



**INNOVATIVE & REVOLUTIONARY THREAT DETECTION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
THREE MONTHS ENDED MARCH 31, 2022**

*(Expressed in U.S. dollars, unless otherwise stated and per share amounts)*

***Dated: May 20, 2022***

Liberty Defense Holdings, Ltd., ("Liberty" or the "Company") has prepared this Management's Discussion and Analysis ("MD&A") as of May 20, 2022 and should be read in conjunction with the Company's interim condensed consolidated financial statements for the three months ended March 31, 2022. Unless otherwise stated, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar amounts herein are expressed in U.S. dollars unless stated otherwise. References to \$ means U.S. dollars, and CAD\$ are to Canadian dollars.

This MD&A may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of development or other risk factors beyond its control. Actual results may differ materially from the expected results.

Additional information on the Company is available at the Company's website [www.libertydefense.com](http://www.libertydefense.com) and under the Company's profile at [www.sedar.com](http://www.sedar.com).

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## 1) Overview

### (a) Description of Business

Liberty Defense Holdings, Ltd., is a public company (TSXV: SCAN, Frankfurt: L2D, OTCQB: LDDFF), that was incorporated under the Business Corporation Act of Ontario on June 8, 2012. The Company's registered and records office address is 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, British Columbia, V6E 4N7, Canada.

The Company undertook a reverse takeover ("RTO") transaction with DrawDown Detection, Inc. ("DrawDown" or "DD") on March 17, 2021 in which Liberty acquired all of the issued and outstanding common shares of DrawDown on a post-DrawDown consolidation basis in exchange for common shares of Liberty on a one to one basis post-Liberty consolidation. As described to undertake this transaction, Liberty completed a share consolidation on a 6.2 old shares to 1 new share basis and DrawDown also completed a share consolidation on a two old shares to one new share basis. Drawdown has been identified as the accounting acquirer and, accordingly, the Company is considered to be a continuation of Drawdown, and the net assets of the Company at the date of the reverse acquisition are deemed to have been acquired by Drawdown. Financial information includes the results of operations of the Company from March 17, 2021.

The Company, through its wholly owned subsidiary Liberty Defense Technologies Inc. ("LDT"), is principally engaged in the commercialization of an active 3D imaging technology system, HEXWAVE, to detect concealed threats.

### (b) License Agreements

#### i) HEXWAVE Technology

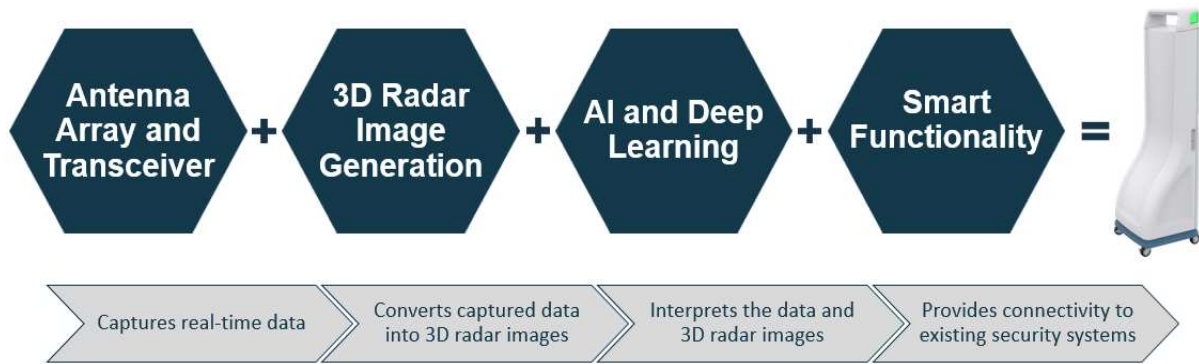
##### a. Active real-time 3D imaging technology licensed from MIT LL

Active video rate imaging technology was developed by the Massachusetts Institute of Technology Lincoln Labs ("MIT LL") and the technology has been in development since 2014. In October 2017, a concept demonstrator (pre-prototype) of the core technology was successfully tested under environmental conditions by MIT LL.

MIT LL undertook 4 years of research and development, including building a working prototype and testing the technology in both lab and real electromagnetic environments. LDT worked with MIT LL to transfer the active imaging technology starting in Q4 2018. In September 2019, Liberty and MIT LL were recognized by the FLC (Federal Laboratory Consortium) for the 2019 Excellence in Technology Transfer North East Region.

With the exclusive global license agreement (the "License Agreement") for the use of the active imaging technology, the Company has continued to develop HEXWAVE using the technology and concepts demonstrated by MIT LL. MIT LL, through the Technology Transfer Agreement ("TTA") has transferred the intellectual property and understanding to Liberty's Center of Excellence ("COE") in order for the technology to be further refined and developed. As part of the commercialization and go to market strategy, the Company has identified certain required changes and entered into the Cooperative Research and Development Agreement (CRADA) with MIT LL to leverage off their existing experience and accelerate the development of certain aspects of HEXWAVE. In addition to active imaging technology, the Company is also developing Automatic Threat Detection technology with the help of rich 3-dimension data and deep learning algorithms.

## HEXWAVE Overview:



Since acquiring the License Agreement from MIT LL, Liberty has significantly advanced HEXWAVE which includes active imaging technology, automated threat detection (“ATD”) and smart IoT technologies. This culminated in the demonstration of the four principal subsystems in September 2019. This step represented a significant de-risking of the product development phase.

### b. AI and Deep Learning – Automatic Threat Recognition (ATR)

Automatic Threat Recognition utilizing deep learning algorithms was developed by Liberty Defense to recognize person-borne concealed metal and non-metal threats. The 3-D data and images produced by the HEXWAVE are used to train and enhance the Artificial Intelligence engine using deep-learning algorithms.

At a frame capture rate of 10 images/sec, the algorithms can exploit the changes in person’s positioning from frame-to-frame, thus maximizing the total coverage area and threat detection performance.

ATR improves detection accuracy, reduces resources required for screening, and allows the security personnel to take necessary action instantly. As additional field data and images are collected by the system over time, our plan will be to continuously improve threat detection performance HEXWAVE can receive over-the-air updates to its algorithms as new and emerging threats are identified.

### Global License Agreement – September 2018

The License Agreement for the use of the technology behind HEXWAVE with MIT is to be in effect until December 2035. Under the License Agreement, several milestones are required to be met to keep it in good standing. MIT continues to work closely with Liberty on developing this technology and recently amended the timeline to develop a beta prototype from on or before December 31, 2019, to November 1, 2020. The amendment also included additional details in relation to changes on required commercial sales dates, required total net sales by year, and payment dates on its license agreement. Refer to [SEDAR \(www.sedar.com\)](http://www.sedar.com) for further details on the MIT amendment.

### HEXWAVE Key Discriminators

Central to positioning HEXWAVE is building on its key discriminators. These are enabled by the system architecture that aligns to key market needs. These include:

- Detects metal & non-metal threat objects
- Detects both indoor and outdoor locations including both overt and covert application
- Protects privacy (no personal data is collected or analyzed)
- ATD in real-time using rich 3D data and deep learning algorithms
- Smart functionality provides connectivity to existing security systems (VMS, door locks, networks)
- Routine software & AI updates
- Operationally agile (mobile and deployable across detection space)
- High throughput (over 1,000 screens per hour) with precise secondary screening

## About the Explosives and Weapon Detection Market

The aggregate markets associated with the explosives and weapon detection market are expected to total over \$11 billion by 2025. The verticals most relevant to the growing Urban Security Market (“USM”) are public venues, secured perimeters & buildings, land transportation, government, and others (schools, hotels, casinos, places of worship, malls, workplace & community screening).

The complexity of the urban security threat environment has dramatically changed over the last decade, requiring a more proactive approach to preventing violent attacks against communities. Since the 9/11 events, the air transportation community has effectively deployed a combination of detection technologies that are being consistently upgraded in an attempt to “stay ahead” of evolving threats. The array of detection tools has largely been protecting access to aircraft systems as gated or “point” solutions. The public is forced to tolerate the delays associated with such inspections due to the extreme risks that explosives or weapons can have on an aircraft and its passengers.

In contrast, urban communities are largely unprotected against random acts of violence or use systems that significantly impede the flow of customers into and within business facilities. While the occasional violent act was more often considered an anomaly, the frequency and magnitude of violent attacks is forcing both businesses and governments to rethink how to move to more proactive measures. Since 2015, there have been over 300 mass shootings per year in the USA at a pace of nearly one per day. There is a market-driven need for security detection that can be broadly deployed across nearly all public and private facilities. The base requirements are that they be both highly accurate and nonintrusive to our daily lives.

### Current Alternatives

The current alternatives in the USM are typically restricted to:

- principally focusing on metal threats, therefore non-metal threats can potentially go undetected
- airport solutions which are not able to be used across other verticals and do not have the requisite throughput
- limited outdoor application and therefore hinder the capability of providing a layered defense for proactive threat detection
- requiring large, dedicated areas or space versus integration into existing infrastructure
- limited capability for integration into existing security systems command & control

### About Liberty’s Management Team

Central to Liberty’s team is the technical and management expertise are: CEO and Director, Bill Frain former Senior Vice President for L-3 Security & Detection Systems (NYSE – LHX), the world’s leading supplier of security inspection systems. In this role Bill led global sales, business development and key account management. President and CTO, Mike Lanzaro former Vice President of Engineering and Technology at L-3 Security & Detection Systems. Vice President of Engineering Jeffrey Gordon who spent his last five years working at General Electric Global Research developing roadmaps for imaging and sensor technologies and over 35 years experience leading the development of ground-breaking sensing products for the military, medical, industrial, and commercial markets, including body scanners that can be seen deployed across most U.S. and EU airport checkpoints.

### Liberty’s Advisors

Liberty has assembled a group of Advisors that can provide unprecedented market access to several of our identified market verticals including stadiums National Hockey League and Federation Internationale de Football Association and shopping malls. A key aspect to Liberty’s success will be gaining access and developing the market for HEXWAVE.

## ii) MIT License Agreement Description and Commitments

The Company, through its wholly owned subsidiary Liberty Defense Technologies Inc. (“LDT”), has entered into agreements with the Massachusetts Institute of Technology (“MIT”) and MIT’s Lincoln Laboratory (“MIT LL”),

including an exclusive patent licence agreement between MIT and LDT dated September 10, 2018, as amended from time to time (the “Licence Agreement”), a technology transfer agreement between LDT and MIT LL, effective August 24, 2018 (the “Technology Transfer Agreement”), and a cooperative research and development agreement between LDT and MIT dated as of December 21, 2018 (“CRADA”), such agreements providing LDT with an exclusive licence for patents, design assets and MIT LL technical expertise related to active three-dimensional imaging technology that are the core technology behind the HEXWAVE product.

The obligations under the Technology Transfer Agreement and the CRADA have now been completed. Liberty may consider extending the CRADA (and therefore changing its scope) if it determines that additional MIT LL technical expertise related to active three-dimensional imaging technology is required. Pursuant to the License Agreement, LDT has been granted the exclusive rights to MIT's patent in "multistatic sparse array topology for FFT-based field imaging" (MIT Case No. 1 8409L) (the “Patent”), which is being utilized in the development and application of the HEXWAVE product. The License Agreement is to be in effect until the expiration of the Patent, which is 14 years (December 2035). In granting LDT such patent rights, the Company shall pay MIT in addition to patent filing costs an annual maintenance fees as follows: 1) \$20,000 for 2019 (paid); \$50,000 for 2020 (paid); \$60,000 for 2021 (paid); \$100,000 for 2022 (accrued); \$200,000 for 2023 and \$350,000 for 2024 and thereafter; and 2) a royalty of 5.7% of all future net sales of the Company. The Company shall also be required to achieve certain milestones

The continuity of the intangible assets is as follows:

|                               | MIT<br>licenses   | Intellectual<br>property &<br>goodwill | Total               |
|-------------------------------|-------------------|--|---------------------|
| Balance, December 31, 2021    | \$ 366,280        | \$ 3,769,172                           | \$ 4,135,452        |
| Additions                     | 102,421           | -                                      | 102,421             |
| Amortization                  | (7,758)           | (72,954)                               | (80,712)            |
| <b>Balance March 31, 2022</b> | <b>\$ 460,943</b> | <b>\$ 3,696,218</b>                    | <b>\$ 4,157,161</b> |

Intangible assets included as MIT licenses include payments in connection to reimbursement of global patent filing costs and annual maintenance fees. Additionally, intellectual property was generated through the RTO transaction.

### iii) Battelle Memorial Institute License Agreement Description and Commitments

On March 22, 2021, the Company, through its wholly owned subsidiary DrawDown Detection, Inc. has entered into an agreement (“Battelle License Agreement”) with Battelle Memorial Institute (“Battelle”), which operates the Pacific Northwest National Laboratory, to license the millimeter wave-based, High-Definition Advanced Imaging Technology (HD-AIT) body scanner and shoe scanner technologies. The agreement, as amended from time to time, provides the Company with a three-year exclusive license for the certain patents which will convert to a non-exclusive license for the remaining life of the patents. The agreement also provides the Company with non-exclusive license for certain patents for life.

As consideration for the Battelle License Agreement, the Company paid \$30,000 upon signing and \$30,000 six months after.

Under the Battelle License Agreement, the Company shall pay a five percent royalty on net sales and a twenty-five percent in all sublicensing revenues if permitted. The Company is also required to pay a minimum royalty amount as follows, unless the agreement is terminated:

|                                    | Amounts   |
|------------------------------------|-----------|
| Year 2021 (paid on March 25, 2022) | \$ 50,000 |
| Year 2022                          | 50,000    |
| Year 2023                          | 100,000   |
| Year 2024 and each year thereafter | 200,000   |

The Company is obligated to achieve certain milestones in the next twelve to thirty-six months and reimburse Battelle for ongoing patenting expenses, as well as past patenting expenses in the total amount of \$50,000, which are payable as follows: 1) \$25,000 (paid), and 2) \$25,000 due on or before February 28, 2023. The outstanding balance of long-term patent expense reimbursements of \$25,000 has been accrued.

#### iv) DKL License Agreement Description

On October 11, 2018, the Company through its wholly owned subsidiary DrawDown Technologies, Inc (“DDT”) entered into a license agreement (“the Licensing Agreement DKL”) with DKL International, Inc (“DKL”), as amended on February 6, 2020, for the commercial development of DKL’s passive detection techniques and products that detect smokeless gunpowder from a standoff distance (the “Detection Technology”).

Pursuant to the last amendment to the Licensing Agreement DKL on February 6, 2020, DKL agreed to surrender back to DrawDown, 1,500,000 common shares in the capital of the Company with a fair value of \$230,982 that were issued to DKL on April 2, 2019 as part of the consideration for the Licensing Agreement DKL. In addition to returning those shares, it was also agreed to cancel the cash portion of the consideration for an amount of \$80,000 and the obligation to issue 500,000 common shares with an estimated value of \$188,126 for a total of \$268,126 recorded as a recovery in the statement of loss.

During the prior year ended December 31, 2020, DrawDown Detection agreed to pay a non-refundable license fee of \$250,000 of which \$18,500 was paid during the year 2020 and \$175,000 paid in 2019. The remaining outstanding balance of \$56,500 was recorded within accounts payable and accrued liabilities in the consolidated statement of financial position.

On March 23, 2021, DrawDown paid to DKL \$70,000, which satisfied the payment of previously approved research and development costs of DKL for work performed until December 31, 2020.

On April 19, 2021, the Company gave notice of termination of the License Agreement DKL. Such notice of termination served as formal notice that the Licensing Agreement DKL was terminated in full effective six months following the date of this notice. Upon the effective date of the termination, the parties to the Licensing Agreement DKL will have no further rights and/or obligations pursuant thereto. In order to settle any and all outstanding amounts owed to DKL under the Licensing Agreement the Company paid \$125,000 to DKL.

#### (c) Recent Developments

From inception, Liberty set itself an aggressive product development timeline by pursuing a concurrent engineering and development approach and prior to its financial constraints had managed to deliver upon this timeline.

Liberty has also established several collaboration agreements with multiple well-respected recognizable organizations across its various market verticals to participate in Beta testing HEXWAVE. These include the Port of Tampa, FL, University of Wisconsin Police Department, Greater Toronto Airport Authority, Metro Toronto Convention Center, Maryland Stadium Authority, a Hindu temple in Southeast United States, Virginia Division of Capitol Police, FC Bayern München, and Utah Attorney General, among others.

In addition to advancing HEXWAVE and the market for it, Liberty achieved several significant corporate milestones which include:

- Closing of oversubscribed public offering for total gross proceeds of CAD\$8.6 million (March 2022)
- Received a \$212,697 contract award from Pacific Northwest National Laboratory (PNNL) for HA-AIT Retrofit Kits

#### (d) Outlook and Going Concern

Expenditure in research and development activities undertaken with the prospect of gaining new scientific or technological knowledge and understanding is recognized in the statement of loss as an expense when incurred.



No research and development costs have been deferred to date.

The Company's expenditures in development activities where research results are used in planning and designing the production of new or substantially improved products and processes is recognized under intangible assets if the product or process is technically and commercially feasible, if there is an intention and ability to complete the project and then use or sell it and expect economic benefits from the project, if the company has sufficient resources to complete development and if it is able to measure reliably the cost during development. The recognized research and development expenditures incurred are recognized in the statement of loss as an expense when incurred.

The Company incurred in a total loss during the three months ended March 31, 2022, of \$2,501,396 and cash outflows from operating activities of \$2,008,453. In order to fully commercialize HEXWAVE, the Company will require additional funds to achieve its development timeline and bring HEXWAVE to market. The Company has certain committed development milestones over the next twelve months and based on the Company's current forecasted operational and development spend, the Company will require additional funds to meet these milestones. While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured. This material uncertainty casts significant doubt upon the Company's ability to continue as a going concern.

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

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. These interim condensed consolidated financial statements do not give effect to any adjustments that might be required should the Company be unable to continue as a going concern.

Management plans to continue to pursue equity and/or debt financing to support operations. There can be no assurance that these financing efforts will be successful. Failure to maintain the support of creditors and obtain additional external financing will cause the Company to curtail operations and the Company's ability to continue as a going concern will be impaired. The outcome of these matters cannot be predicted at this time.

## **2) Results of Operations**

Certain comparatives in prior periods may have been revised to conform to the current presentation.

During the three months ended March 31, 2022, the Company reported a total loss and comprehensive loss of \$2,501,396 and \$2,632,679 respectively (three months ended March 31, 2021 –\$969,517 and \$994,441 respectively), and basic and diluted loss per share of \$0.04 (three months ended March 31, 2021 – \$0.05 respectively). Despite the accumulated losses, Management of the Company is committed to continue with the research and development and future commercialization of its active 3D imaging technology system, HEXWAVE, along with its other different licensed technologies.

The net loss for the three months ended March 31, 2022, and 2021 is comprised of the following items:

|  | Three months ended March 31, |                     |
|--|------------------------------|---------------------|
|  | 2022                         | 2021                |
| <b>Research and development:</b>   |                              |                     |
| Product development  | 67,579                       | 180,279             |
| Technology costs   | 183,559                      | —                   |
| Legal fees   | 1,430                        | 17,550              |
| Salaries & Consulting Fees (note 14)                                       | 1,066,122                    | (328,998)           |
| Stock-based Compensation (note 11 and 14)                                  | 7,681                        | 790                 |
| Office, rent and administration  | 86,102                       | 1,871               |
| Travel and miscellaneous   | 64,100                       | —                   |
| Depreciation (note 5)  | 53,361                       | 11,143              |
| Amortization (note 7)  | 80,712                       | 2,062               |
| <b>General Expenses:</b>   |                              |                     |
| Consulting fees, salaries and benefits (note 14)                           | 199,210                      | 69,687              |
| Depreciation (note 5)  | —                            | 3,958               |
| Legal and professional fees  | 137,684                      | 83,001              |
| Stock based compensation (note 14)   | 416,948                      | 4,578               |
| Office, rent and administration  | 33,752                       | 13,922              |
| Regulatory and shareholder information                                     | 2,694                        | 12,419              |
| Travel, promotion and investor relations                                   | 180,424                      | 43,120              |
| RTO transaction related costs and listing expense (note 4)                 | —                            | 807,615             |
|  | 2,581,358                    | 922,997             |
| <b>Other expense (income):</b>   |                              |                     |
| Interest income  | —                            | (54,375)            |
| interest expense   | 14,003                       | 38,967              |
| Accretion expense  | 700                          | 39,292              |
| Foreign exchange (gain) loss   | (94,665)                     | 22,636              |
|  | (79,962)                     | 46,520              |
| <b>Net loss for the period</b>   | <b>\$ (2,501,396)</b>        | <b>\$ (969,517)</b> |
| <b>Other comprehensive loss</b>  |                              |                     |
| Items that may be reclassified subsequently to profit or (loss)            |                              |                     |
| Foreign currency translation adjustment                                    | (131,283)                    | (24,924)            |
| <b>Total items that may be reclassified subsequently to profit or loss</b> | <b>(131,283)</b>             | <b>(24,924)</b>     |
| <b>Total loss and comprehensive loss for the period</b>                    | <b>\$ (2,632,679)</b>        | <b>\$ (994,441)</b> |

Significant variances affecting the total loss for the period are discussed as follows:

On March 17, 2021, the Company undertook a reverse takeover transaction with DrawDown Detection, Inc., as a result all comparative figures include the transaction of DrawDown and Liberty from March 17, 2021 onwards.

- Research and development (“R&D”) expenses for the three months ended March 31, 2022, was \$1,610,646 in connection to expenses related to R&D of the Company’s licensed technologies with the purpose to mainly continue advancing its HEXWAVE technology. During the three-months period ended, the Company incurred \$183,559 in connection to technology costs and \$1,066,122 in salaries and consulting fees that relate to software development and beta testing. Travel and miscellaneous expenses of \$64,100 were incurred as higher travel to and from our Atlanta and Boston office has increased with the growth of the team. During the comparative period, for the three months ended March 31, 2021, the Company had a net recovery of \$328,998 for salaries and consulting fees due to the recognition of the PPP loan forgiven in the amount of \$364,069 which was allocated to employee salaries and benefits. During the same period, the company incurred



\$180,279 for product development related to software development paid to the MIT in connection to the HEXWAVE technology.

- ii) During the three-months ended March 31, 2022, total general expenses in the amount of \$970,712 were incurred mainly in connection to consulting fees, legal and professional fees, stock-based compensation and travel promotion and investor relations. Stock based compensation expenses of \$416,948 were incurred in connection to stock options, restricted share units, and performance shares granted March 17, April 7, June 10, July 28, Nov 1, 2021, and Jan 14, 2022.

Consulting fees, salaries and benefits recorded for the three-months ended March 31, 2022, increased from \$69,687 to \$199,210 as the headcount has grown with the development of the business and the addition of the Boston office. Also, there is a significant increase in travel promotion and investor relations recorded for the three-months ended March 31, 2022, as it went from \$43,120 to \$180,424 in the current three-months ended March 31, 2022. This is because there is a significant increase of various promotional initiatives that are underway to promote the Company and its licensed technologies to create public awareness.

During the three months ended Mar 31, 2021, the Company incurred \$807,615 in connection to the RTO transaction related costs and listing expense related to the takeover transaction with DrawDown which closed on March 17, 2021. During the current period the balance is \$nil.

- iii) During the three months ended March 31, 2021, the Company recorded net other income in the amount of \$(79,962) compared to net other income of \$46,520 incurred during the same period of the previous year. The main differences relate to interest income which in the comparative year was recorded an amount of \$(54,375) in connection to interest on the loan between DrawDown and Liberty, since the closing of the RTO transaction these balances are now eliminated on consolidation. The Company also recorded a decrease in foreign exchange loss compared to the previous year due to foreign exchange rate differentials \$(94,665) for the three-months ended March 31, 2022 compared to the same period in the previous year at \$22,636. The Company's functional currency is the Canadian dollar and holding financial assets and liabilities in other currencies, mainly the U.S. dollar, produce foreign exchange gains or losses.

### 3. Summary of Quarterly Results

| Three months ended | Working capital<br>(deficiency) | Total assets | Total loss and<br>comprehensive<br>income loss | Loss per share |
|--------------------|---------------------------------|--------------|--|----------------|
|                    | \$                              | \$           | \$   | \$             |
| 31-Mar-22          | 4,587,293                       | 10,254,900   | (2,632,679)                                    | (0.04)         |
| 31-Dec-21          | 757,311                         | 11,567,450   | (2,562,682)                                    | (0.04)         |
| 30-Sep-21          | 3,444,825                       | 13,651,601   | (3,012,091)                                    | (0.04)         |
| 30-Jun-21          | 5,193,209                       | 14,857,621   | (2,518,392)                                    | (0.05)         |
| 31-Mar-21          | 2,297,814                       | 11,897,154   | (994,441)                                      | (0.05)         |
| 31-Dec-20          | (527,519)                       | 2,071,133    | (397,233)                                      | (0.01)         |
| 30-Sep-20          | (135,847)                       | 1,916,518    | (207,176)                                      | (0.01)         |
| 30-Jun-20          | 63,965                          | 1,806,596    | (339,998)                                      | (0.01)         |

During the first quarter of 2022, the Company continued with the development of its different technologies and hired key individuals that will help the Company to support the success of the beta launch HEXWAVE product, along with the development of the product prototype for the Company's aviation checkpoint and other security solutions. Additionally, on March 17, 2022, the Company closed a brokered private placement for gross proceeds of \$6,816,237 (CAD\$8,624,994).

During the three months ended March 31, June 30, September 30, and December 31, 2021 the Company continued the research and development of its new technology for the HEXWAVE. In March 2021 the Company undertook a reverse takeover ("RTO") transaction with DrawDown. Additionally, as part of accounting for the RTO, the company

recorded an intangible asset in the amount of \$3,952,854 (Intangible asset \$183,682 & Intangible asset – FV HEXWAVE technology \$3,769,172) and had RTO transaction costs of \$298,667 and listing expense of \$2,546,491 recorded during the year ended December 31, 2021. With the development and growth of this technology, the team has grown and developed with adding the new headquarters in Boston, MA, closing two brokered private placements (one in Q3 2021 gross proceeds of \$5,777,490 (CAD\$7,130,000) and in Q2 2021 with gross proceeds of \$5,535,449 (CAD\$7,130,000)). Therefore, with funding in place the Company started ramping up the necessary activities to finalize the beta testing of its HEXWAVE technology and prepare the company for manufacturing and commercialization. Additionally, the Company added more personnel to the different areas of the Company to start developing policies and procedures that will help the Company in its next phase of growth.

#### 4. Liquidity and Capital Transactions Resources

##### (a) Liquidity

As of March 31, 2022, the Company had a cash balance of \$5,134,869 and a working capital of \$4,587,293 Current liabilities as of March 31, 2022, are in the amount of \$758,142, which have been incurred in connection to continuing the development of the Company's licensed technologies and keeping the licenses and the Company's public registry in good standing.

|  | Three months ended March 31, |                     |
|--|------------------------------|---------------------|
|  | 2022                         | 2021                |
| <b>Cash (used in) provided by:</b>                     |                              |                     |
| <b>Operating activities:</b>                           |                              |                     |
| Loss and comprehensive loss for the period             | \$ (2,501,396)               | \$ (969,517)        |
| Items not involving cash:                              | 568,100                      | (517,731)           |
| Changes in non-cash working capital:                   | (75,157)                     | (378,404)           |
| <b>Cash used in operating activities</b>               | <b>(2,008,453)</b>           | <b>(1,865,652)</b>  |
| <b>Cash used in investing activities</b>               | <b>(116,688)</b>             | <b>—</b>            |
| <b>Cash provided by financing activities</b>           | <b>6,050,356</b>             | <b>4,521,522</b>    |
| <b>Effect of foreign exchange rate changes on cash</b> | <b>(131,920)</b>             | <b>(4,227)</b>      |
| <b>Increase in cash</b>                                | <b>3,793,295</b>             | <b>2,651,643</b>    |
| <b>Cash, beginning of the period</b>                   | <b>1,341,573</b>             | <b>57,047</b>       |
| <b>Cash, end of the period</b>                         | <b>\$ 5,134,868</b>          | <b>\$ 2,708,690</b> |

During the three-months ended March 31, 2022, the Company used net cash in operating activities in the amount of \$2,008,453 mainly due to expenses related to research and development, salaries and consulting fees, promotional and investor relations activities. The Company incurred \$116,688 in investing activities which relates to additions to intangible assets from the MIT Patent and additions to the property and equipment in regard to cubicles. Also, provided cash in financing activities in the net amount of \$6,050,356 which mainly relates to proceeds from issuance of common shares and warrants exercised.

The Company has not issued dividends to date and has no plans to pay dividends in the foreseeable future.

In comparison, during the three-months ended March 31, 2021, the Company used net cash in operating activities in the amount of \$1,865,652 mainly due to the expenses related to research and development, salaries and consulting fees, promotional and investor relations activities. The company also used cash in financing activities in the net amount of \$4,521,522, which mainly relates to the cash used in financing provided to Liberty in connection with the business combination.

## (b) Capital Transactions and Resources

Common share transactions for the three-months ended March 31, 2022

- i) On March 3, 2022, a total of 246,600 share purchase warrants were exercised at CAD\$0.30 per share for total proceeds of \$58,580, of which 123,300 share purchase warrants were exercised in error and are in the process of being returned and canceled. The fair value of these exercised warrants was \$21,479 and was transferred from the equity reserves and recorded against share capital.
- ii) On March 17, 2022, the Company closed a brokered private placement for gross proceeds of \$6,816,237 (CAD\$8,624,994). The Company issued 26,136,345 units (each a “Unit”) of the Company at a price of \$0.26 (CAD\$0.33) per Unit. Each Unit comprised of one common share and one-half share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of the Company at a price of CAD\$0.50 within a period of 24 months. The Company paid the agents 1,996,363 broker warrants with a fair value of \$307,878 and cash commission of \$520,642. Each broker warrant will be exercisable to purchase one common share for a period of 24 months at an exercise price of CAD\$0.33. Additionally, the Company also incurred in other cash costs in connection to filing and legal expenses in the amount of \$277,532 and paid a corporate finance fee of CAD\$100,000 in common shares of the Company (303,030 common shares issued with a fair value of \$79,029). All securities issued under the private placement are subject to a hold period expiring four months and one day after the closing date of the private placement.
- iii) In connection to the March 17, 2022, financing, an additional two milestones were reached related to the capital market performance shares and a total of 4,386,500 common shares will be from escrow.

Common share transactions for the three-months ended March 31, 2021

- i) On March 17, 2021, Liberty completed a share consolidation equivalent to 6.2 old common shares to 1 new common share and DrawDown also completed a share consolidation of two old common shares for one new common share in connection to the completion of the RTO transaction. All common shares and per share data presented in the Company’s consolidated financial statements have been retroactively adjusted to reflect the share consolidation unless otherwise noted.
- ii) As part of the RTO transaction on March 12, 2021, the Company closed a financing with a total of 17,250,000 subscription receipts for one Unit (the “March Unit”) at a price of \$0.3209 (CAD\$0.40) per Unit for total proceeds of \$5,535,499 (CAD\$6,900,000). Each March Unit is comprised of one common share and one-half of one purchase warrant (each whole warrant, a “March Warrant”). Each whole purchase March Warrant entitles the holder thereof to purchase one common share at CAD\$0.60 per common share for a period of two years. The Company issued 1,098,125 compensation warrants to the agents (the “Compensation March Warrants”). Each Compensation March Warrant entitles the agents to acquire one common share of the Company at a price of CAD\$0.40 per common share within 24 months with a fair value of \$197,832. The Company also incurred a cash commission and other filing and legal expenses of \$597,800 (CAD\$739,250).
- iii) A total of 10,733,792 common shares were issued upon completion of the RTO transaction on March 17, 2021, with a fair value of \$3,444,458. Also, the convertible debentures issued in connection to the RTO transaction were converted into DrawDown Units and immediately exchanged for Liberty shares on a one for one basis along with the warrants and finder’s warrants. Each DrawDown Unit is comprised of one common share and one-half of one purchase warrant (each whole warrant, a “CD Warrant”). Each whole purchase CD Warrant entitles the holder thereof to purchase one common share at CAD\$0.50 per common share for a period of two years. A total of 5,825,467 common shares were issued with a fair value of \$1,495,507 in connection with the convertible debentures.

Also, as part of the convertible debentures transaction, the Company issued a total of 208,286 finder’s warrants at a price of CAD\$0.40 per share for a period of 24 months with an estimated fair value of \$31,884.

Other sources of funds:

Other sources of funds potentially available to the Company are through the exercise of outstanding stock options, and share purchase warrants with the following terms:

As at March 31, 2022, the number of stock options outstanding and exercisable, adjusted for the share consolidation was:

| Expiry date           | Outstanding             |                | Exercisable                        |                         |
|-----------------------|-------------------------|----------------|------------------------------------|-------------------------|
|                       | Number of stock options | Exercise price | Remaining contractual life (years) | Number of stock options |
| 1-May-24              | 50,000                  | CAD\$ 0.50     | 1.99                               | 50,000                  |
| 15-Jun-24             | 37,500                  | CAD\$ 0.50     | 2.12                               | 37,500                  |
| 1-Jul-24              | 75,000                  | CAD\$ 0.50     | 2.16                               | 75,000                  |
| 8-Jul-24              | 75,000                  | CAD\$ 0.50     | 2.18                               | 75,000                  |
| 31-Jul-24             | 50,000                  | CAD\$ 0.50     | 2.24                               | 50,000                  |
| 23-Aug-24             | 37,500                  | CAD\$ 0.50     | 2.30                               | 37,500                  |
| 25-Sep-24             | 37,500                  | CAD\$ 0.50     | 2.39                               | 37,500                  |
| 29-Sep-24             | 75,000                  | CAD\$ 0.50     | 2.41                               | 75,000                  |
| Apr 9 and Jul 2, 2024 | 137,097                 | CAD\$ 4.96     | 2.16                               | 137,097 <sup>1</sup>    |
| 7-Apr-26              | 1,610,000               | CAD\$ 0.50     | 3.93                               | 603,750                 |
| 10-Jun-26             | 100,000                 | CAD\$ 0.50     | 4.10                               | 37,500                  |
| 28-Jul-26             | 215,000                 | CAD\$ 0.50     | 4.23                               | 53,750                  |
| 1-Nov-26              | 465,000                 | CAD\$ 0.46     | 4.50                               | 58,125                  |
| 14-Jan-27             | 100,000                 | CAD\$ 0.36     | 4.70                               | 0                       |
|                       | <b>3,064,597</b>        |                |                                    | <b>1,327,722</b>        |

As at March 31, 2022, the number of restricted share units outstanding and exercisable are as follows:

|                                    | Number of equity settled restricted share units | Weighted average price |
|------------------------------------|---|------------------------|
| Outstanding, December 31, 2020     | -   | CAD\$ -                |
| Granted                            | 1,000,000                                       | 0.58                   |
| Outstanding, December 31, 2021     | 1,000,000                                       | CAD\$ 0.58             |
| Granted                            | 150,000   | 0.50                   |
| <b>Outstanding, March 31, 2022</b> | <b>1,150,000</b>                                | <b>CAD\$ 0.57</b>      |

None of the restricted share units are exercisable since they vest completely in April 2024, January 2023 and June 2022 and are restricted until April 2026, January 2027, and June 2026.

The outstanding number of share purchase warrants, adjusted for the share consolidation outstanding are as follows:

| Expiry date | Outstanding        |                |                                    |
|-------------|--------------------|----------------|------------------------------------|
|             | Number of warrants | Exercise price | Remaining contractual life (years) |
| 29-May-22   | 84,986             | CAD\$0.40      | 0.16                               |
| 11-Mar-23   | 1,098,125          | CAD\$0.40      | 0.95                               |
| 11-Mar-23   | 8,625,000          | CAD\$0.60      | 0.95                               |
| 17-Mar-24   | 2,912,734          | CAD\$0.50      | 1.96                               |
| 17-Jun-23   | 7,130,000          | CAD\$0.75      | 1.21                               |
| 17-Jun-23   | 1,056,900          | CAD\$0.50      | 1.21                               |
| 17-Mar-24   | 13,068,172         | CAD\$0.50      | 1.96                               |
| 17-Mar-24   | 1,996,363          | CAD\$0.33      | 1.96                               |
|             | <b>35,972,280</b>  |                |                                    |

### **(c) Performance Shares**

On March 17, 2021, Liberty deposited into escrow, and held in escrow, Operational Performance Shares (“OPS”) and Capital Market Performance Shares (“CMPS”) for certain directors, officers, and consultants of the Company upon the Company achieving certain performance milestones. Once these milestones were achieved the shares would be released. These performance shares included 2,000,000 of OPS and 8,773,000 of CMPS. In order to fair value these performance shares, management has run a probability analysis to estimate the number of shares the Company would be issued and its vesting period. Therefore, the fair value of these performance shares are based on the probability analysis and the share market price at grant date of CAD\$0.40 per share.

#### Operational Performance Shares

During the three months ended March 31, 2022 and as at December 31, 2021, none of the 2,000,000 OPS have been issued as neither of the two milestones have been met. The estimated vesting period of the OPS was set between March 2023 and September 2023. The estimated fair value of the OPS is CAD\$800,000, with \$56,404 (three months ended March 31, 2021 – \$nil) recognized as stock-based compensation in the consolidated statement of loss and comprehensive loss.

#### Capital Market Performance Shares

On July 21, 2021, the Company issued 2,193,150 from the total of 8,773,000 CMPS as the first established milestone was met. The Company set a total of four milestones with an equal number of CMPS to be issued when the Company achieves such milestones. The Company has estimated a probability of the number of CMPS it will issue in addition to an estimated vesting period between Jun 2021 and Sep 2022. The estimated fair value of the CMPS is CAD\$3,509,200, with \$255,887 (three months ended March 31, 2021 – \$nil) recognized as stock-based compensation in the consolidated statement of loss and comprehensive loss.

During the three months ended March 31, 2022, no additional CMPS were issued. However, as a result of completing the March 17, 2022, financing, an additional two milestones were reached related to the CMPS and a total of 4,386,500 common shares will be released from escrow.

### **(d) Reconciliation of Use of Proceeds from June 2021 Unit Offering**

In June 2021, the Company undertook an offering of CAD\$7,130,000 of units. The following table sets out a comparison of how the Company used the proceeds during the year ended following the closing date in June 2021, an explanation of variances and the impact of variances on the ability of the Company to achieve its business objectives and milestones.

| Intended Use of Proceeds of June 2021 Unit Offering     |                       | Actual Use of Proceeds from June 2021 Unit Offering | (Over)/under expenditure | Explanation of Variance and impact on business objectives |
|---|-----------------------|---|--------------------------|---|
| Agent's cash commission                                 | CAD\$553,450          | CAD\$553,450  | CAD\$0                   | N/A   |
| Agent's legal fees, expenses and disbursements          | CAD\$64,000           | CAD\$64,000   | CAD\$0                   | N/A   |
| Research, development and implementation <sup>(1)</sup> | CAD\$5,593,721        | CAD\$5,593,721                                      | CAD\$0                   | N/A   |
| General and administrative expenses <sup>(2)</sup>      | CAD\$733,761          | CAD\$733,761  | CAD\$0                   | N/A   |
| Sales and marketing <sup>(3)</sup>                      | CAD\$185,068          | CAD\$185,068  | CAD\$0                   | N/A   |
| <b>Total</b>  | <b>CAD\$7,130,000</b> | <b>CAD\$7,130,000</b>                               | <b>CAD\$0</b>            |   |

Notes:

- (1) Such expenses were expected to include costs related to the research, development and implementation of the Company's technology that was licensed from the Pacific Northwest National Laboratory as well as further development of the Company's HEXWAVE technology.
- (2) Such expenses were expected to include, among other things, CEO and CTO salaries, CFO professional fees, compensation to supporting staff, office and administration costs of approximately CAD\$733,761 and corporate insurance combined with public company regulatory costs, including legal and audit costs, transfer agent fees, and costs of shareholder communications, of approximately CAD\$313,638.
- (3) Such expenses were expected to include compensation for consultants, advertising, and other promotional expenditures.

Although the Company intended to use the proceeds from the June 2021 subscription receipt offering as set forth above, the actual allocation of the net proceeds varied based on actual developments and unforeseen events.

#### (e) Reconciliation of Use of Proceeds from March 2022 Unit Offering

In March 2022, the Company undertook an offering of CAD\$8,624,994 of units. The following table sets out a comparison of how the Company used the proceeds during the three-months ended following the closing date in March 2022, an explanation of variances and the impact of variances on the ability of the Company to achieve its business objectives and milestones.



| Intended Use of Proceeds of March 2022 Unit Offering  |                       | Actual Use of Proceeds from March 2022 Unit Offering | (Over)/under expenditure | Explanation of Variance and impact on business objectives   |
|---|-----------------------|--|--------------------------|---|
| Research, development and implementation of the Company's licensed technologies and general expenses <sup>(1)</sup> | CAD\$7,322,700        | CAD\$869,251   | CAD\$6,453,449           | The Company has not yet used all of these proceeds but anticipates using these proceeds in the remainder of 2022. |
| Subscription funds, President list  | CAD\$519,994          | CAD\$519,994   | CAD\$0                   | N/A   |
| Agent's cash commission   | CAD\$658,800          | CAD\$658,800   | CAD\$0                   | N/A   |
| Agent's legal fees, expenses and disbursements  | CAD\$123,500          | CAD\$123,500   | CAD\$0                   | N/A   |
| <b>Total</b>  | <b>CAD\$8,624,994</b> | <b>CAD\$2,171,545</b>                                | <b>CAD\$6,453,449</b>    |   |

Notes:

- (1) Such expenses were expected to include costs related to the research, development and implementation of the Company's technology that was licensed from the Pacific Northwest National Laboratory as well as further development of the Company's HEXWAVE technology, general expenses and working capital.

Although the Company intended to use the proceeds from the March 2022 unit offering as set forth above, the actual allocation of the net proceeds may vary depending on future developments or unforeseen event.

## Commitments

- i) As at March 31, 2022 and December 31, 2021, the minimum lease payments are:

|   | March 31,<br>2022 |           | December 31,<br>2021 |           |
|---|-------------------|-----------|----------------------|-----------|
| Maturity analysis - contractual undiscounted cash flows           |                   |           |                      |           |
| One year or less  | \$                | 166,359   | \$                   | 160,693   |
| Two to five years   |                   | 586,316   |                      | 590,859   |
| Six and thereafter  |                   | 152,618   |                      | 190,409   |
| Total lease liabilities   | \$                | 905,293   | \$                   | 941,961   |
| Effect of discounting   |                   | (180,227) |                      | (194,996) |
| Lease liabilities included in the statement of financial position | \$                | 725,066   | \$                   | 746,965   |
| Current   | \$                | 114,901   | \$                   | 106,885   |
| Non-current   | \$                | 610,165   | \$                   | 640,080   |

- ii) As at March 31, 2021 and December 31, 2021, the Company's minimum undiscounted sublease payments receivable are:

|                                     |           | <b>Amount</b> |
|-------------------------------------|-----------|---------------|
| Balance, December 31, 2020          | \$        | -             |
| Additions                           |           | 63,227        |
| Accretion                           |           | 1,810         |
| Payments received                   |           | (13,191)      |
| Currency translation adjustment     |           | (3,012)       |
| Balance, December 31, 2021          | \$        | 48,834        |
| Payments received                   |           | (4,939)       |
| Currency translation adjustment     |           | 525           |
| Balance, March 31, 2022             | \$        | 44,420        |
| Less current portion                | \$        | 21,793        |
| <b>Non-current lease receivable</b> | <b>\$</b> | <b>22,627</b> |

As a result of the completion of the RTO and under the new management's vision, the corporate office will now be located in Boston, MA. As a result, the Company subleased until the expiry of the headlease (April 2024) the office space located in Vancouver, BC., as it was not longer required. The Company fair valued the lease receivable by present valuing the expected lease receivable payments over the life of the lease. The Company used an interest rate of 5.55%, the interest rate implicit in the lease. Minimum undiscounted sublease payments receivable are: \$21,793 during 2022 and \$29,815 during 2023.

- iii) Please refer to section 1(c) MIT License Agreement Description and Commitments and Battelle Memorial Institute License Agreement Description and Commitments, of this MD&A for additional disclosure on commitments.

## 5. Off-balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

## 6. Transactions Between Related Parties

The Company's related parties consist of the Company's directors, officers and companies associated with them including 1214852 B.C. LTD., a company where Omar Garcia, the Chief Financial Officer is a shareholder and Nicole Ridgedale Communications a direct family member of one of the directors.

Compensation of key management personnel:

Key management personnel include members of the Board, the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, and Chief Operating Officer. The net aggregate compensation paid, or payable and related party transactions are shown as follows:

|                          |           | <b>Three months ended March 31,</b> |                   |
|--------------------------|-----------|-------------------------------------|-------------------|
|                          |           | <b>2022</b>                         | <b>2021</b>       |
| Short-term benefits      | \$        | 235,862                             | \$ 106,930        |
| Share-based compensation |           | 380,164                             | -                 |
| Consulting services (1)  |           | 51,385                              | 71,056            |
|                          | <b>\$</b> | <b>667,411</b>                      | <b>\$ 177,986</b> |

(1) Includes fees paid or payable to 1214852 B.C. LTD and Nicole Ridgedale Communications.

Related party balances:

As of March 31, 2022, the Company had a balance payable of \$33,000 to related parties (March 31, 2021 – \$100,000). This payable balance includes accounts payable and accrued liabilities relating to consulting services from directors, officers or their related companies, included in compensation of key management personnel. These related party balances are unsecured, non-interest bearing and have no specific terms of settlement.

## 7. Subsequent events

- On April 26, 2022, the Company granted 1,915,000 stock options to directors, officers, employees and consultants of the Company. Each stock option is exercisable for one common share of the Company at an exercise price of CAD\$0.41 per share. All Options vest at 12.5% after three months from the grant date, and 12.5% every three months thereafter, expiring on April 26, 2027.
- On April 26, 2022, the Company issued 800,000 restricted share units of the Company to directors, officers, and an employee of the Company. These instruments will fully vested on April 26, 2024 and will expire on Apr 26, 2027.
- On May 12, 2022, Pacific Northwest National Laboratory granted a \$212,697 contract for the High-Definition Advanced Imaging Technology (HA-AIT) project to develop a series of millimeter-wave imaging system prototypes to advance and upgrade the current state-of-the-art concealed threat detection technology for the current passenger security screening applications.

## 8. Critical Accounting Estimates

Full disclosure of the Company's accounting policies and significant accounting estimates and judgments in accordance with IFRS can be found in note 2 and 3 of its audited consolidated financial statements as at December 31, 2021 and have remained substantially unchanged and are still applicable to the Company unless otherwise indicated.

## 9. Changes in Accounting Policies including Initial Adoption

There were no new standards effective January 1, 2022 that impacted the Company's interim condensed consolidated financial statements.

## 10. Other requirements

Outstanding share data

Authorized: Unlimited number of common shares

Number of common shares issued and outstanding as at March 31, 2022: 90,679,320

Number of common shares issued and outstanding as at May 20, 2022: 90,679,320

Number of stock options outstanding and exercisable as at May 20, 2022:

| Expiry date           | Outstanding             |                | Exercisable                        |                         |
|-----------------------|-------------------------|----------------|------------------------------------|-------------------------|
|                       | Number of stock options | Exercise price | Remaining contractual life (years) | Number of stock options |
| 1-May-24              | 50,000                  | CAD\$ 0.50     | 1.99                               | 50,000                  |
| 15-Jun-24             | 37,500                  | CAD\$ 0.50     | 2.12                               | 37,500                  |
| 1-Jul-24              | 75,000                  | CAD\$ 0.50     | 2.16                               | 75,000                  |
| 8-Jul-24              | 75,000                  | CAD\$ 0.50     | 2.18                               | 75,000                  |
| 31-Jul-24             | 50,000                  | CAD\$ 0.50     | 2.24                               | 50,000                  |
| 23-Aug-24             | 37,500                  | CAD\$ 0.50     | 2.30                               | 37,500                  |
| 25-Sep-24             | 37,500                  | CAD\$ 0.50     | 2.39                               | 37,500                  |
| 29-Sep-24             | 75,000                  | CAD\$ 0.50     | 2.41                               | 75,000                  |
| Apr 9 and Jul 2, 2024 | 137,097                 | CAD\$ 4.96     | 2.16                               | 137,097                 |
| 7-Apr-26              | 1,610,000               | CAD\$ 0.50     | 3.93                               | 805,000                 |
| 10-Jun-26             | 100,000                 | CAD\$ 0.50     | 4.10                               | 37,500                  |
| 28-Jul-26             | 215,000                 | CAD\$ 0.50     | 4.23                               | 80,625                  |
| 1-Nov-26              | 465,000                 | CAD\$ 0.46     | 4.50                               | 116,250                 |
| 14-Jan-27             | 100,000                 | CAD\$ 0.36     | 4.70                               | 12,500                  |
| 26-Apr-27             | 1,915,000               | CAD\$ 0.41     | 4.98                               | 0                       |
|                       | <b>4,979,597</b>        |                |                                    | <b>1,626,472</b>        |

Number of share purchase warrants as at May 20, 2022:

|                                  | Warrants outstanding | Exercise Price    |
|----------------------------------|----------------------|-------------------|
| Outstanding, December 31, 2019   | 1,740,000            | CAD\$ 0.20        |
| Issued                           | 208,286              | 0.40              |
| Cancelled                        | (1,740,000)          | 0.20              |
| Exercised                        |                      |                   |
| Outstanding, December 31, 2020   | 208,286              | CAD\$ 0.40        |
| RTO transaction                  | 1,738,166            | 6.48              |
| Issued                           | 20,872,759           | 0.62              |
| Cancelled                        | (1,423,650)          | 6.82              |
| Exercised                        | (50,000)             | 0.50              |
| Outstanding, December 31, 2021   | 21,345,561           | CAD\$ 0.68        |
| Issued                           | 15,064,535           | 0.20              |
| Cancelled                        | (314,516)            | 4.96              |
| Exercised                        | (123,300)            | 0.30              |
| <b>Outstanding, May 19, 2022</b> | <b>35,972,280</b>    | <b>CAD\$ 0.56</b> |

Number of restricted share units as at May 20, 2022:

|                                  | Number of equity settled restricted share units | Weighted average market price |
|----------------------------------|---|-------------------------------|
| Outstanding, December 31, 2020   | -   | CAD\$ -                       |
| Granted                          | 1,000,000                                       | 0.58                          |
| Outstanding, December 31, 2021   | 1,000,000                                       | CAD\$ 0.58                    |
| Granted                          | 950,000   | 0.21                          |
| <b>Outstanding, May 19, 2022</b> | <b>1,950,000</b>                                | <b>CAD\$ 0.40</b>             |

None of the restricted share units are exercisable since they vest completely in April 2027, April 2024, January 2023 and June 2022 and are restricted until April 2027, April 2026, January 2027, and June 2026.

#### Performance Shares

In connection to the Mach 17, 2022, financing, an additional two milestones were reached related to the capital market performance shares and a total of 4,386,500 common shares will be released from escrow. As of May 20, 2022 these have not been released.

## 11. Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2022, and 2021, and this accompanying MD&A (together, the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company on SEDAR at [www.sedar.com](http://www.sedar.com).