ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

References in this report (the "Quarterly Report") to "we," "us" or the "Company" refer to Byrna Technologies Inc. References to our "management" or our "management team" refer to our officers and directors. The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the financial statements and the notes thereto contained elsewhere in this Quarterly Report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

Special Note Regarding Forward-Looking Statements

This Quarterly Report includes "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 Exchange Act that are not historical facts, and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. All statements, other than statements of historical fact included in this Form 10-Q including, without limitation, statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding the Company's financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements. Words such as "expect," "believe," "anticipate," "intend," "estimate," "seek" and variations and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect management's current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the Risk Factors section of the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC"). The Company's securities filings can be accessed on the EDGAR section of the SEC's website at www.sec.gov. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

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 condensed consolidated financial statements and the accompanying notes, which are included in Item 1 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 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 control 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 are selling out remaining inventory of two 12-gauge less-lethal impact rounds that we no longer manufacture.

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 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.

RESULTS OF OPERATIONS

We continue to be significantly impacted in a number of ways by the COVID-19 pandemic and related economic conditions and we believe our business also has been impacted by recent events including the public outcry over the tragic death of George Floyd. The general level of apprehension among the population as a whole has led many people to seek means of protecting themselves and their families. 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. The government mandated lock down orders, business disruptions due to outbreaks, and shelter in place requirements have significantly disrupted the Company's supply chain and temporarily stopped production and delayed shipments of the Byrna® HD during the Company's second and third quarters. While production resumed in late March 2020 after our manufacturing facility was deemed an "essential business," and our supply chain is functioning currently, we cannot predict the extent of supply, production, and distribution disruption that may result from the ongoing pandemic or whether the increased demand we are seeing will continue. Nor can we predict the potential impact on our employees, day-to-day operations and key members of management.

In order to reduce our dependence on third parties for production and our vulnerability to delays in shipments of finished goods to the Fort Wayne, Indiana distribution center, we purchased our supplier Roboro Industries Pty LTD ("Roboro") and signed a new lease for an additional approximately 14,000 square feet in Fort Wayne, Indiana to expand its manufacturing and distribution capabilities. Effective May 5, 2020, we acquired 100% of the outstanding common shares of Roboro for $500,000, subject to working capital adjustments and unpaid transaction expenses. As a result of this stock acquisition, we also assumed payment of Roboro's outstanding debt of rand 1,809,251 (approximately USD $98,000) plus accrued interest for March and April 2020. Concurrently with this stock acquisition, Roboro's selling shareholders agreed to purchase 1,388,889 shares of our common stock at $0.36 per share for total consideration cash consideration of $500,000. The shares, which were issued on May 27, 2020, are restricted and subject to a 15-month vesting schedule. As the Company's common stock price was $0.40 on the effective date of the Roboro acquisition, the fair value of the common stock issued to the sellers was $555,556. The total purchase price of $557,566 includes unpaid transaction fees of $2,010.

Three months ended August 31, 2020 as compared to three months ended August 31, 2019:

Net Revenue

Revenues were $4,198,157 in the third quarter of 2020 which represents an increase of $3,891,056 or 1,267% as compared to the prior year period revenues of $307,101. This increase was due to sales of our recently introduced product, the Byrna® HD and driven by a growing market awareness of the product.

Cost of Goods Sold

Cost of goods sold was $2,068,623 in the third quarter of 2020 compared to $247,679 in the prior year period. This $1,820,944 increase is primarily due to the increase in related sales volume and also to the costs associated with the manufacture and corresponding sales of the Byrna® HD and related products.

Gross Profit

Gross profit is calculated as total revenue less cost of goods sold and gross margin is calculated as gross profit divided by total revenue. Included as cost of goods sold are costs associated with the production and procurement of products, such as inbound freight costs, manufacturing depreciation, purchasing and receiving costs, and inspection costs. Gross profit was $2,129,534 in the third quarter of 2020, or 51% of net revenue as compared to $59,422, or 19% of net revenue in the prior year period. The increase in gross profit is due to the increase in sales volume of Byrna® HD products.

Operating Expenses/Loss from Operations

Operating expenses were $2,695,892 in the third quarter of 2020, which represents an increase of $1,930,317 or 252% as compared to the prior year period operating expenses of $765,575. This increase was driven by the rapid growth in revenue and the sales, general and administrative structure necessary to manage it including: approximately $220,000 increase in accounting and auditing fees, approximately $502,000 increase in marketing expenses related to the Byrna® HD products, approximately $336,000 of bank fees related to sales transaction processing and approximately $558,000 increase in payroll and related expenses related to the ramp up of infrastructure and Byrna® HD production.

This increase in operating expenses, was partially offset by the increase in gross profit, resulting in a reduction of $139,795 in loss from operations, from $(706,153) in the third quarter of 2019 to $(556,358) in the third quarter of 2020.

Income Tax Provision

The Company's provision for income taxes was $0 in each of the quarters ended August 31, 2020 and 2019. Refer to the Income Tax Provision section within the nine months ended August 31, 2020 as compared to nine months ended August 31, 2019 discussion for additional information.

Other (Expense) Income

Accretion of debt discounts, interest expense and change in fair value of derivative liabilities was $0 during the three months ended August 31, 2020. Refer below within the nine months ended August 31, 2020 as compared to nine months ended August 31, 2019 discussion for additional information.

Nine months ended August 31, 2020 as compared to nine months ended August 31, 2019:

Net Revenue

Revenues were $5,537,141 for the nine months ended August 31, 2020 which represents an increase of $5,113,164 or more than 1000% as compared to the prior year period revenues of $423,977. This increase was driven by revenues from the Byrna® HD which had only recently begun shipping in the period ended August 31, 2019, and a growing market awareness of and demand for our product during the period ended August 31, 2020.

Cost of Goods Sold

Cost of goods sold was $2,925,580 for the nine months ended August 31, 2020 compared to $328,512 in the prior year period. This increase of $2,597,068 is primarily due to costs associated with the manufacture and corresponding sales of the Byrna® HD and related products.

Gross Profit

Gross profit was $2,611,561 during the nine months ended August 31, 2020, or 47% of net revenue. Gross profit in the prior year period was $95,465 or 23% of net revenue. The increase in gross profit is due to the increase in sales volume of Byrna® HD products.

Operating Expenses/Loss from Operations

Operating expenses were $5,663,127 during the nine months ended August 31, 2020, which represents an increase of $3,065,725 or 118% as compared to the prior year period operating expenses of $2,597,402. This increase was driven by the rapid growth in revenue and the sales, general and administrative structure necessary to manage it including: approximately $526,000 increase in accounting and auditing fees, approximately $490,000 increase in marketing expenses related to the Byrna® HD products, approximately $371,000 of bank fees related to sales transaction processing, approximately $490,000 increase in stock compensation expense and approximately $812,000 increase in payroll and related expenses in connection with the ramp up of infrastructure and Byrna® HD production. This increase in operating expenses, partially offset by the increase in gross profit, was the primary reason for the $549,629 or 22% increase in loss from operations, from $(2,501,937) in the first nine months of 2019 to $(3,051,566) in the first nine months of 2020.

Accretion of Debt Discounts and Interest Expense

Accretion of debt discounts increased $82,884 in the nine months ended August 31, 2020 to $755,401 from $672,517 in the prior year period. Interest expense decreased $23,903, to $233,095 in the nine months ended August 31, 2020 from $256,998 in the prior year period due to the April 2019 through September 2019 capital raises. These increases were driven by the 2019 financings that occurred in April-September 2019, partially offset by the April 8, 2020 exchange of an aggregate of approximately $6.95 million of our outstanding convertible notes payable, representing principal and accrued interest through April 7, 2020, for 1,391 shares Series A Convertible Preferred Stock ("Preferred Stock"), resulting in the write-off of all unamortized debt discounts and a decrease in interest expense. See Note 15, "Convertible Notes Payable," in the Notes to Condensed Consolidated Financial Statements included in Item 1 of this report for further discussion.

Loss on Extinguishment of Debt

Loss on extinguishment of debt was $6,026,654 and $0 during the nine months ended August 31, 2020 and 2019, respectively and relates to the debt exchanged for preferred stock discussed above. See Note 15, "Convertible Notes Payable," in the Notes to Condensed Consolidated Financial Statements included in Item 1 of this report for further discussion.

Warrant Inducement Expense

Warrant inducement expense was $845,415 and $0 during the nine months ended August 31, 2020 and 2019, respectively and relates to the difference in fair value of warrants exercised at the reduced price of $0.16 per warrant as compared to the $0.25 contractual exercise price. See Note 9, "Stockholders' Equity (Deficit)," in the Notes to Condensed Consolidated Financial Statements included in Item 1 of this report for further discussion.

Change in Fair Value of Derivative Liabilities

Change in fair value of derivative liabilities decreased $742,106 to $0 during the nine months ended August 31, 2020 from a $742,106 gain in the prior year period. The amount recognized in the prior year period consists of (i) $521,359 related to the Canadian debentures which were repaid on May 31, 2019, and (ii) $220,747 associated with the October 2018 Notes which the Company re-evaluated in the fourth quarter of 2019 and determined they did not contain any embedded terms or features that require classification

as derivatives. See Note 15, "Convertible Notes Payable and Derivative Liabilities," in the Notes to Consolidated Financial Statements included in Item 8 of the Company's Annual Report on Form 10-K for the year ended November 30, 2019 for further discussion.

Income Tax Provision

The Company's provision for income taxes was $0 during the nine months ended August 31, 2020 and 2019.

We have a valuation allowance against the full amount of our net deferred tax assets, as discussed in Note 11, "Income Taxes," in the Notes to Consolidated Financial Statements included in Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2019. We currently provide a valuation allowance against deferred tax assets when it is more likely than not that some portion or all of our deferred tax assets will not be realized. We have not recognized any unrecognized tax benefits in our condensed consolidated balance sheets.

We are subject to income tax in the US, as well as various state and international jurisdictions. The federal and state tax authorities can generally reduce a net operating loss (but not create taxable income) for a period outside the statute of limitations in order to determine the correct amount of net operating loss which may be allowed as a deduction against income for a period within the statute of limitations. Additional information regarding the statutes of limitations can be found in Note 11, "Income Taxes," in the Notes to Consolidated Financial Statements included in Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2019.

On March 27, 2020, President Trump signed into law the $2 trillion bipartisan Coronavirus Aid, Relief and Economic Security (CARES) Act. The CARES Act includes a variety of economic and tax relief measures intended to stimulate the economy, including loans for small businesses, payroll tax credits/deferrals, and corporate income tax relief. Due to the Company's history of net operating losses and full valuation allowance, the CARES Act did not have a significant effect to the income tax provision, as the corporate income tax relief was directed towards cash taxpayers.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Summary

Cash and restricted cash as of August 31, 2020 was $11,883,354, an increase of $10,709,454 from the amount as of November 30, 2019 of $1,173,900. Approximately $7.1 million of the cash on hand is restricted, the majority due to holds placed on its use by the Company's merchant services vendor pending fulfillment of backorders prepaid by credit cards or PayPal. Based on current production capacity in South Africa and at the new manufacturing facility in Fort Wayne, which began manufacturing Byrna HD launchers late last month, management expects the fulfillment of backorders to substantially reduce restrictions on use of cash on hand during the current period.

As of August 31, 2020, approximately $356,000 of cash was held by our international subsidiaries. Our intent is to reinvest indefinitely substantially all our earnings in our 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.

The Company has incurred a cumulative loss of approximately $48.6 million from inception through August 31, 2020. The Company has funded operations through the issuance of common stock, preferred stock, warrants, and convertible notes payable. The Company generates revenue from operations and still faces the risk that it may 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 increasing its production capacity to convert orders to sales and meet growing demand, 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 commencement of Byrna® HD sales drove the fiscal 2019 revenue increase.

Management believes that the events underlying its current liquidity demonstrate substantial progress towards alleviating doubt as to the Company's ability to continue as a going concern and that substantial doubt may be removed by the end of the current fiscal year. After careful analysis of all relevant positive and negative factors however, including the Company's historic operating losses, failure to generate a profit to date, past production interruptions, absence of a history of successful product manufacture at the level needed to become profitable, and the significant risks to its supply chain and production currently presented by the COVID-19 pandemic, Management has concluded that there continues to be substantial doubt as to the Company's ability to continue as a going concern as of the filing date of these financial statements. See Note 2, "Nature of Operations and Going Concern," in the Notes to Condensed Consolidated Financial Statements included in Item 1 of this report for further discussion.

Operating Activities

Cash provided by operating activities was $4,784,054 during the nine months ended August 31, 2020 compared to $(2,244,482) during the prior year period, an increase of $7,028,536. Net loss was $(10,912,131) and $(2,689,346) for the nine months ended August 31, 2020. Significant changes in working capital and noncash activity, are as follows:

Accounts Receivable: Accounts receivable increased $196,226 to $617,586 during the nine months ended August 31, 2020 compared to ($97,072) in the prior year period. The fiscal 2020 accounts receivable increase relates to sales of the new Byrna® HD to several large distributors in conjunction with the fourth quarter 2019 launch of our official dealer program for the new product.

Deferred Revenue: Deferred revenue increased $9,266,393 during the nine months ended August 31, 2020 compared to $13,320 in the prior year period. This increase relates to unfulfilled e-commerce orders at August 31, 2020 which are expected to be filled in the fourth quarter of 2020.

Inventory: Inventory increased $2,266,709 to $3,061,254 during the nine months ended August 31, 2020 compared to ($559,197) in the prior year period. The levels of component inventory maintained were increased during the current year period to fulfill orders of the Byrna® HD, ensure adequate parts inventory to meet increasing sales projections of the new product and to ensure that inventory of custom-made parts and those with long lead times are adequate.

Accounts Payable: The production of Byrna® HD and increased activity in South Africa as well as maintaining legal and regulatory infrastructure led to higher payables to component suppliers, outside attorneys and accountants during the nine months ended August 31, 2020 as compared to the prior year period.

Noncash Activity: Our non-cash activity primarily consisted of $755,401 accretion of debt discounts during the nine months ended August 31, 2020 as compared to $672,517 in the prior year period; $118,750 issuances of common shares for services during the nine months ended August 31, 2020 as compared to $314,339 in the prior year period; $659,416 stock-based compensation expense during the nine months ended August 31, 2020 as compared to $191,532 in the prior year period; and $6,026,654 loss on extinguishment of debt, $845,415 warrant inducement expense, $77,022 operating lease costs, $48,655 amortization of patent rights and $43,200 common shares to be issued for services during the nine months ended August 31, 2020.

Investing Activities

Cash used in investing activities was $1,591,822 during the nine months ended August 31, 2020 as compared to $207,677 in the prior year period. Purchases of property and equipment of $1,022,970 during the nine months ended August 31, 2020 as compared to $207,677 in the prior year period, were for furniture for the new MA lease and production equipment in South Africa, including molds and tooling. The Company paid $80,000 in connection with patent rights during the nine months ended August 31, 2020. In addition, the Company paid $488,852, net of cash acquired in connection with the Roboro acquisition.

Financing Activities

Cash provided by financing activities was $7,333,514 during the nine months ended August 31, 2020 as compared to cash provided by financing activities of $3,214,335 in the prior year period, and included $6,751,282 proceeds from warrant exercises, $500,000 received from Roboro's sellers for 1,388,889 shares of our common stock and $190,300 proceeds from the Paycheck Protection Program loan. In addition, the Company repaid $110,918 on a note payable related to the Roboro acquisition. Our capital structure was as follows:

	August 31, 2020	November 30, 2019
Convertible notes payable, net (current)	$ —	$ 2,758,578
Notes payable (current)	132,593	—
Convertible notes payable, noncurrent	—	1,874,972
Notes payable, noncurrent	84,578	—
Stockholders' equity (deficit)	8,778,918	(1,983,993)

See Note 15, "Convertible Notes Payable," and Note 16, "Notes Payable," in the Notes to Condensed Consolidated Financial Statements included in Item 1 of this report for additional information on the debt obligations.

The Company did not have any financial or non-financial covenants under its financing arrangements as of August 31, 2020.

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.

Effective April 8, 2020, the Company exchanged an aggregate of approximately $6.95 million of all our 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 ("Series A Preferred Stock"). The Company no longer has any outstanding convertible 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 1,498,418 warrants to the holders reflecting 4,000 warrants for each $1,000 (US dollars) of unpaid interest accrued on the Notes.

Each share of Series A 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 Series A Preferred Stock as, when and if declared by our Board of Directors. As the Company will likely not pay the dividends in cash, and instead, the unpaid dividends will be settled upon conversion to shares of common stock, the Company will record dividends distributable at the contractual dividend rate upon declaration. The dividends are cumulative and shall accrue starting from the April 8, 2020 issuance date. Dividends distributable of $274,388 at August 31, 2020, have not yet been declared by the Board.

Each share of Series A 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 Series A 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 Series A 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. In the event of any liquidation, dissolution, or winding up of the Company, holders of Series A Preferred Stock are entitled to $5,000 for each outstanding share of Series A Preferred Stock, plus all accrued but unpaid dividends prior to and in preference to any holders of common shares or preferred stock holders. If the Company's assets and funds to be distributed to the holders of the Series A Preferred Stock are insufficient to permit the payment of the aforementioned amounts, the entire assets and funds of the Company will be distributed ratably among the holders of the Series A Preferred Stock. Holders may convert their shares of Series A Preferred Stock into common stock at any time and the Company has the right to cause each holder to convert their shares of Series A 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 Series A Preferred Stock are not entitled to vote with the holders of common stock, however, for so long as there are 423 shares of Series A Preferred Stock outstanding, the Company is required to obtain the consent of the holders of the Series A 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 Series A Preferred Stock in due course following the exchange.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 21, "Recent Accounting Guidance," in the Notes to Condensed Consolidated Financial Statements included in Item 1 of this report for a discussion of recently issued and adopted accounting standards.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's 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 the Company's Annual Report on Form 10-K for the year ended November 30, 2019. The Company adopted, effective the first quarter of 2020, accounting guidance related to the accounting for leases. See accounting policy below, Note 21, "Recent Accounting Guidance," and Note 11, "Leases," in the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this report for further discussion. During the nine months ended August 31, 2020, there were no significant changes to the Company's critical accounting policies from those described in our Annual Report on Form 10-K for the year ended November 30, 2019, except for the item mentioned above.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* ("ASU 2016-02"), to enhance the transparency and comparability of financial reporting related to leasing arrangements. The Company adopted ASU 2016-02 on December 1, 2019, or the effective date, and used the effective date as its date of initial application.

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present. Most leases with a term greater than one year are recognized on the balance sheet as right-of-use assets and lease liabilities. The Company has elected not to recognize on the balance sheet leases with terms of one year or less. Operating

lease liabilities and corresponding right-of-use assets are recorded based on the present value of lease payments over the expected remaining lease term. However, certain adjustments to the right-of-use asset may be required for items such as prepaid rent. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company utilizes its incremental borrowing rates, which are the rates incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

In accordance with the guidance in ASU 2016-02, components of a lease should be separated into three categories: lease components (e.g., building), non-lease components (e.g., common area maintenance), and non-components (e.g., property taxes and insurance). Then the fixed and in-substance fixed contract consideration (including any related to non-components) must be allocated based on fair values to the lease components and non-lease components.

Although separation of lease and non-lease components is required, certain practical expedients are available. Entities may elect the practical expedient to not separate lease and non-lease components. Rather, they would account for each lease component and the related non-lease component together as a single component. The Company has elected to account for the lease and non-lease components of each of its operating leases as a single lease component and allocate all of the contract consideration to the lease component only. The lease component results in an operating right-of-use asset being recorded on the balance sheet and amortized on a straight-line basis as lease expense.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), evaluated the effectiveness of its disclosure controls and procedures as of August 31, 2020 pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Disclosure controls and procedures are designed to ensure that material information required to be disclosed by the Company in the reports that the Company files or submits 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 the Company's management, including its CEO and CFO, 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. The Company's CEO and CFO concluded that as of August 31, 2020, the Company's disclosure controls and procedures 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 the Company's 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 the Company's 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 the Company's Annual Report on Form 10-K for the year ended November 30, 2019 for further discussion. To remediate the material weakness described above, the Company has initiated compensating controls in the near term and are enhancing and have designed and implemented, or expect to implement, measures that the Company believes 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. The Company has recently hired a new Chief Financial Officer who joined the Company effective August 31, 2020. The Company expects 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.

Changes in Internal Control Over Financial Reporting

During the most recently completed fiscal quarter, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial except for the hiring of the Company's new Chief Financial Officer, as described above.

PART II - OTHER INFORMATION

ITEM 1. 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 1A. RISK FACTORS.

Factors that could cause our actual results to differ materially from those in this report include the risk factors described in our Annual Report on Form 10-K for the year ended November 30, 2019 filed with the SEC on May 18, 2020. As of the date of this Report, there have been no material changes to the risk factors disclosed in our Annual Report filed with the SEC.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

On December 18, 2019, we and Andre Buys ("Buys'), our 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 (the "Buys Portfolio") to the Company. Pursuant to the amended terms, which were approved by the Board on December 19, 2019, the Company (i) issued 3,866,810 shares of common stock in exchange for Patent Rights and (ii) made an additional cash payment to Buys of $80,000 during the quarter ended May 31, 2020. The issuance of the shares of common stock was made pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

No.	Description of Exhibit
31.1*	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial and Accounting Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Principal Executive Officer and Principal Financial and Accounting Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Furnished.

SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Byrna Technologies Inc.

Date: October 9, 2020

/s/ Bryan Ganz

Name: Bryan Ganz
Title: Chief Executive Officer, President and Director
(Principal Executive Officer)

Date: October 9, 2020

/s/ David North

Name: David North
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)