been timely made. The Company has not incurred any obligation in connection with the termination of, or withdrawal from, any Company Benefit Plan.

(d) The present value of the accrued benefit liabilities (whether or not vested) under each Company Benefit Plan, determined as of the end of the Company's most recently ended fiscal year on the basis of actuarial assumptions, each of which is reasonable, did not exceed the current value of the assets of such Company Benefit Plan allocable to such benefit liabilities.

(e) The consummation of the transactions contemplated by this Agreement and the Ancillary Documents will not: (i) entitle any individual to severance pay, unemployment compensation or other benefits or compensation; or (ii) accelerate the time of payment or vesting, or increase the amount of any compensation due, or in respect of, any individual.

(f) Except to the extent required by applicable Law, the Company does not provide health or welfare benefits to any former or retired employee or is not obligated to provide such benefits to any active employee following such employee's retirement or other termination of employment or service.

(g) All Company Benefit Plans can be terminated at any time as of or after the Closing Date without resulting in any liability to the Company, Buyer or their respective Affiliates for any additional contributions, penalties, premiums, fees, fines, excise taxes or any other charges or liabilities.

3.21. Employees and Labor Matters.

(a) Except as set forth in Schedule 3.21(a), the Company is not a party to any collective bargaining agreement or other Contract with any group of employees, labor organization or other representative of any of the employees of the Company and the Company has no Knowledge of any activities or proceedings of any labor union or other party to organize or represent such employees. There has not occurred or, to the Knowledge of the Company, been threatened any strike, slow-down, picketing, work-stoppage, or other similar labor activity with respect to any such employees. Schedule 3.21(a) sets forth all unresolved labor controversies (including unresolved grievances and age or other discrimination claims), if any, that are pending or, to the Knowledge of the Company, threatened between the Company and Persons employed by or providing services to the Company. No current officer or employee of the Company has provided the Company written or, to the Knowledge of the Company, oral notice of his or her plan to terminate his or her employment with the Company.

(b) Except as set forth in Schedule 3.21(b), the Company (i) is and has been in compliance in all material respects with all applicable Laws respecting employment and employment practices, terms and conditions of employment, health and safety and wages and hours, and other Laws relating to discrimination, disability, labor relations, hours of work, payment of wages and overtime wages, pay equity, immigration, workers compensation, working conditions, employee scheduling, occupational safety and health, family and medical leave, and employee terminations, and have not received written notice, or any other form of notice, that there is any pending Action involving unfair labor practices against the Company, (ii) is not liable for any material arrears of wages or any material penalty for failure to comply with any of the foregoing, and (iii) is not liable for any material payment to any Governmental Authority with respect to unemployment compensation benefits, social security or other benefits or obligations for employees, independent contractors or consultants (other than routine payments to be made in the ordinary course of business and consistent with past practice). There are no Actions pending or, to the Knowledge of the Company, threatened against the Company brought by or on behalf of any applicant for employment, any current or former employee, any Person alleging to be a current or former employee, or any Governmental Authority, relating to any such Law or regulation, or alleging breach of any express or implied contract of employment, wrongful termination of employment, or alleging any other discriminatory, wrongful or tortious conduct in connection with the employment relationship.

(c) Schedule 3.21(c) hereto sets forth a complete and accurate list of all employees of the Company showing for each as of that date (i) the employee's name, job title or description, employer, location, salary level (including any bonus, commission, deferred compensation or other remuneration payable (other than any such arrangements under which payments are at the discretion of the Company)), (ii) any bonus, commission or other remuneration other than salary paid during the calendar year ending December 31, 2019, and (iii) any wages, salary, bonus, commission or other compensation due and owing to each employee during or for the calendar year ending December 31, 2019. Except as set forth on Schedule 3.21(c), (A) no employee is a party to a written employment Contract with the Company, and (B) the Company has paid in full to all such employees all wages, salaries, commission, bonuses and other compensation due to its employees, including overtime compensation, and there are no severance payments which are or could become payable by the Company to any such employees under the terms of any written or, to the Company's Knowledge, oral agreement, or commitment or any Law, custom, trade or practice. Except as set forth in Schedule 3.21(c), each such employee has entered into the Company's standard form of employee non-disclosure, inventions and restrictive covenants agreement with the Company (whether pursuant to a separate agreement or incorporated as part of such employee's overall employment agreement), a copy of which has been provided to Buyer by the Company.

(d) Schedule 3.21(d) contains a list of all independent contractors (including consultants) currently engaged by the Company, along with the position, the entity engaging such Person, date of retention and rate of remuneration, most recent increase (or decrease) in remuneration and amount thereof, for each such Person. Except as set forth on Schedule 3.21(d), all of such independent contractors are a party to a written Contract with the Company. Except as set forth on Schedule 3.21(d), each such independent contractor has entered into customary covenants regarding confidentiality, non-competition and assignment of inventions and copyrights in such Person's agreement with the Company, a copy of which has been provided to Buyer by the Company. For the purposes of applicable Law, including the Code, all independent contractors who are currently, or within the last six (6) years have been, engaged by the Company are bona fide independent contractors and not employees of the Company. Each independent contractor is terminable on fewer than thirty (30) days' notice, without any obligation of the Company to pay severance or a termination fee

3.22. **Insurance.** The Company has maintained over the past three (3) years and now maintains insurance in amounts sufficient for its business, operations and assets and in such amounts and covering such risks as are usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Company operates. Schedule 3.22 lists all insurance policies (by policy number, insurer, location of property insured, annual premium, premium payment dates, expiration date, type (i.e., "claims made" or an "occurrences" policy), amount and scope of coverage) held by the Company relating to the Company or the business, assets, properties, directors, officers or employees of the Company, copies of which have been provided to Buyer. Each such insurance policy (i) is legal, valid, binding, enforceable and in full force and effect as of the Closing and (ii) will continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms immediately following the Closing. The Company is not in default with respect to its obligations under any insurance policy, nor has the Company ever been denied insurance coverage for any reason. The Company does not have any self-insurance or co-insurance programs. In the three (3) year period ending on the date hereof, the Company has not received any written or, to the Knowledge of the Company, oral notice from, or on behalf of, any insurance carrier relating to or involving any adverse change or any change other than in the Ordinary Course of Business, in the conditions of insurance, any refusal to issue an insurance policy or non-renewal of a policy, or requiring or suggesting material alteration of the Company's assets, purchase of additional equipment or material modification of the Company's methods of doing business. The Company has not made any claim against an insurance policy as to which the insurer is denying coverage. Schedule 3.22 identifies each individual insurance claim made by the Company since January 1, 2014. The Company has reported to its insurers all Actions and pending circumstances that would reasonably be expected to result in an Action, except where such failure to report such an Action would not be reasonably likely to be material to the Company. To the Knowledge of the Company, no event has occurred, and no condition or circumstance exists, that would reasonably be expected to (with or without notice or lapse of time) give rise to or serve as a basis for the denial of any such insurance claim.

3.23. **Transactions with Related Persons.** Except as set forth on Schedule 3.23, no Seller nor any of its Affiliates, nor any officer, director, manager, employee, trustee or beneficiary of the Company or any Affiliate of a Seller, nor any immediate family member of any of the foregoing (whether directly or indirectly through an Affiliate of such Person) (each of the foregoing, a "**Related Person**") is presently, or in the past three (3) years has been, a party to any transaction with the Company, including any Contract or other arrangement (a) providing for the furnishing of services by (other than as officers, directors or employees of the Company), (b) providing for the rental of real or personal property from or (c) otherwise requiring payments to (other than for services or expenses as directors, officers or employees of the Company in the Ordinary Course of Business) any Related Person or any Person in which any Related Person has an interest as an owner, officer, manager, director, trustee or partner or in which any Related Person has any direct or indirect interest. Except as set forth on Schedule 3.23, The Company does not have any outstanding Contract or other arrangement or commitment with any Related Person, and no Related Person owns any real or personal property, or right, tangible or intangible (including Intellectual Property) which is used in the Company's business. The Company's assets do not include any receivable or other obligation from a Related Person, and the Liabilities of the Company do not include any payable or other obligation or commitment to any Related Person. Schedule 3.23 specifically identifies all Contracts, arrangements or commitments set forth on Schedule 3.23 that cannot be terminated upon sixty (60) days notice by the Company party thereto without cost or penalty.

3.24. **Bank Accounts.** Schedule 3.24 lists the names and locations of all banks and other financial institutions with which the Company maintains an account (or at which an account is maintained to which the Company has access as to which deposits are made on behalf of the Company) (each, a "**Bank Account**"), in each case listing the type of Bank Account, the Bank Account number therefor, and the names of all Persons authorized to draw thereupon or have access thereto and lists the locations of all safe deposit boxes used by the Company. All cash in such Bank Accounts is held on demand deposit and is not subject to any restriction or limitation as to withdrawal.

3.25. **Suppliers and Customers; Products.** Schedule 3.25 lists, by dollar volume paid for each of (i) the fiscal year ended December 31, 2019 and (ii) the period from January 1, 2020 through March 31, 2020, the ten (10) largest suppliers of goods or services (the "**Top Suppliers**") and the ten (10) largest customers of the Company (the "**Top Customers**"). The relationships of the Company with such suppliers and customers are good commercial working relationships and (i) no Top Supplier or Top Customer within the last twelve (12) months has threatened to cancel or otherwise terminate, or, to the Knowledge of the Company, intends to cancel or otherwise terminate, any relationships of such Person with the Company, (ii) no Top Supplier or Top Customer has during the last twelve (12) months decreased materially or, to the Knowledge of the Company, (A) threatened to stop, decrease or limit materially, (B) intends to modify materially its relationships with the Company or (C) intends to stop, decrease or limit materially its products or services to the Company or its usage or purchase of the products or services of the Company, (iii) to the Knowledge of the Company, no Top Supplier or Top Customer intends to refuse to pay any amount due to the Company or seek to exercise any remedy against the Company, (iv) the Company has not, within the past year, been engaged in any material dispute with any Top Supplier or Top Customer, (v) no Top Customer has indicated that it desires or intends to effect a change in the Contract that would reduce the profit margin that the Company is expected to achieve in such Contract or otherwise change the material terms of such Contract or change the type of Contract by which such customer purchases good and/or services from the Company, and (vi) to the Knowledge of the Company, the acquisition by Buyer of the Purchased Shares and the consummation of the transactions contemplated by this Agreement and the Ancillary Documents will not negatively affect the relationship of the Company with any Top Supplier or Top Customer.

3.26. **Investment Representations.** Sellers understand that the shares of Buyer Common Stock to be acquired have not been registered under the Securities Act, or under the securities Laws of any state and, therefore, cannot be resold, pledged, assigned or otherwise disposed of unless they are subsequently registered under the Securities Act and under applicable securities Laws of certain states or unless an exemption from such registration is available. Sellers understand that the shares of Buyer Common Stock are "restricted securities" under applicable U.S. federal and state securities Laws and that, pursuant to these Laws, Sellers must hold the shares of Buyer Common Stock indefinitely unless they are registered with the SEC and qualified by state authorities, or an exemption from such registration and qualification requirements is available. Sellers further acknowledge that (a) there is no assurance that any exemption from registration or qualification will be available, and (b) if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the shares of Buyer Common Stock, and on requirements relating to Buyer which are outside of Sellers' control (including without limitation any current public information requirements of Rule 144 promulgated under the Securities Act or any similar or successor rule or regulation), and which Buyer is under no obligation and may not be able to satisfy, and therefore that there is no assurance that any such exemption will allow Sellers to dispose of, or otherwise transfer, all or any portion of the shares of Buyer Common Stock.

3.27. **Disclosure.** No representations or warranties by any Seller Party in this Agreement or any Ancillary Documents contains any untrue statement of material fact or omits to state, when read in conjunction with all of the information contained in this Agreement (including the Company Disclosure Schedules) and the Ancillary Documents, any fact necessary in order to make the statements herein or therein not materially misleading.

3.28. **No Brokers.** No Seller or the Company, nor any of their respective Representatives on their behalf, has employed any broker, finder or investment banker or incurred any liability for any brokerage fees, commissions, finders' fees or similar fees in connection with the transactions contemplated by this Agreement.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF BUYER

Except as set forth in (i) the disclosure schedules delivered by Buyer to the Company and the Sellers on the date hereof (the **Buyer Disclosure Schedules**), the Section numbers of which are numbered to correspond to the Section numbers of this Agreement to which they refer, or (ii) the SEC Reports that are available on the SEC's website through EDGAR, Buyer represents and warrants to the Seller Parties, as of the date of this Agreement and the Closing Date, as follows:

4.1. **Organization and Qualification.** Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Buyer is duly qualified or licensed to do business as a foreign corporation and is in good standing in each jurisdiction where such qualification or license is required, except where the failure to be so qualified or be so licensed would not have a material adverse affect on the ability of Buyer to consummate the transactions contemplated by, and discharge its obligations under, this Agreement and the Ancillary Documents to which Buyer is a party (a "**Buyer Material Adverse Effect**").

4.2. **Authorization.** Buyer has full corporate power and authority to enter into this Agreement and the Ancillary Documents to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Ancillary Documents to which Buyer is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of Buyer. This Agreement has been duly executed and delivered by Buyer. This Agreement and each Ancillary Document to which Buyer is a party constitutes a legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as the enforceability thereof may be limited by the Permitted Exceptions.

4.3. **Non-Contravention.** Neither the execution and delivery of this Agreement or any Ancillary Document by Buyer, nor the consummation of the transactions contemplated hereby or thereby, will violate or conflict with or (with or without notice or the passage of time or both) constitute a breach or default under (a) any provision of the Governing Documents of Buyer, (b) any Law or Order to which Buyer or any of its business or assets are bound or subject or (c) any Contract or Permit to which Buyer is a party or by which Buyer or any of its properties may be bound or affected, other than, in the cases of clauses (a) through (c), such violations and conflicts which would not reasonably be expected to have a Buyer Material Adverse Effect.

4.4. **No Brokers.** Neither Buyer, nor any Representative of Buyer on its behalf, has employed any broker, finder or investment banker or incurred any liability for any brokerage fees, commissions, finders' fees or similar fees in connection with the transactions contemplated by this Agreement.

4.5. **Litigation.** There is no Action pending or, to the Knowledge of Buyer, threatened, nor any Order of any Governmental Authority is outstanding, against or involving Buyer or any of its officers, directors, stockholders, properties, assets or businesses, whether at law or in equity, before or by any Governmental Authority, which would reasonably be expected to have a Buyer Material Adverse Effect.

4.6. **Investment Intent.** Buyer is acquiring the Purchased Shares for its own account and not with a view to its distribution within the meaning of Section 2(11) of the Securities Act, and the rules and regulations issued pursuant thereto. Buyer is an "accredited investor" within the meaning of Rule 501 under the Securities Act and was not organized for the specific purpose of acquiring the Purchased Shares. Buyer understands that the Purchased Shares has not been registered under the Securities Act and cannot be sold unless subsequently registered under the Securities Act or an exemption from such registration is available.

4.7. **[RESERVED].**

4.8. **No Other Representations and Warranties.** Except for the representations and warranties contained in this Agreement or the Ancillary Documents, Buyer makes no express or implied representations or warranties, and hereby disclaim any other representations and warranties, whether made orally or in writing, by or on behalf of Buyer by any Person.

ARTICLE V OTHER AGREEMENTS

5.1. **Further Assurances.** In the event that at any time after the Closing any further action is reasonably necessary to carry out the purposes of this Agreement, each of the parties will take such further action (including the execution and delivery of such further instruments and documents) as the other parties reasonably may request, at the sole cost and expense of the requesting party (unless otherwise specified herein or unless such requesting party is entitled to indemnification therefor under ARTICLE VI in which case, the costs and expense will be borne by the parties as set forth in ARTICLE VI). Each Seller acknowledges and agrees that from and after the Closing, Buyer will be entitled to possession of, and Sellers will provide to Buyer, all documents, books, records (including Tax records), agreements, corporate minute books and financial data of any sort relating to the Company.

5.2. **Confidentiality.** The Company and each Seller will, and will cause their respective Representatives to: (a) treat and hold in strict confidence any Confidential Information, and will not use for any purpose, nor directly or indirectly disclose, distribute, publish, disseminate or otherwise make available to any third party any of the Confidential Information without Buyer's prior written consent; (b) in the event that a Seller becomes legally compelled to disclose any Confidential Information, to provide Buyer with prompt written notice of such requirement so that Buyer or an Affiliate thereof may seek a protective order or other remedy or waive compliance with this Section 5.2; (c) in the event that such protective order or other remedy is not obtained, or Buyer waives compliance with this Section 5.2, to furnish only that portion of such Confidential Information which is legally required to be provided as advised in writing by outside counsel and to exercise their commercially reasonable efforts to obtain assurances that confidential treatment will be accorded such Confidential Information; and (d) to promptly furnish to Buyer any and all copies (in whatever form or medium) of all such Confidential Information and to destroy any and all additional copies of such Confidential Information and any analyses, compilations, studies or other documents prepared, in whole or in part, on the basis thereof; *provided, however*, that Confidential Information shall not include any information which, at the time of disclosure by a Seller or its Representatives, is generally available publicly and was not disclosed in breach of this Agreement by a Seller or its Representatives.

5.3. **Publicity.**

(a) The Company and the Sellers shall not, and each shall cause their respective Representatives not to, disclose, make or issue, any statement or announcement concerning this Agreement or the Ancillary Documents or the transactions contemplated hereby or thereby (including the terms, conditions, status or other facts with respect thereto) to any third parties (other than its Representatives who need to know such information in connection with carrying out or facilitating the transactions contemplated hereby) without the prior written consent of Buyer (such consent not to be unreasonably withheld, delayed or conditioned), except as required by applicable Law after conferring with the other parties concerning the timing and content of such required disclosure.

(b) Notwithstanding the foregoing in Section 5.3(a), Buyer and its Affiliates shall have the right to issue a press release announcing the execution of this Agreement (the "**Signing Press Release**"). Promptly after the issuance of the Signing Press Release, Buyer and its Affiliates shall have the right to file a current report on Form 8-K (the "**Signing Filing**") with the Signing Press Release and a description of this Agreement as required by Federal Securities Laws, which the Seller Representative may review and comment upon prior to filing (and Buyer shall consider such comments in good faith). After the Closing (but in any event within four (4) Business Days thereafter), Buyer and its Affiliates shall have the right to issue a press release announcing the consummation of the transactions contemplated by this Agreement (the "**Closing Press Release**"). Promptly after the issuance of the Closing Press Release, Buyer and its Affiliates shall have the right to draft and file a current report on Form 8-K (the "**Closing Filing**") with the Closing Press Release and a description of the Closing as required by Federal Securities Laws which the Seller Representative may review and comment upon prior to filing (and Buyer shall consider such comments in good faith). For the avoidance of doubt, neither the Seller Representative nor the Company shall have any right to consent or approve, or deny consent or approval with respect to, the Signing Press Release, the Signing Filing, the Closing Press Release or the Closing Filing.

5.4. **No Trading.** The Company and the Sellers acknowledge and agree that each is aware, and that the Company's Affiliates are aware (and to the knowledge of the Company each of their respective Representatives is aware or, upon receipt of any material nonpublic information of Buyer, will be advised) of the restrictions imposed by U.S. federal securities laws and the rules and regulations of the SEC and Nasdaq promulgated thereunder or otherwise (the "**Federal Securities Laws**") and other applicable foreign and domestic Laws on a Person possessing material nonpublic information about a publicly traded company. The Company and each Seller hereby agree that, while such Party is in possession of such material nonpublic information, it shall not purchase or sell any securities of the Buyer), communicate such information to any third party, take any other action with respect to the Buyer in violation of such Laws, or cause or encourage any third party to do any of the foregoing.

5.5. **Litigation Support.** Following the Closing, in the event that and for so long as any party is actively contesting or defending against any third party or Governmental Authority Action in connection with any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act or transaction that existing on or prior to the Closing Date involving the Company, each of the other parties will (i) reasonably cooperate with the contesting or defending party and its counsel in the contest or defense, (ii) make available its personnel at reasonable times and upon reasonable notice and (iii) provide (A) such testimony and (B) access to its non-privileged books and records as may be reasonably requested in connection with the contest or defense, at the sole cost and expense of the contesting or defending party (unless such contesting or defending party is entitled to indemnification therefor under ARTICLE VI in which case, the costs and expense will be borne by the parties as set forth in ARTICLE VI).

5.6. **Agreement Regarding Intellectual Property.** Each Seller has already disclosed or will disclose to the Company as of the Closing any and all Intellectual Property developed by such Seller on behalf of the Company or relating to the business of the Company, including Intellectual Property used in the Company's business, and Intellectual Property intended for future use in the Company's business, and each does hereby assign to the Company any and all right, title and interest that such Seller may have in and to such Intellectual Property. Each Seller represents that it has not made any assignment of, or granted any rights in any such Intellectual Property to any Person other than the Company, and has not disclosed such Intellectual Property to any third party. Upon Buyer's or the Company's request at any time, including any time after the Closing, such Seller will execute and deliver to Buyer or the Company such other documents as Buyer or the Company deems necessary or desirable to vest in the Company the sole ownership of and exclusive worldwide rights in and to, all of such Intellectual Property. Each Seller will deliver to the Company all copies or embodiments of such Intellectual Property in any media in such Seller's possession at or prior to the Closing.

5.7. **Release and Covenant Not to Sue.** Effective as of the Closing, each Seller hereby releases and discharges the Company from and against any and all Actions, obligations, agreements, debts and Liabilities whatsoever, whether known or unknown, both at law and in equity, which such Seller now has, has ever had or may hereafter have against the Company arising on or prior to the Closing Date or on account of or arising out of any matter occurring on or prior to the Closing Date, including any rights to indemnification or reimbursement from the Company, whether pursuant to its Governing Documents, Contract or otherwise, and whether or not relating to claims pending on, or asserted after, the Closing Date. From and after the Closing, each Seller hereby irrevocably covenants to refrain from, directly or indirectly, asserting any Action, or commencing or causing to be commenced, any Action of any kind against the Company or its Affiliates, based upon any matter purported to be released hereby. Notwithstanding anything herein to the contrary, the releases and restrictions set forth herein shall not apply to any claims a Seller may have against any party pursuant to the terms and conditions of this Agreement or any Ancillary Document.

5.8. **Tax Matters.**

(a) The Seller Representative will prepare or cause to be prepared and file or cause to be filed all Tax Returns for the Company for all periods ending on or prior to the Closing Date which are required to be filed after the Closing Date. Any Tax Returns filed pursuant to this Section 5.8(a) must be consistent with the prior Tax Returns of the Company unless otherwise required by applicable Laws. No later than twenty (20) days prior to filing, the Seller Representative will deliver to Buyer all such Tax Returns and any related work papers and will permit Buyer to review and comment on each such Tax Return and will make such revisions to such Tax Returns as are reasonably requested by Buyer. Sellers, jointly and severally, will timely pay to the appropriate Taxing Authority any Taxes of the Company with respect to such periods to the extent such Taxes were not included as a liability in the calculation of Net Working Capital included in the Final Statement.

(b) To the extent that any Tax Returns of the Company relates to any Tax periods which begin on or before the Closing Date and end after the Closing Date, Buyer will prepare or cause to be prepared in a manner consistent with the prior Tax Returns of the Company unless otherwise required by applicable Laws and file or cause to be filed any such Tax Returns. Buyer will permit the Seller Representative to review and comment on each such Tax Return described in the preceding sentence at least twenty (20) days prior to filing such Tax Returns and will make such revisions to such Tax Returns as are reasonably requested by the Seller Representative unless otherwise required by applicable Law.

(c) For purposes of this Agreement, in the case of any Taxes that are imposed on a periodic basis and are payable for a taxable period that includes but does not end on the Closing Date, the portion of such Tax which relates to the portion of such taxable period ending on the Closing Date will (i) in the case of any Taxes other than Taxes based upon or related to income or receipts, be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction (A) the numerator of which is the number of days in the taxable period ending on the Closing Date and (B) the denominator of which is the number of days in the entire taxable period, and (ii) in the case of any Tax based upon or related to income or receipts be deemed equal to the amount which would be payable if the relevant taxable period ended on the Closing Date. Any credits relating to a taxable period that begins before and ends after the Closing Date will be taken into account as though the relevant taxable period ended on the Closing Date. All determinations necessary to give effect to the foregoing allocations will be made in a manner consistent with IFRS and the prior practice of the Company unless otherwise required by applicable Law.

(d) All Tax sharing agreements or similar agreements with respect to or involving the Company and any Person will be terminated as of the Closing Date and, after the Closing Date, the Company will not be bound thereby or have any Liability thereunder.

(e) All Taxes imposed in connection with the transfer of the Purchased Shares ("**Transfer Taxes**"), whether such Taxes are assessed initially against Buyer, any Seller Party or any of their respective Affiliates, shall be borne and paid jointly and severally by Sellers.

5.9. **Endorsement of Company Shares.** Promptly after the Closing, but no later than thirty (30) days after the date hereof, the Parties shall use commercially reasonable efforts to submit the share certificate to be issued to Buyer as a "non-resident" of South Africa to a commercial bank for endorsement.

ARTICLE VI INDEMNIFICATION

6.1. **Survival.** All representations and warranties of Sellers and Buyer contained in this Agreement (including all schedules and exhibits hereto and all certificates, documents, instruments and undertakings furnished pursuant to this Agreement) shall survive the Closing through and until fifteen (15) months after the Closing Date; *provided, however*, that (i) the representations and warranties contained in Sections 3.18 (Tax Matters), 3.19 (Environmental Matters) and 3.20 (Employee Benefits Plans) shall survive until sixty (60) days after the expiration of the applicable statute of limitations, (ii) the representations and warranties contained in Sections 3.1 (Organization and Qualification), 3.2 (Authorization and Binding Effect; Corporate Documentation), 3.3 (Title to the Purchased Shares), 3.4 (Capitalization), 3.5 (Subsidiaries), 3.27 (No Brokers), 4.1 (Organization and Qualification), 4.2 (Authorization) and 4.4 (No Brokers) will survive indefinitely (such representations and warranties in clauses (i) through (ii), collectively, the "**Special Reps**"). For purposes of this Agreement, the "**Survival Date**" with respect to any representation or warranty shall mean the date when such representation or warranty shall survive in accordance with this Section 6.1. If written notice of a claim for breach of any representation or warranty has been given on or before the applicable Survival Date for such representation or warranty, then the relevant representations and warranties shall survive as to such claim, until the claim has been finally resolved. All covenants, obligations and agreements of the parties contained in this Agreement (including all schedules and exhibits hereto and all certificates, documents, instruments and undertakings furnished pursuant to this Agreement), including any indemnification obligations, shall survive the Closing and continue until fully performed in accordance with their terms. For the avoidance of doubt, a claim for indemnification under any subsection of Section 6.2 or 6.3 other than clauses (a) may be made at any time.

6.2. **Indemnification by Sellers.** Except as otherwise limited by this ARTICLE VI, the Sellers shall jointly and severally indemnify, defend and hold harmless Buyer and its Representatives and any assignee or successor thereof (collectively, the "**Buyer Indemnified Parties**") from and against, and pay or reimburse Buyer Indemnified Parties for, any and all losses, Actions, Orders, Liabilities, damages (including consequential damages), diminution in value, Taxes, interest, penalties, Liens, amounts paid in settlement, costs and expenses (including reasonable expenses of investigation and court costs and reasonable attorneys' fees and expenses), (any of the foregoing, a "**Loss**") suffered or incurred by, or imposed upon, any Buyer Indemnified Party arising in whole or in part out of or resulting directly or indirectly from: (a) any inaccuracy in or breach of any representation or warranty made by a Seller Party in this Agreement (including all schedules and exhibits hereto) or any Ancillary Document; (b) any non-fulfillment or breach of any unwaived covenant, obligation or agreement made by or on behalf of a Seller or, at or prior to the Closing, the Company contained in this Agreement (including all schedules and exhibits hereto) or any Ancillary Document; (c) any underestimation of the Transaction Expenses, or the amount of Closing Debt set forth in the Estimated Closing Statement; (d) any and all Liabilities for (i) Taxes in connection with or arising out of the Company's assets, employees (including pursuant to Section 409A of the Code), securities, activities or business on or prior to the Closing Date (determined with respect to taxable periods that begin before and end after the Closing Date in accordance with the allocation provisions of 6.11(c)) in excess of the amount of Taxes reflected as a current liability in the computation of the Net Working Capital in the Final Statement or (ii) Transfer Taxes; or (e) any Action by Person(s) who were holders of equity securities of the Company, including stock options, warrants, convertible debt or other convertible securities or other rights to acquire equity securities of the Company, prior to the Closing arising out of the sale, purchase, termination, cancellation, expiration, redemption or conversion of any such securities.

6.3. **Indemnification by Buyer.** Except as otherwise limited by this ARTICLE VI, Buyer shall indemnify, defend and hold harmless each Seller and its Representatives and any assignee or successor thereof (collectively, the "**Seller Indemnified Parties**") from and against, and pay or reimburse the Seller Indemnified Parties for, any and all Losses, suffered or incurred by, or imposed upon, any Seller Indemnified Party arising in whole or in part out of or resulting directly or indirectly from: (a) any inaccuracy in or breach of any representation or warranty made by Buyer in this Agreement (including all schedules and exhibits hereto) or any Ancillary Document; or (b) any non-fulfillment or breach of any unwaived covenant, obligation or agreement made by or on behalf of Buyer or, after the Closing, the Company contained in this Agreement (including all schedules and exhibits hereto) or any Ancillary Document.

6.4. **Indemnification Procedures.**

(a) For the purposes of this Agreement, (i) the term "**Indemnitee**" shall refer to the Person or Persons indemnified, or entitled, or claiming to be entitled, to be indemnified, pursuant to the provisions of Section 6.2 or 6.3, as the case may be, and (ii) the term "**Indemnitor**" shall refer to the Person having the actual or alleged obligation to indemnify pursuant to such provisions. Notwithstanding anything to the contrary contained in this Agreement, the Seller Representative will have the sole and exclusive right to act on behalf of the Seller Indemnified Parties with respect to any indemnification claims made pursuant to this ARTICLE VI, including bringing and settling any claims hereunder and receiving any notices on behalf of the Seller Indemnified Parties.

(b) In the case of any claim for indemnification under this Agreement arising from a claim of a third party (including any Governmental Authority), an Indemnitee must give prompt written notice and, subject to the following sentence, in no case later than thirty (30) days after the Indemnitee's receipt of notice of such claim, to the Indemnitor of any claim of which such Indemnitee has knowledge and as to which it may request indemnification hereunder. The failure to give such notice will not, however, relieve an Indemnitor of its indemnification obligations except to the extent that the Indemnitor is actually harmed thereby. The Indemnitor will have the right to defend and to direct the defense against any such claim in its name and at its expense, and with counsel selected by the Indemnitor unless: (i) the Indemnitor fails to acknowledge fully its obligations to the Indemnitee within fifteen (15) days after receiving notice of such third party claim or contests, in whole or in part, its indemnification obligations therefor; (ii) if the Indemnitor is Buyer, the applicable third party claimant is a Governmental Authority or a then-current customer of Buyer, the Company or any of their respective Affiliates; (iii) if the Indemnitor is Buyer, an adverse judgment with respect to the claim will establish a precedent materially adverse to the continuing business interests of Buyer, the Company or their respective Affiliates; (iv) there is a conflict of interest between the Indemnitee and the Indemnitor in the conduct of such defense; (v) the applicable third party alleges claims of fraud, willful misconduct or intentional misrepresentation; or (vi) such claim is criminal in nature, could reasonably be expected to lead to criminal proceedings, or seeks an injunction or other equitable relief against the Indemnitee. If the Indemnitor elects, and is entitled, to compromise or defend such claim, it will within fifteen (15) days (or sooner, if the nature of the claim so requires) notify the Indemnitee of its intent to do so, and the Indemnitee will, at the request and expense of the Indemnitor, cooperate in the defense of such claim. If the Indemnitor elects not to, or is not entitled under this Section 6.4(b) to, compromise or defend such claim, fails to notify the Indemnitee of its election as herein provided or refuses to acknowledge or contests its obligation to indemnify under this Agreement, the Indemnitee may pay, compromise or defend such claim. Notwithstanding anything to the contrary contained herein, the Indemnitor will have no indemnification obligations with respect to any such claim which has been or will be settled by the Indemnitee without the prior written consent of the Indemnitor (which consent will not be unreasonably withheld, delayed or conditioned); provided, however, that notwithstanding the foregoing, the Indemnitee will not be required to refrain from paying any claim which has matured by a court judgment or decree, unless an appeal is duly taken therefrom and exercise thereof has been stayed, nor will it be required to refrain from paying any claim where the delay in paying such claim would result in the foreclosure of a Lien upon any of the property or assets then held by the Indemnitee or where any delay in payment would cause the Indemnitee material economic loss. The Indemnitor's right to direct the defense will include the right to compromise or enter into an agreement settling any claim by a third party; provided that no such compromise or settlement will obligate the Indemnitee to agree to any settlement that requires the taking or restriction of any action (including the payment of money and competition restrictions) by the Indemnitee (other than the delivery of a release for such claim and customary confidentiality obligations), except with the prior written consent of the Indemnitee (such consent to be withheld, conditioned or delayed only for a good faith reason). Notwithstanding the Indemnitor's right to compromise or settle in accordance with the immediately preceding sentence, the Indemnitor may not settle or compromise any claim over the objection of the Indemnitee; provided, however, that consent by the Indemnitee to settlement or compromise will not be unreasonably withheld, delayed or conditioned. The Indemnitee will have the right to participate in the defense of any claim with counsel selected by it subject to the Indemnitor's right to direct the defense. The fees and disbursements of such counsel will be at the expense of the Indemnitee; provided, however, that, in the case of any claim which seeks injunctive or other equitable relief against the Indemnitee, the fees and disbursements of such counsel will be at the expense of the Indemnitor.

(c) Any indemnification claim that does not arise from a third party claim must be asserted by a written notice to the Indemnitor setting forth with reasonable specificity the amount claimed and the underlying facts supporting such claim to the extent then known by the Indemnitee. The Indemnitor will have a period of thirty (30) days after receipt of such notice within which to accept or dispute such claim by providing written notice to the Indemnitee. Any disputes that the parties are not mutually able to resolve within fifteen (15) days after the Indemnitor has provided written notice of its dispute of such claim (or the end of such thirty (30) day period, whichever is earlier), shall be immediately referred to and finally resolved by arbitration in New York, New York, in accordance with the Expedited Procedures of the Commercial Arbitration Rules (the "**Arbitration Rules**") of the American Arbitration Association ("**AAA**") in force at such time, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The arbitration shall be conducted by one arbitrator nominated by the AAA promptly (but in any event within three (3) Business Days) after the submission of the dispute to the AAA and reasonably acceptable to each party. The arbitrator shall accept his or her appointment and begin the arbitration process promptly (but in any event within three (3) Business Days) after his or her nomination and acceptance by the parties. The arbitrator shall decide the Expedited Dispute in accordance with the substantive law of the State of New York and otherwise in accordance with the terms of this Agreement. To the extent that the Arbitration Rules and this Agreement are in conflict, the terms of this Agreement shall control. The arbitration proceedings shall be streamlined and efficient; time is of the essence. Each party shall submit a proposal for resolution of the dispute to the arbitrator within ten (10) Business Days after confirmation of the appointment of the arbitrator. The arbitrator shall have the power to order any party to do, or to refrain from doing, anything consistent with this Agreement and applicable Law, including to perform its contractual obligation(s); provided, that the arbitrator shall be limited to ordering pursuant to the foregoing power (and, for the avoidance of doubt, shall order) the relevant party to comply with only one or the other of the proposals. The arbitrator's award shall be in writing and shall include a reasonable explanation of the arbitrator's reason(s) for selecting one or the other proposal. This agreement to arbitrate shall be specifically enforceable and following the Closing shall be the sole and exclusive remedy of the Indemnitee for any indemnification claim that does not arise from a third party claim.

6.5. **Limitations on Indemnification.** No Indemnitor shall be liable for an indemnification claim made under clause (a) of Section 6.2 or 6.3, as the case may be: (x) for which a claim for indemnification is not asserted hereunder on or before the applicable Survival Date; (y) to the extent Losses incurred by the Buyer Indemnified Parties in the aggregate under clause (a) of Section 6.2 or by the Seller Indemnified Parties in the aggregate under clause (a) of Section 6.3, as applicable, exceed an amount equal to ten percent (10%) of the Purchase Consideration (the "**Indemnification Cap**"); provided, that with respect to any claims for breaches of any Special Reps, the Indemnification Cap shall be equal to the Purchase Consideration; and (z) unless and until the Losses of the Buyer Indemnified Parties, collectively, or the Seller Indemnified Parties, collectively, as applicable, exceed an aggregate amount equal to \$5,000 (the "**Basket**"), in which case the applicable Indemnitor(s) shall be obligated to the Indemnitee(s) for the amount of all Losses of the Indemnitee(s) (including the first dollar of Losses of the Buyer Indemnified Parties or the Seller Indemnified Parties, as applicable, required to reach the Basket); provided, however, that the Basket and the Indemnification Cap shall not apply to (i) indemnification claims to the extent amounts are actually paid under insurance maintained by the Indemnitor (or any of its Affiliates) and (ii) indemnification claims based in whole or in part upon fraud, willful misconduct or intentional misrepresentation. The Basket and the Indemnification Cap shall apply only to indemnification claims made under clause (a) of Section 6.2 or 6.3 and shall not affect or apply to any other indemnification claim made pursuant to this Agreement, including those asserted under any other clause of Section 6.2 or 6.3.

6.6. **General Indemnification Provisions.** The amount of any Losses suffered or incurred by any Indemnitee shall be reduced by the amount of any insurance proceeds or other cash receipts paid to the Indemnitee or any Affiliate thereof as a reimbursement with respect to such Losses (and no right of subrogation shall accrue to any insurer hereunder, except to the extent that such waiver of subrogation would prejudice any applicable insurance coverage), including any indemnification received by the Indemnitee or such Affiliate from an unrelated party with respect to such Losses, net of the costs of collection and any related anticipated future increases in insurance premiums resulting from such Loss or insurance payment. No investigation by Buyer or its Representatives, on the one hand, or the Seller Parties or their Representatives, on the other hand, or knowledge by Buyer or its Representatives, on the one hand, or the Seller Parties or their Representatives, on the other hand, of a breach of a representation or warranty of the other set of parties shall affect such other set of parties' representations and warranties or the recourse available to such first party or any other Indemnitee of such first party under any provision of this Agreement (including ARTICLE VI with respect thereto. Notwithstanding anything in this Agreement to the contrary, for purposes of application of the indemnification provisions of this ARTICLE VI, the amount of any Loss arising from the breach of any representation, warranty, covenant, obligation or agreement contained in this Agreement shall be the entire amount of any Loss actually incurred by the respective Indemnitee as a result of such breach and not just that portion of the Loss that exceeds the relevant level of materiality, if any. No Seller will have any right to seek contribution from the Company or Buyer with respect to all or any part of such Seller's indemnification obligations under this ARTICLE VI. The Buyer Indemnified Parties will not be required to make any claim against the Company in respect of any representation, warranty, covenant or any other obligation of the Company to Buyer hereunder or under any Ancillary Document to which the Company is a party, and may solely seek action against Sellers. Unless otherwise required by applicable Law, all indemnification payments will constitute adjustments to the Purchase Consideration for all Tax purposes, and no party may take any position inconsistent with such characterization.

6.7. **Timing of Payment; Right to Set-Off; Recovery of Shares.** Any indemnification obligation of an Indemnitor under this ARTICLE VI which results in an out of pocket payment will be paid within three (3) Business Days after the determination of such obligation in accordance with Section 6.4. The provisions of this ARTICLE VI notwithstanding, at its sole discretion and without limiting any other rights of the Buyer Indemnified Parties under this Agreement or any Ancillary Document or at law or equity, to the extent that a Buyer Indemnified Party is entitled to indemnification hereunder, if a Seller fails or refuses to promptly indemnify such Buyer Indemnified Party as provided herein then Buyer (or any other Buyer Indemnified Party) may offset the full amount to which such Buyer Indemnified Party is entitled, in whole or in part, by reducing the amount of any payment or other obligation due to such Seller pursuant to this Agreement or any Ancillary Document, including any amounts owed by Buyer pursuant to any outstanding indemnification claim. Without limiting any of the foregoing or any other rights of the Buyer Indemnified Parties under this Agreement or any Ancillary Document or at law or equity, in the event that a Seller fails or refuses to promptly indemnify a Buyer Indemnified Party as provided herein or otherwise fails or refuses to make any payments required under any Ancillary Document, in either case, where it is established that such Seller is obligated to provide such indemnification or to make such payment, the Buyer shall, in its sole discretion, be entitled to re-claim a portion of the unvested shares of Buyer Common Stock then owned by such Seller up to an amount equal in value (based on the Buyer Common Stock Price) to the amount owed by such Seller. In the event that such Seller fails to promptly transfer any such unvested shares of Buyer Common Stock to Buyer pursuant to this Section 6.7, Buyer shall be and hereby is authorized as the attorney-in-fact for such Seller to transfer such shares back to Buyer as required by this Section 6.7, and may cancel the stock certificates for such Shares on its books and records.

ARTICLE VII GENERAL PROVISIONS

7.1. **Expenses** Except as otherwise expressly set forth elsewhere in this Agreement, Buyer will bear its own legal and other fees and expenses incurred in connection with its negotiating, executing and performing this Agreement, including any related broker's or finder's fees, and the Seller Parties will bear their respective legal and other fees and expenses incurred in connection with their negotiating, executing and performing this Agreement, including any related broker's or finder's fees, for periods on or before the Closing Date. Sellers agree that the fees and expenses of the Seller Parties for periods on or before the Closing Date will be paid by Sellers or by Buyer on behalf of Sellers in accordance with Section 1.3. Sellers will bear their own legal and other fees and expenses incurred in connection with this Agreement after the Closing, including any costs and expenses incurred by the Seller Representative on their behalf, subject to the provisions of this Agreement.

7.2. **Notices.** Any notice, request, instruction or other document to be given hereunder by a party hereto shall be in writing and shall be deemed to have been given, (i) when received if given in person or by courier or a courier service, (ii) on the date of transmission if sent by facsimile or email (with affirmative confirmation of receipt, and provided, that the party providing notice shall within two (2) Business Days provide notice by another method under this Section 7.2) or (iii) three (3) Business Days after being deposited in the U.S. mail, certified or registered mail, postage prepaid:

If to the Seller Representative, any Seller or, prior to the Closing, the Company, to:

Josh Loock
24 La Quinta Street, Silverlakes Golf Estate, Pretoria, South Africa
Email: josh@roboroidustries.com

with a copy (which will not constitute notice) to:

Marius Blom Ing/Inc
409B Lea Street, Waterkloof Glen
Pretoria, 0181, South Africa
Attention: Nicola Van Der Walt
Telephone No: +27 12 004 0244
Email: nicola@mariusblom.co.za

If to Buyer or, after the Closing, the Company, to:

Byrna Technologies Inc.
107 Audubon Road, Building 2, Suite 201
Wakefield, Massachusetts 01880
Attention: Bryan S. Ganz
Telephone No.: (978) 868-5011

with a copy (which will not constitute notice) to:

Ellenoff Grossman & Schole LLP
1345 Avenue of the Americas, 11th Floor
New York, New York 10105
Attention: Barry Grossman, Esq.
Facsimile No.: (212) 370-7889
Telephone No.: (212) 370-1300

or to such other individual or address as a party hereto may designate for itself by notice given as herein provided.

7.3. **Sellers Not Authorized to Act on Behalf of Buyer.** In the event that a Seller becomes a director, officer, employee or other authorized agent of Buyer or its Affiliates (including, after the Closing, the Company), such Seller shall have no authority, express or implied, to act or make any determination on behalf of Buyer or its Affiliates in connection with this Agreement or any Ancillary Document or the consummation of the transactions contemplated hereby and thereby or any dispute or Action with respect thereto.

7.4. **Severability.** In case any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions will not in any way be affected or impaired. Any illegal or unenforceable term will be deemed to be void and of no force and effect only to the minimum extent necessary to bring such term within the provisions of applicable Law and such term, as so modified, and the balance of this Agreement will then be fully enforceable. The parties will substitute for any invalid, illegal or unenforceable provision a suitable and equitable provision that carries out, so far as may be valid, legal and enforceable, the intent and purpose of such invalid, illegal or unenforceable provision.

7.5. **Assignment.** This Agreement may not be assigned by any party without the prior written consent of the other parties hereto, and any attempted assignment in violation of this Section 7.5 will be null and void ab initio; provided, however, that after the Closing, Buyer and the Company may assign its rights and benefits hereunder (i) to any Affiliate of Buyer or the Company, as applicable (provided, that Buyer or the Company, as applicable, shall remain primarily responsible for its obligations hereunder and the assignee expressly assumes the obligations of Buyer or the Company, as applicable, hereunder), (ii) to any Person acquiring all or substantially all of the assets of Buyer and its Subsidiaries taken as a whole or all or substantially all of the assets of the Company and its Subsidiaries taken as a whole or a majority of the outstanding equity securities of Buyer or the Company (whether by stock purchase, merger, consolidation or otherwise); provided, that the assignee expressly assumes the obligations of Buyer or the Company, as applicable, hereunder) or (iii) as security to any Person providing debt financing to Buyer for the transactions contemplated hereby. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon and inure to the benefit of the successors and permitted assigns of each party hereto. Notwithstanding the foregoing, the parties acknowledge that any replacement Seller Representative shall automatically become a party to this Agreement in place of the replaced Seller Representative upon his or her appointment and acceptance in accordance with Section 7.14 hereof.

7.6. **No Third-Party Beneficiaries.** Except for the indemnification rights of the Buyer Indemnified Parties and the Seller Indemnified Parties set forth herein, this Agreement is for the sole benefit of the parties hereto and their successors and permitted assigns and nothing herein expressed or implied shall give or be construed to give to any Person, other than the parties hereto and such successors and permitted assigns, any legal or equitable rights hereunder.

7.7. **Amendment; Waiver.** This Agreement may not be amended or modified except by an instrument in writing signed by each of the parties hereto. Notwithstanding anything to the contrary contained herein: (a) the failure of any party at any time to require performance by the other of any provision of this Agreement will not affect such party's right thereafter to enforce the same; (b) no waiver by any party of any default by any other party will be valid unless in writing and acknowledged by an authorized representative of the non-defaulting party, and no such waiver will be taken or held to be a waiver by such party of any other preceding or subsequent default; and (c) no extension of time granted by any party for the performance of any obligation or act by any other party will be deemed to be an extension of time for the performance of any other obligation or act hereunder.

7.8. **Entire Agreement.** This Agreement (including the Exhibits and Schedules hereto, which are hereby incorporated herein by reference and deemed part of this Agreement), together with the Ancillary Documents constitute the entire agreement among the parties hereto with respect to the subject matter hereof and supersede all prior agreements and undertakings, both written and oral, with respect to the subject matter hereof.

7.9. **Specific Performance.** Each Party acknowledges that the rights of each Party to consummate the transactions contemplated hereby are unique, recognizes and affirms that in the event of a breach of this Agreement by any Party, money damages may be inadequate and the non-breaching Parties may have not adequate remedy at law, and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed by an applicable Party in accordance with their specific terms or were otherwise breached. Accordingly, each of Buyer, the Company and the Seller Representative shall be entitled to seek an injunction or restraining order to prevent breaches of this Agreement and to seek to enforce specifically the terms and provisions hereof, without the requirement to post any bond or other security or to prove that money damages would be inadequate, this being in addition to any other right or remedy to which such Party may be entitled under this Agreement, at law or in equity.

7.10. **Governing Law; Jurisdiction; Waiver of Jury Trial.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York (without giving effect to its choice of law principles). Subject to Sections 1.5(b), 1.2 and 6.4(c), for purposes of any Action arising out of or in connection with this Agreement, the Ancillary Documents or any transaction contemplated hereby or thereby, each of the parties hereto (a) irrevocably submits to the exclusive jurisdiction and venue of any state or federal court located within New York County, State of New York, (b) agrees that service of any process, summons, notice or document by U.S. registered mail to such party's respective address set forth in Section 7.2 shall be effective service of process for any Action with respect to any matters to which it has submitted to jurisdiction in this Section 7.10, and (c) waives and covenants not to assert or plead, by way of motion, as a defense or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of such court, that the Action is brought in an inconvenient forum, that the venue of the Action is improper or that this Agreement or the Ancillary Document, as applicable, or the subject matter hereof or thereof may not be enforced in or by such court, and hereby agrees not to challenge such jurisdiction or venue by reason of any offsets or counterclaims in any such Action. The parties hereto hereby knowingly, voluntarily and intentionally waive the right any may have to a trial by jury in respect to any litigation based hereon, or arising out of, under, or in connection with this Agreement and any agreement contemplated to be executed in connection herewith, or any course of conduct, course of dealing, statements (whether verbal or written) or actions of any party in connection with such agreements.

7.11. **Interpretation.** The table of contents and the headings and subheadings of this Agreement are for reference and convenience purposes only and in no way modify, interpret or construe the meaning of specific provisions of the Agreement. In this Agreement, unless the context otherwise requires: (i) whenever required by the context, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity; (iii) any accounting term used and not otherwise defined in this Agreement or any Ancillary Document has the meaning assigned to such term in accordance with GAAP or IFRS; (iv) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding or succeeding such term and shall be deemed in each case to be followed by the words "without limitation"; (v) the words "herein," "hereto," and "hereby" and other words of similar import in this Agreement shall be deemed in each case to refer to this Agreement as a whole and not to any particular Section or other subdivision of this Agreement; (vi) the word "if" and other words of similar import when used herein shall be deemed in each case to be followed by the phrase "and only if"; (vii) the term "or" means "and/or"; (viii) reference to any status includes any rules and regulations promulgated thereunder; (ix) any agreement, instrument, insurance policy, Law or Order defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument, insurance policy, Law or Order as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes, regulations, rules or orders) by succession of comparable successor statutes, regulations, rules or orders and references to all attachments thereto and instruments incorporated therein; and (x) except as otherwise indicated, all references in this Agreement to the words "Section," "Schedule" and "Exhibit" are intended to refer to Sections, Schedules and Exhibits to this Agreement. To the extent that any Contract, document, certificate or instrument is represented or warranted to by a Seller Party to be given, delivered, provided or made available by any Seller Party, in order for such Contract, document, certificate or instrument to have been deemed to have been given, delivered, provided and made available to Buyer, such Contract, document, certificate or instrument shall have been posted to the Data Site, and Buyer and their Representatives shall have been given access to the electronic folders containing such information through the Closing.

7.12. **Mutual Drafting.** The parties acknowledge and agree that: (a) this Agreement and the Ancillary Documents are the result of negotiations between the parties and will not be deemed or construed as having been drafted by any one party, (b) each party and its counsel have reviewed and negotiated the terms and provisions of this Agreement (including any, Exhibits and Schedules attached hereto) and the Ancillary Documents and have contributed to their revision, (c) the rule of construction to the effect that any ambiguities are resolved against the drafting party will not be employed in the interpretation of this Agreement or the Ancillary Documents and (d) neither the drafting history nor the negotiating history of this Agreement or the Ancillary Documents may be used or referred to in connection with the construction or interpretation thereof.

7.13. **Counterparts.** This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. A photocopy, faxed, scanned and/or emailed copy of this Agreement or any Ancillary Document or any signature page to this Agreement or any Ancillary Document, shall have the same validity and enforceability as an originally signed copy.

7.14. **Seller Representative.**

(a) By the execution and delivery of this Agreement, each Seller hereby irrevocably constitutes and appoints the Seller Representative as the true and lawful agent and attorney-in-fact of such Seller with full powers of substitution to act in the name, place and stead of thereof with respect to the performance on behalf of such Seller under the terms and provisions of this Agreement and the Ancillary Documents, as the same may be from time to time amended, and to do or refrain from doing all such further acts and things, and to execute all such documents on behalf of such Seller, if any, as the Seller Representative will deem necessary or appropriate in connection with any of the transactions contemplated under this Agreement or any of the Ancillary Documents, including: (i) agree upon or compromise any matter related to the calculation of any adjustments to the Purchase Consideration under this Agreement; (ii) direct the distribution of the Purchase Consideration among Sellers; (iii) act for Sellers with respect to all indemnification matters referred to in this Agreement, including the right to compromise on behalf of Sellers any indemnification claim made by or against Sellers, if any; (iv) act for Sellers with respect to all post-Closing matters; (v) terminate, amend or waive any provision of this Agreement; provided, that any such action, if material to the rights and obligations of Sellers in the reasonable judgment of the Seller Representative, will be taken in the same manner with respect to all Sellers unless otherwise agreed by each Seller who is subject to any disparate treatment of a potentially adverse nature; (vi) employ and obtain the advice of legal counsel, accountants and other professional advisors as the Seller Representative, in his or her sole discretion, deems necessary or advisable in the performance of his or her duties as the Seller Representative and to rely on their advice and counsel; (vii) incur and pay expenses, including fees of brokers, attorneys and accountants incurred pursuant to the transactions contemplated hereby, and any other fees and expenses allocable or in any way relating to such transaction or any indemnification claim, whether incurred prior or subsequent to Closing; (viii) receive all or any portion of the Purchase Consideration and to distribute the same to Sellers pro rata in proportion to their ownership interests; (ix) sign any releases or other documents with respect to and dispute or remedy arising under this Agreement or the Ancillary Documents; and (x) do or refrain from doing any further act or deed on behalf of Sellers which the Seller Representative deems necessary or appropriate in his or her sole discretion relating to the subject matter of this Agreement as fully and completely as any Seller could do if personally present and acting. The Seller Representative hereby accepts his or her appointment and authorization as the Seller Representative under this Agreement.

(b) The appointment of the Seller Representative will be deemed coupled with an interest and will be irrevocable, and any other Person, including Buyer, the Company and any other Buyer Indemnified Parties may conclusively and absolutely rely, without inquiry, upon any actions of the Seller Representative as the acts of Sellers hereunder or any Ancillary Document to which it they are a party. Each Buyer Indemnified Party shall be entitled to rely conclusively on the instructions and decisions of the Seller Representative as to (i) the settlement of any claims for indemnification by a Buyer Indemnified Party pursuant to ARTICLE VI hereof, (ii) any payment instructions provided by the Seller Representative or (iii) any other actions required or permitted to be taken by the Seller Representative hereunder, and no Seller Indemnified Party shall have any cause of action against any Buyer Indemnified Party for any action taken by a Buyer Indemnified Party in reliance upon the instructions or decisions of the Seller Representative. No Buyer Indemnified Party shall have any liability to Sellers for any allocation or distribution among Sellers by the Seller Representative of payments made to or at the direction of the Seller Representative.

(c) The Seller Representative will act for Sellers on all of the matters set forth in this Agreement in the manner the Seller Representative believes to be in the best interest of Sellers, but the Seller Representative will not be responsible to Sellers for any loss or damage that any Seller may suffer by reason of the performance by the Seller Representative of such Seller Representative's duties under this Agreement, other than loss or damage arising from fraud, gross negligence or willful misconduct in the performance of the Seller Representative's duties under this Agreement. Sellers do hereby jointly and severally agree to indemnify and hold the Seller Representative harmless from and against any and all Losses reasonably incurred or suffered as a result of the performance of the Seller Representative's duties under this Agreement, except for any such liability arising out of the fraud, gross negligence or willful misconduct of the Seller Representative. The Seller Representative will not be entitled to any fee, commission or other compensation for the performance of his or her services hereunder, but will be entitled to the payment from the Sellers of all his or her expenses incurred as the Seller Representative.

(d) If the Seller Representative shall die, become disabled, resign or otherwise be unable to fulfill his or her responsibilities as agent of Sellers, then Sellers shall, within ten (10) days after such death or disability, appoint a successor agent and, promptly thereafter (but in any event within two (2) Business Days after such appointment), shall notify Buyer in writing of the identity of such successor. Any such successor shall be appointed by the written consent of Sellers, and any successor so appointed shall become the "Seller Representative" for purposes of this Agreement. With respect to the preceding sentence, should any Seller withhold its consent, the appointed Seller Representative shall continue to represent the remaining Sellers who consented to his appointment.

(e) All notices or other communications required to be made or delivered by Buyer to a Seller shall be made to the Seller Representative for the benefit of such Seller, and any notices so made shall discharge in full all notice requirements of Buyer to such Seller with respect thereto. All notices or other communications required to be made or delivered by a Seller shall be made by the Seller Representative (except for a notice under Section 7.14(d) of the replacement of the Seller Representative).

[Remainder of Page Intentionally Left Blank; Signatures Appear on Following Page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first written above.

Buyer:

BYRNA TECHNOLOGIES INC., a Delaware corporation

By: /s/ Bryan S. Ganz

Name: Bryan S. Ganz

Title: President and Chief Executive Officer

The Company:

ROBORO INDUSTRIES PTY LTD., a South African private company

By: /s/ Joshua Loock

Name:

Title:

Seller Representative:

/s/ Joshua Loock

Josh Loock

Sellers:

/s/ Joshua Loock

Josh Loock

/s/ Ross Forsyth

Ross Forsyth

/s/ Sholto Forsyth

Sholto Forsyth

EXHIBIT A

Definitions

Certain Defined Terms. As used in the Agreement, the following terms shall have the following meanings:

"**Action**" means any notice of noncompliance or violation, or any claim, demand, charge, action, suit, litigation, audit, settlement, complaint, stipulation, assessment or arbitration, or any request (including any request for information), inquiry, hearing, proceeding or investigation, by or before any Governmental Authority.

"**Affiliate**" has the meaning set forth in Rule 12b-2 of the regulations under the Securities Exchange Act of 1934, as amended.

"**Ancillary Documents**" means each agreement, instrument or document attached hereto as an Exhibit, including the Escrow Agreement, the Consultant Agreement and the other agreements, certificates and instruments to be executed or delivered by any of the parties hereto in connection with or pursuant to this Agreement.

"**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed; provided, however, for clarification, commercial banks shall not be deemed to be authorized or required by law to remain closed due to "stay at home", "shelter-in-place", "non-essential employee" or any other similar orders or restrictions or the closure of any physical branch locations at the direction of any governmental authority so long as the electronic funds transfer systems (including for wire transfers) of commercial banks in The City of New York are generally are open for use by customers on such day.

"**Buyer Common Stock**" means the restricted common stock, par value \$0.001 per share, of Buyer.

"**Buyer Common Stock Price**" means a price (x) at the Closing, equal to the highest of (i) the closing price of the Buyer Common Stock on the Closing Date, (ii) the closing price of the Buyer Common Stock on the day prior to the Closing Date, and (iii) the VWAP of the Buyer Common Stock over the twenty (20) Trading Days ending at the close of business immediately prior to the date of determination, as equitably adjusted for share splits, share dividends, combinations, recapitalizations and the like after the date of this Agreement, in each case on the principal securities exchange or securities market on which the shares of Buyer Common Stock are then traded, and (y) after the Closing, equal to the VWAP, determined in accordance with the preceding clause (iii).

"**Closing Debt**" means the amount, determined as of the time which is immediately prior to the Closing, equal to the aggregate Indebtedness of the Company, provided that for avoidance of doubt the Closing Debt shall not include the amount due under the amount of any shareholder loan.

"**Code**" means the Internal Revenue Code of 1986 and any successor statute thereto, as amended. Reference to a specific section of the Code shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing or superseding such section.

"Confidential Information" means any information concerning the business and affairs of the Company that is not generally available to the public, including know-how, trade secrets, customer lists, details of customer or consultant contracts, pricing policies, operational methods and marketing plans or strategies, and any information disclosed to the Company by third parties to the extent that the Company has an obligation of confidentiality in connection therewith.

"Contract" means any contract, agreement, binding arrangement, commitment or understanding, bond, note, indenture, mortgage, debt instrument, license (or any other contract, agreement or binding arrangement concerning Intellectual Property), franchise, lease or other instrument or obligation of any kind, written or oral (including any amendments or other modifications thereto).

"Copyrights" means all works of authorship, mask works and all copyrights therein, including all renewals and extensions, copyright registrations and applications for registration and renewal, and non-registered copyrights.

"Data Site" means the on-line data site maintained by or on behalf of the Seller Parties to provide information for Buyer in contemplation of this Agreement and the transactions contemplated hereby.

"Disclosure Schedules" means the disclosure schedules to this Agreement dated as of the date hereof and forming a part of this Agreement, including the Company Disclosure Schedules and the Buyer Disclosure Schedules.

"Environmental Condition" means any contamination or damage to the environment caused by or relating to the use, handling, storage, treatment, recycling, generation, transportation, release, spilling, leaching, pumping, pouring, emptying, discharging, injection, escaping, disposal, dumping or threatened release of Hazardous Materials by any Person. With respect to claims by employees or other third parties, Environmental Condition also includes the exposure of Persons to amounts of Hazardous Materials.

"Environmental Laws" means all Laws relating to pollution or protection of the environment, natural resources and health, safety and fire prevention, including those relating to emissions, discharges, releases or threatened releases of Hazardous Material into the environment (including ambient air, surface water, groundwater or land), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Material.

"Environmental Permits" means all permits, approvals, agreements, identification numbers, licenses and other authorizations required under any applicable Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974 and any successor statute thereto, as amended. Reference to a specific section of ERISA shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing or superseding such section.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Foreign Plan" means any plan, fund (including any superannuation fund) or other similar program or arrangement established or maintained outside the United States by the Company or any one or more of its Subsidiaries primarily for the benefit of employees of the Company or such Subsidiaries residing outside the United States, which plan, fund or other similar program or arrangement provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and which plan is not subject to ERISA or the Code.

"**GAAP**" means United States generally accepted accounting principles applied on a consistent basis.

"**Governing Documents**" means, with respect to any entity, its certificate of incorporation, certificate of formation or similar charter document and its bylaws, operating agreement or similar governing document.

"**Governmental Authority**" means any federal, state, local, foreign or other governmental, quasi-governmental or administrative body, instrumentality, department or agency or any court, tribunal, administrative hearing body, arbitration panel, commission, or other similar dispute-resolving panel or body. The term "Governmental Authority" includes any Person acting on behalf of a Governmental Authority.

"**Hazardous Material**" means (a) all substances, materials, chemicals, compounds, pollutants or wastes regulated by, under or pursuant to any Environmental Laws, including the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 *et seq.*, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. §§ 9601 *et seq.*, the Clean Water Act, 33 U.S.C. §§1251 *et seq.*, the Clean Air Act, 42 U.S.C. §§ 7401 *et seq.*, the Toxic Substances Control Act, 15 U.S.C. §§ 2601 *et seq.*, the Emergency Planning and Community Right-to-Know Act of 1986, Title III of Public Law 99-499, the Safe Drinking Water Act, and any and all foreign (whether national, provincial or local), state or local counterparts thereto or other similar foreign (whether national, provincial or local), state or local laws and orders, including any and all rules and regulations promulgated thereunder, or any common law theory based on nuisance, negligence, product liability, trespass, ultrahazardous activity or strict liability; and (b) asbestos, petroleum, any fraction or product of crude oil or petroleum, radioactive materials and polychlorinated biphenyls.

"**IFRS**" means international financial reporting standards, as adopted by the International Accounting Standards Board.

"**Indebtedness**" means, without duplication, (a) the outstanding principal of, and accrued and unpaid interest on, all bank or other third party indebtedness for borrowed money of the Company, including indebtedness under any bank credit agreement and any other related agreements and all obligations of the Company evidenced by notes, debentures, bonds or other similar instruments for the payment of which the Company is responsible or liable, (b) all obligations of the Company for the reimbursement of any obligor on any line or letter of credit, banker's acceptance, guarantee or similar credit transaction, in each case, that has been drawn or claimed against, (c) all obligations of the Company issued or assumed for deferred purchase price payments, (d) all obligations of the Company under leases required to be capitalized in accordance with IFRS, (e) all interest rate and currency swaps, caps, collars and similar agreements or hedging devices under which payments are obligated to be made by the Company, whether periodically or upon the happening of a contingency, (f) all obligations of the Company secured by a Lien (other than a Permitted Lien) on any asset of the Company, whether or not such obligation is assumed by the Company, (g) any premiums, prepayment fees or other penalties, fees, costs or expenses associated with payment of any Indebtedness and (h) all obligation described in clauses (a) through (g) above of any other Person which is directly or indirectly guaranteed by the Company or which the Company has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which it has otherwise assured a creditor against loss.

"Independent Expert" means Tax Angel Accounting Services or, if such firm is no longer independent with respect to the parties (i.e., no prior material business relationship with any party for the prior two (2) years) or otherwise does not promptly accept its engagement, another mutually acceptable independent (i.e., no prior material business relationship with any party for the prior two (2) years) accounting firm recognized nationally or regionally in South Africa (which appointment will be made no later than ten (10) days after the Dispute Resolution Notice Date); provided, that if the Independent Expert does not accept its appointment or if Buyer and the Seller Representative cannot agree on the Independent Expert, in either case within twenty (20) days after the Dispute Resolution Notice Date, either Buyer or the Seller Representative may require, by written notice to the other, that the Independent Expert be selected by the New York City Regional Office of the American Arbitration Association in accordance with the procedures of the American Arbitration Association. The parties agree that the Independent Expert will be deemed to be independent even though a party or its Affiliates may, in the future, designate the Independent Expert to resolve disputes of the types described in Section 1.5.

"Intellectual Property" means all of the following as they exist in any jurisdiction throughout the world: (a) Patents; (b) Trademarks; (c) Copyrights; (d) Trade Secrets; (e) all domain name and domain name registrations, web sites and web pages and related rights, registrations, items and documentation related thereto; (f) Software; (g) rights of publicity and privacy, and moral rights, and (h) all licenses, sublicenses, permissions, and other agreements related to the preceding property.

"IRS" means the U.S. Internal Revenue Service or any successor entity.

"Knowledge" means: (i) with respect to the Company, the actual present knowledge of a particular matter by any Seller or any executive officer or director of the Company or any of its Subsidiaries, and the knowledge that any such Person would reasonably be expected to have if diligently performing their duties on behalf of the Company; (ii) with respect to any Seller shall mean the actual present knowledge of a particular matter by such Seller; and (iii) with respect to Buyer, the actual present knowledge of a particular matter by any of the directors or executive officers of Buyer, without independent inquiry.

"Law" means any federal, state, local, municipal, foreign or other law, statute, legislation, principle of common law, ordinance, code, edict, decree, proclamation, treaty, convention, rule, regulation, directive, requirement, writ, injunction, settlement, Permit or Order that is or has been issued, enacted, adopted, passed, approved, promulgated, made, implemented or otherwise put into effect by or under the authority of any Governmental Authority.

"Liabilities" means any and all debts, liabilities and obligations of any nature whatsoever, whether accrued or fixed, absolute or contingent, mature or unmatured or determined or determinable, including those arising under any Law, Action, Order or Contract.

"Lien" means any interest (including any security interest), pledge, mortgage, lien, encumbrance, charge, claim or other right of third parties, including any spousal interests (community or otherwise), whether created by law or in equity, including any such restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of ownership.

"Material Adverse Effect" means, with respect to any Seller Party, any event, fact, condition, change, circumstance, occurrence or effect, which, either individually or in the aggregate with all other events, facts, conditions, changes, circumstances, occurrences or effects, (a) has had, or would reasonably be expected to have, a material adverse effect on the business, properties, prospects, assets, Liabilities, condition (financial or otherwise), operations, licenses or other franchises or results of operations of the Company, or materially diminish the value of the Purchased Shares or (b) does or would reasonably be expected to materially impair or delay the ability of a Seller Party to perform their respective obligations under this Agreement and the Ancillary Documents or to consummate the transactions contemplated hereby and thereby; provided, however, that with respect to the Company, a Material Adverse Effect will not include any adverse effect or change resulting from any change, circumstance or effect relating to (A) the economy in general, (B) securities markets, regulatory or political conditions in the United States (including terrorism or the escalation of any war, whether declared or undeclared or other hostilities), (C) changes in applicable Laws or GAAP or IFRS or the application or interpretation thereof, (D) with respect to the Company, the industries in which the Company primarily operates and not specifically relating to the Company or (E) a natural disaster (provided, that in the cases of clauses (A) through (E), the Company is not disproportionately affected by such event as compared to other similar companies and businesses in similar industries and geographic regions as the Company).

"Net Working Capital" means an amount equal to the difference (whether positive or negative) of (a) the current assets of the Company as of the Closing, minus (b) the current liabilities of the Company as of the Closing, in each case as determined in accordance with IFRS and immediately prior to the consummation of the transactions contemplated by this Agreement; provided, however, that, for purposes of this definition of "Net Working Capital," whether or not the following is consistent with IFRS, in each case without duplication: (i) "current assets" will exclude (A) any receivable from a Seller, (B) any accounts receivable that has been outstanding for more than ninety (90) days, and (C) any deferred or other Tax assets (including claims for Tax refunds); (ii) "current liabilities" will include (A) all liabilities for accrued or deferred Taxes and (B) balance sheet reserves required under IFRS (applied in a manner consistent with prior practices of the Company), including reserves for unearned revenue).

"Net Working Capital Adjustment Amount" means Net Working Capital minus the Target Net Working Capital.

"Order" means any order, writ, rule, judgment, injunction, decree, stipulation, determination or award that is or has been made, entered, rendered or otherwise put into effect by, with or under the authority of any Governmental Authority.

"OFAC" means the Office of Foreign Assets Control of the U.S. Treasury Department.

"Ordinary Course of Business" means, with respect to a Person, an action taken by such Person if (a) such action is recurring in nature, is consistent with the past practices of the Person and is taken in the ordinary course of the normal day-to-day operations of the Person; (b) such action is not required to be authorized by the equity holders of such Person, the board of directors (or equivalent) of such Person or any committee of the board of directors (or equivalent) of such Person and does not require any other special authorization of any nature; and (c) such action is taken in accordance with sound and prudent business practice. Unless the context or language herein requires otherwise, each reference to Ordinary Course of Business will be deemed to be a reference to Ordinary Course of Business of the Company.

"Patents" means all patents, patent applications and the inventions, designs and improvements described and claimed therein, patentable inventions, and other patent rights (including any divisionals, continuations, continuations-in-part, substitutions, or reissues thereof, whether or not patents are issued on any such applications and whether or not any such applications are amended, modified, withdrawn, or refiled).

"Permit" means any federal, state, local, foreign or other third-party permit, grant, easement, consent, approval, authorization, exemption, license, franchise, concession, ratification, permission, clearance, confirmation, endorsement, waiver, certification, designation, rating, registration or qualification that is or has been issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or other Person.

"Permitted Exceptions" means bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

"Permitted Liens" means any (a) statutory Liens of landlords, carriers, warehousemen, mechanics and materialmen and other similar Liens imposed by Law in the Ordinary Course of Business for sums not yet due and payable; and (b) Liens for current taxes not yet due and payable.

"Person" shall include any individual, trust, firm, corporation, limited liability company, partnership, Governmental Authority or other entity or association, whether acting in an individual, fiduciary or any other capacity.

"Personal Property" means all of the machinery, equipment, tools, vehicles, furniture, leasehold improvements, office equipment, plant, spare parts, and other tangible personal property which are owned, used or leased by the Company and used or useful, or intended for use, in the conduct or operations of the Company's business.

"Representative" means, as to any Person, such Person's Affiliates and its and their managers, directors, officers, employees, agents and advisors (including financial advisors, counsel and accountants).

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Software" means all computer software, including all source code, object code, and documentation related thereto and all software modules, assemblers, applets, compilers, flow charts or diagrams, tools and databases.

"Subsidiary" means, with respect to any Person, any corporation, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a partnership, association or other business entity, a majority of the partnership or other similar ownership interests thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons will be deemed to have a majority ownership interest in a partnership, association or other business entity if such Person or Persons will be allocated a majority of partnership, association or other business entity gains or losses or will be or control the managing director, managing member, general partner or other managing Person of such partnership, association or other business entity. Unless the context otherwise requires, any reference to a Subsidiary in this Agreement will mean a Subsidiary of the Company.

"Target Net Working Capital" means an amount equal to zero (0).

"**Tax**" means any federal, state, local or foreign income, gross receipts, license, payroll, parking, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, natural resources, customs duties, capital stock, franchise, profits, withholding, social security (or similar), payroll, unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated tax, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not, including such item for which Liability arises from the application of Treasury Regulation 1.1502-6, as a transferee or successor-in-interest, by contract or otherwise, and any Liability assumed or arising as a result of being, having been, or ceasing to be a member of any Affiliated Group (as defined in Section 1504(a) of the Code) (or being included or required to be included in any Tax Return relating thereto) or as a result of any Tax indemnity, Tax sharing, Tax allocation or similar Contract.

"**Tax Return**" means any return, report, information return, schedule, certificate, statement or other document (including any related or supporting information) filed or required to be filed with a Taxing Authority in connection with any Tax, or, where none is required to be filed with a Taxing Authority, the statement or other document issued by a Taxing Authority in connection with any Tax.

"**Taxing Authority**" means any Governmental Authority responsible for the imposition or collection of any Tax.

"**Trademarks**" means all trademarks, service marks, trade dress, trade names, brand names, Internet domain names, designs, logos, or corporate/company names (including, in each case, the goodwill associated therewith), whether registered or unregistered, and all registrations and applications for registration and renewal thereof.

"**Trade Secrets**" means any trade secrets, confidential business information, concepts, ideas, designs, research or development information, processes, procedures, techniques, technical information, specifications, operating and maintenance manuals, engineering drawings, methods, know-how, data, mask works, discoveries, inventions, modifications, extensions, improvements, and other proprietary rights (whether or not patentable or subject to copyright, trademark, or trade secret protection).

"**Trading Day**" means any day on which shares of Buyer Common Stock are actually traded on the principal securities exchange or securities market on which the shares of Buyer Common Stock are then traded.

"**Transaction Expenses**" means the aggregate of all fees and expenses payable by any Seller or the Company in connection with the consummation of the transactions contemplated hereby (or incurred in connection with the transactions hereunder) including any of the foregoing payable to legal counsel, accountants, investment bankers, financial advisors, brokers, finders or consultants.

"**VWAP**" means, for any security as of any date(s), the dollar volume-weighted average price for such security on the principal securities exchange or securities market on which such security is then traded during the period beginning at 9:30:01 a.m., Toronto time, and ending at 4:00:00 p.m., Toronto time, as reported by Bloomberg through its "HP" function (set to weighted average) or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., Toronto time, and ending at 4:00:00 p.m., Toronto time, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported by OTC Markets Group Inc. If the VWAP cannot be calculated for such security on such date(s) on any of the foregoing bases, the VWAP of such security on such date(s) shall be the fair market value as reasonably determined by reasonably and in good faith by a majority of the disinterested independent directors of the board of directors (or equivalent governing body) of the Buyer. All such determinations shall be appropriately adjusted for any share dividend, share split, share combination, recapitalization or other similar transaction during such period.

2. **Other Defined Terms.** The following capitalized terms, as used in the Agreement, have the respective meanings given to them in the Section as set forth below adjacent to such terms:

Term	Section
AAA.....	6.4(c)
Adjustment Amount.....	1.5(d)
Agreement.....	Preamble
Arbitration Rules.....	6.4(c)
Bank Account.....	3.24
Basket.....	6.5
Buyer.....	Preamble
Buyer Closing Statement.....	1.5(a)
Buyer Disclosure Schedules.....	ARTICLE IV
Buyer Indemnified Parties.....	6.2
Buyer Material Adverse Effect.....	4.1
Closing.....	2.1
Closing Date.....	2.1
Closing Filing.....	5.3(b)
Closing Press Release.....	5.3(b)
Company.....	Preamble
Company Benefit Plan.....	3.20(a)
Company Disclosure Schedules.....	ARTICLE III
Consultant Agreement.....	2.3(vii)
Escrow Agent.....	1.3
Escrow Agreement.....	1.3
Estimated Closing Statement.....	1.4
Estimated Purchase Consideration....	1.4
Federal Securities Laws.....	5.4
Final Statement.....	1.5(c)
Final Statement Date.....	1.5(d)
Financial Statements.....	3.7
Indemnification Cap.....	6.5
Indemnitee.....	6.4(a)
Indemnitior.....	6.4(a)
IP Licenses.....	3.13(a)
Leased Premises.....	3.12
Leases.....	3.12
Loan.....	1.2(b)
Loss.....	6.2
Non-Competition Agreement.....	2.2(iii)
Outbound IP License.....	3.13(c)
Personal Property Leases.....	3.11
Purchase Consideration.....	1.2(a)
Purchased Shares.....	1.1
Registered IP.....	3.13(a)
Related Person.....	3.23
Seller Indemnified Parties.....	6.3
Seller Parties.....	Preamble
Seller Representative.....	Preamble

<u>Term</u>	<u>Section</u>
Sellers.....	Preamble
Signing Filing.....	5.3(b)
Signing Press Release.....	5.3(b)
Special Reps.....	6.1
Survival Date.....	6.1
Top Customers.....	3.25
Top Suppliers.....	3.25
Transfer Taxes.....	5.8(e)

EXHIBIT B

Consultant Agreement

**Wholly owned Subsidiaries of
Byrna Technologies, Inc.**

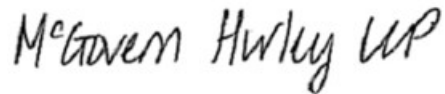
	Jurisdiction of Incorporation
Roboro Industries Pty LTD	South Africa
Security Devices International Canada Corp. (dissolved effective December 19, 2019)	Canada
Byrna South Africa (Pty) Ltd.	South Africa

Audit. Tax. Advisory.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use of our name and the use of our report dated February 27, 2019, relating to the consolidated financial statements of Byrna Technologies Inc. (formerly, Security Devices International, Inc.) (the "Company") for the year ended November 30, 2018 included in this Annual Report on Form 10-K being filed by the Company.

McGovern Hurley LLP

A handwritten signature in black ink that reads "McGovern Hurley LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario, Canada
May 15, 2020

251 Consumers Road, Suite 800
Toronto, Ontario
M2J 4R3
mcgovernhurley.com
t. 416-496-1234

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT RULES 13A-14(A) AND 15D-14(A)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bryan Ganz, certify that:

1. I have reviewed this Annual Report on Form 10-K of Byrna Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 18, 2020

By: /s/ Bryan Ganz
Bryan Ganz
Chief Executive Officer, President, and Director (*Principal Executive Officer*)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT RULES 13A-14(A) AND 15D-14(A)
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James Dunfey, certify that:

1. I have reviewed this Annual Report on Form 10-K of Byrna Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 18, 2020

By: /s/ James Dunfey
James Dunfey
Chief Accounting Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Byrna Technologies Inc. (the "Company") for the year ended November 30, 2019, as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned, in the capacities and on the date indicated below, hereby certify pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: May 18, 2020

By: /s/ Bryan Ganz
Bryan Ganz
Chief Executive Officer, President, and Director (Principal Executive Officer)

By: /s/ James Dunfey
James Dunfey
Chief Accounting Officer (Principal Financial Officer)