



INNOVATIVE & REVOLUTIONARY THREAT DETECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS THREE MONTHS ENDED MARCH 31, 2025

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

Dated: May 27, 2025

Liberty Defense Holdings, Ltd., ("Liberty" or the "Company") has prepared this Management's Discussion and Analysis ("MD&A") as of May 27, 2025, and should be read in conjunction with the Company's condensed consolidated interim financial statements for the three months ended March 31, 2025. Unless otherwise stated, all financial information has been prepared in accordance with IFRS Accounting 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. Management is ultimately responsible for the financial information.

Additional information on the Company is available at the Company's website www.libertydefense.com and under the Company's profile at www.sedarplus.ca.

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1. Overview

(a) Description of Business

Liberty Defense Holdings, Ltd. (“Liberty” or the “Company”) is a publicly traded company listed on the TSX Venture Exchange (TSXV: SCAN), the Frankfurt Stock Exchange (Frankfurt: L2D), and the OTCQB (OTCQB: LDDFF). The Company was incorporated under the Business Corporations Act of Ontario on June 8, 2012. On July 27, 2020, Liberty continued its jurisdiction of incorporation from Ontario to British Columbia and is now governed by the Business Corporations Act of British Columbia.

The Company’s registered and records office is located at 1055 West Georgia Street, Suite 1500, Royal Centre, P.O. Box 11117, Vancouver, British Columbia, V6E 4N7, Canada. Its head office is located at 187 Ballardvale Street, Suite 110, Wilmington, Massachusetts, 01887, USA.

The Company is engaged in the development and commercialization of advanced security detection technologies. Liberty’s flagship product, HEXWAVE, utilizes millimeter wave technology and advanced 3D imaging to detect concealed threats. In addition to HEXWAVE, the Company has licensed High-Definition Advanced Imaging Technology (HD-AIT) for body and shoe scanning.

(b) License Agreements

Licence agreements values and descriptions:

	MIT licenses	Battelle license	Intellectual property	Total
Balance, December 31, 2023	\$ 407,117	\$ 223,250	\$ 2,636,436	\$ 3,266,803
Additions	-	227,111	-	227,111
Amortization	(34,108)	(450,361)	(437,752)	(922,221)
Balance, December 31, 2024	\$ 373,009	\$ -	\$ 2,198,684	\$ 2,571,693
Additions	-	-	-	-
Amortization	(8,527)	-	(134,613)	(143,140)
Balance, March 31, 2025	\$ 364,482	\$ -	\$ 2,064,071	\$ 2,428,553

i) HEXWAVE Technology (intellectual property)

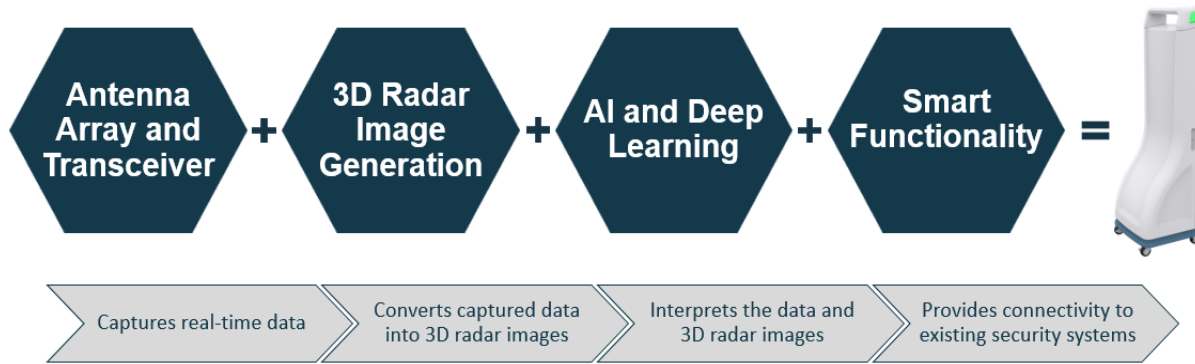
a. Active real-time 3D imaging technology licensed from MIT LL

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 Northeast 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 had identified certain required changes and entered into a 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 the 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. Artificial intelligence and Deep Learning – Automatic Threat Recognition (“ATR”)

Automatic Threat Recognition utilizing deep learning algorithms was developed by Liberty 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 20 images per second, 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 goal will be to continuously improve HEXWAVE and its threat detection performance by receiving real time 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 amended the timeline to develop a beta prototype from on or before December 31, 2019, to removing the deadline entirely and replacing it with an in-plant inspection by MIT at regular intervals with at least six months between each such inspection. 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+](http://www.sedarplus.ca) (www.sedarplus.ca) 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
- Operates in both indoor and outdoor locations including both overt and covert applications
- 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 & artificial intelligence updates
- Operationally agile (mobile and deployable across detection space)

- High throughput (over 700 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 United States (“US”) 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 United States market 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. CTO, 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 United States and European Union 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 the National Football League, law enforcement, federal and state government facilities, and former airport executives. 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 11 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 (paid); \$nil for 2023, \$40,000 for 2024 (payable), \$200,000 for 2025 (payable), and \$350,000 for 2026 and thereafter; and 2) a royalty of 5.7% of as future net sales of the Company.

During the three months ended March 31, 2025, the Company accrued royalty payments of \$31,350 (three months ended March 31, 2024, \$nil). The Company shall also be required to achieve certain milestones.

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 (“PNNL”), 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 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 royalty on all sublicensing revenues if permitted under the contract guidelines.

The Company is required to pay a minimum royalty amount as follows, unless the agreement is terminated:

	Amounts
Year 2021 (paid)	\$ 50,000
Year 2022 (paid)	50,000
Year 2023 (paid)	100,000
Year 2024 and each year thereafter (payable)	200,000

The Company is obligated reimburse Battelle for ongoing and past patenting expenses totaling \$50,000, which has been paid.

As at March 31, 2025, the Company has a balance of \$200,000 payable (year ended December 31, 2024, \$290,566):

- **HD-AIT Upgrade Kit**

The HD-AIT Upgrade Kit is being developed pursuant to contracts awarded by the U.S. Transportation Screening Administration (“TSA”) to create a solution to aging high-definition advanced imaging technology (“HD-AIT”) systems currently in use in airports throughout North America and also can be

implemented to upgrade HD-AIT systems around the globe. The TSA plans to upgrade over 1,000 body scanners installed at U.S. airports over the next five years, which we believe creates a near-term market opportunity.

(d) 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.

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

- [Liberty Defense Announces Mr. Bryan Cunningham, Senior U.S. Govt Security Executive, Appointed President \(January 2025\)](#)
- [Liberty Defense Announces the Successful Receipt of CAD\\$2.79M from the CAD\\$0.55 Accelerated Warrant Process \(January 2025\)](#)
- [Liberty Defense Announces Formal Federal Communications Commission \(FCC\) Waiver for HD-AIT \(January 2025\)](#)
- [Liberty Defense Announces Palm Springs International Airport selected HEXWAVE for employee screening initiative \(January 2025\)](#)
- [Liberty Defense Selects Isotec Security Inc. for a Strategic Partnership and Increased Market Penetration for the High Security Vertical \(February 2025\)](#)
- [Liberty Defense Adds Jason Burinescu, a Private Equity and Senior Operating Executive to their Board of Directors as Executive Chairman \(February 2025\)](#)
- [Liberty Defense Selects Aluma for a Strategic Partnership to achieve SAFETY Act for HEXWAVE \(March 2025\)](#)
- [Liberty Defense announces Independent Trading Group as Market Maker \(March 2025\)](#)
- [Liberty Announces Closing of Prospectus Offering of Units \\$5MCAD \(March 2025\)](#)
- [Liberty Defense Announces partnership selecting Point Security for HEXWAVE US Aviation & Urban Security Markets \(March 2025\)](#)
- [Liberty Defense Announces Mary Beth Long, Former Assistant Secretary of Defense to its Advisory Board \(April 2025\)](#)
- [Liberty Successfully Delivers Nine \(9\) HEXWAVE Units in Q1 2025 – Customer Backlog Accelerates for HEXWAVE Manufacturing & Delivery Through Channel Partnerships & Direct Customers \(April 9, 2025\)](#)
- [Liberty Defense Garners Another Sale of the HEXWAVE Unit & Another New Channel Sales Partner for the Country of Brazil & Launching of a Significant Capital Markets Investor Awareness Campaign \(April 14, 2025\)](#)
- [First-Ever Proposed US \\$1 Trillion Defense Budget Recognizes Escalating Threats \(April 17, 2025\)](#)
- [Liberty Defense has Appointed the Honorable James M. Byrne, Former Deputy Secretary of Veterans Affairs & Current Vice President, Ethics & Business Conduct, for the Lockheed Martin Corporation, to its Newly Formed Strategic Advisory Board \(April 21, 2025\)](#)
- [Liberty Completes Third Party Testing with National Safe Skies Alliance for Aviation Security \(May 6, 2025\)](#)
- [Liberty Defense has Appointed The Honorable David Kris to its Newly Formed Strategic Advisory Board \(May 13, 2025\)](#)
- [Liberty to Participate in Lytham Partners Investor Conference \(May 28, 2025\)](#)

(e) 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.

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 are 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, 2025, of \$3,784,695 and cash outflows used in operating activities of \$3,571,835. 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. These events and conditions indicate that a material uncertainty exists that may cast significant doubt upon the Company's ability to continue as a going concern.

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 financial statements do not give effect to any adjustments that might be required should the Company be unable to continue as a going concern. If the company cannot generate positive future cashflows, this will delay the production timeline and shipments to backlogged orders, in addition to delaying necessary product cost reductions and improvements caused by the lack of funds to hire, produce, and execute the necessary product updates / revisions. Continued equity and/or debt financing is critical in order to ramp production up in order to become profitable.

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, 2025, the Company reported a total loss and comprehensive loss of \$3,784,695 (three months ended March 31, 2024 – \$1,377,916 respectively), and basic and diluted loss per share of \$(0.08) (three months ended March 31, 2024 – \$(0.09)). Despite the accumulated losses, the Company's management is confident in scaling up production and commercialization of its primary technology, HEXWAVE, and is eager to advance the research and development of various potential technologies currently under review.

The net loss for the three months ended March 31, 2025, and 2024 is comprised of the following items:

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

- i) Revenue for the three months ended March 31, 2025, was \$1,055,358, which was in connection to contract award revenues from the TSA of \$275,000 and HEXWAVE sales of \$780,358. Cost of revenues for the three months ended March 31, 2025, was \$1,345,832 (three months ended March 31, 2024 – \$487,418). Cost of revenues consists of contract and production costs including \$503,227 of cost of goods sold, \$602,642 cost of contract revenue expenses, \$143,140 in amortization of intangible assets, \$54,190 in salaries and consulting fees, reversal to inventory impairment of \$(29,807), royalties of \$31,350, and \$41,090 in other production related items.

	Three months ended March 31,	
	2025	2024
	\$	\$
Revenue		
HEXWAVE revenue	780,358	99,000
Contract revenue	275,000	533,056
Total revenue	1,055,358	632,056
Cost of revenue		
HEXWAVE cost of revenue	602,642	235,373
Contract cost of revenue	743,190	252,045
Total cost of revenue	1,345,832	487,418
Gross (loss) Income	(290,474)	144,638
Engineering and Research and Development Expenses		
Product development & technology Costs	58,365	40,710
Salaries and consulting fees	571,940	263,879
Stock-based compensation	14,744	24,097
Depreciation	85,530	81,764
Office, rent & administration, travel, and miscellaneous	30,220	9,676
General & Administration Expenses		
Salaries and consulting fees	618,858	290,885
Legal and professional fees	136,401	55,882
Stock-based compensation	569,061	13,804
Office, rent & administration, travel, and miscellaneous	1,235,998	563,184
	3,321,117	1,343,881
Loss from operations	(3,611,591)	(1,199,243)
Other expense		
Other income, net of other expenses	(108)	-
Interest expense	154,424	175,190
Foreign exchange loss	18,788	3,483
	173,104	178,673
Net loss for the period	(3,784,695)	(1,377,916)

- ii) Engineering and research and development expenses for the three months ended March 31, 2025, amounted to \$760,799 (three months ended March 31, 2024 – \$420,126). This represents an increase from the expenses incurred during the same periods in the prior year. The increase is primarily related to the salaries and consulting fees of \$571,940 (three months ended March 31, 2024 - \$263,879). Salaries and consulting costs have increased due to additional resources needed in producing and commercializing the HEXWAVE, enhanced production development, software development, and advancing technologies. Additionally, product development & technology expenses of \$58,365 were attributed to the ongoing research and development of the company's licensed technologies, with a focus on advancing various potential technologies under review. It also includes \$30,220 in office, rent and administration and travel expenses, \$14,744 in stock-based compensation, and \$85,530 in depreciation. During the comparative period, three months ended March 31, 2024, the Company incurred \$40,710 product development and technology costs, \$24,097 in stock-based compensation, and \$263,879 in salaries and consulting fees that relate to software development and general R&D activities in connection to activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding of the licensed technologies. The significant variance in salaries and consulting fees primarily stems from additional consulting and headcount during the period. Shipments of production have continued to ship slowly with the intention to progressively increase production volumes in the near future.

- iii) During the three months ended March 31, 2025, the Company incurred general expenses in the amount of \$2,560,318 (three months ended March 31, 2024 - \$923,755). Total expenses of \$618,858 were incurred mainly in connection to consulting fees, salaries and payroll related benefits. The large increase from prior year is due to consulting fees and marketing for the private placement that occurred during the March 2025. Other expenses totalling \$1,235,998 were incurred from legal and professional fees and travel promotion and investor relations. Stock based compensation increased from \$13,804 for the three months ended March 31, 2024, to \$569,061 for the same period during the current year. This increase year over year was in connection to the issuance of stock-based-compensation for employees and consultants who have being issued stock options and RSUs during December 2024 and the three months ended March 31, 2025.

Office, rent, administration, travel, and miscellaneous expenses for the three months ended March 31, 2025, increased to \$1,235,998 compared to the three months ended March 31, 2024 - \$563,187. This large increase is due to prepaid marketing and consulting expenses incurred during fiscal year end 2024 that are being utilized and amortized in 2025. Salaries and consulting fees increased from \$290,885 during the three months ended March 31, 2024, to \$618,858 during the three months ended March 31, 2025. The increase is mainly due to additional headcount and increased consulting for investor relations.

- iv) During the three months ended March 31, 2025, the Company incurred interest expense totalling \$154,424 compared to \$175,190 during the three months ended March 31, 2024. A foreign exchange loss of \$18,788 was recorded for the three months ended March 31, 2025, contrasting with a gain of \$3,483 for the same period in 2024. The increase in foreign exchange loss compared to the previous year can be attributed to lower volatility in foreign exchange rates and reduced transactions affected by foreign exchange, significantly fewer than the prior year. The Company's functional currency is the Canadian dollar, and holding financial assets and liabilities in other currencies, mainly the U.S. dollar, leads to foreign exchange gains or losses.

3. Summary of Quarterly Results

Three months ended	Working capital (deficiency)	Total assets	Total loss and comprehensive income loss	Loss per share
	\$	\$	\$	\$
31-Mar-25	(650,555)	8,522,470	(3,629,323)	(0.08)
31-Dec-24	(2,652,516)	7,286,501	(2,336,807)	(0.13)
30-Sep-24	(6,250,036)	4,377,411	(2,469,234)	(0.15)
30-Jun-24	(5,253,143)	5,370,395	(2,479,545)	(0.15)
31-Mar-24	(3,928,748)	6,070,238	(1,367,402)	(0.09)
31-Dec-23	(4,435,968)	5,831,652	(2,875,056)	(0.21)
30-Sep-23	(2,889,077)	6,733,550	(1,708,096)	(0.13)
30-Jun-23	(2,851,771)	6,566,697	(2,609,460)	(0.21)

During the three months ended March 31, 2025, the Company continued production of HEXWAVE while concurrently advancing research and development efforts on other licensed technologies. HEXWAVE shipments continued, as well as efforts against the TSA contracts continued with on-time records. An increase in marketing and investor relations efforts have continued to promote additional sales activities. Additionally, the Company successfully closed a private placement on March 20, 2025, generating total gross proceeds of \$3,479,351.

During the three months ended March 31, 2024, the Company continued production of the HEXWAVE, as well as research and development on the other licensed technologies. The commencement of the HEXWAVE production led to the signing additional purchase orders, signaling promising market interest. Notably, sales, marketing, and operational endeavors were expanded in the first quarter of 2024 to bolster sales activities. Additionally, the Company successfully closed a private placement on January 15, 2024, February 12, 2024, and an investment on February 12, 2024, generating total gross proceeds of \$1,717,044.

4. Liquidity and Capital Transactions Resources

(a) Liquidity

As of March 31, 2025, the Company maintained a cash balance of \$2,657,011 and experienced a working capital deficiency of \$650,555. Current liabilities amounted to \$5,920,622 as of the same date, primarily attributed to loans and expenses associated with commencing production, ongoing development of the Company's licensed technologies, and maintaining licenses and the Company's public registry in good standing.

	Three Months Ended March 31,	
	2025	2024
Cash (used in) provided by:		
Operating activities:		
Loss and comprehensive loss for the period	\$ (3,784,695)	\$ (1,377,916)
Items not involving cash:	929,012	619,592
Changes in non-cash working capital:	(697,639)	—
Cash used in operating activities	(3,553,322)	(758,324)
Cash provided by (used in) investing activities	(151,460)	(1,945)
Cash provided by (used in) financing activities	5,046,263	996,266
Effect of foreign exchange rate changes on cash	162,300	10,926
Increase in cash	1,503,782	246,923
Cash, beginning of the period	1,153,229	963
Cash, end of the period	\$ 2,657,011	\$ 247,886

During the three months ended March 31, 2025, the Company used cash in operating activities of \$3,571,836 primarily attributed to an addition of impaired inventory of \$(29,807), stock-based compensation of \$595,647 (\$11,842 recorded in cost of sales), lease liability interest of \$14,942, loss on disposal of lease (\$18,514), accrued interest of \$70,840, depreciation of \$87,547 (\$2,016 recorded in cost of sales) and amortization recorded in cost of sales of \$143,140, credit line fees \$46,703. Operating activities involving non-cash working capital was inventory of \$551,310, receivables and prepaid of \$(605,091) and accounts payable and accrued liabilities of \$(852,810), contract costs \$268,952, and deferred revenue of \$(60,000). Additionally, the Company generated a gross loss, incurred engineering and research and development expenditures, as well as general and administrative expenses such as salaries and consulting fees, along with promotional and investor relations activities. Additionally, the Company used \$(151,460) in investing activities, which pertains to fixed assets and additions of \$(151,460) from additions to property and equipment. Finally, net cash amounting to \$5,064,778 was provided by financing activities, which is associated mainly with the issuance of common shares through private placements proceeds net of share issuance cost of \$3,157,007, proceeds from warrants exercised \$2,071,851, offset by repayments of loans and factoring \$(100,907), repayment of leases \$(63,173).

In comparison, during the three months ended March 31, 2024, the Company used net cash in operating activities in the amount of \$608,893 mainly due to the expenses related to research and development, salaries and consulting fees, promotional and investor relations activities. The Company incurred \$(1,945) in investing activities which relates to additions to the property and office equipment. Also, used cash in financing activities in the net amount of \$996,266 which relates to the private placement issuance of common shares and warrants exercised during the period, as well as additions to the Boston and Atlanta leases. Additionally, the Company successfully closed a private placement on January 15, 2024, February 12, 2024, and an investment on February 12, 2024, generating total gross proceeds of \$1,717,044.

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

At at March 31, 2025, the Company had contractual obligations in the amount of \$6,968,061. Contractual obligations less than one year are \$5,800,622 which included accounts payable and accrued liabilities of \$3,303,080, loans payable of \$1,232,939, credit line liability of \$1,030,374, and lease liabilities of \$234,229. Contractual obligations for one to three years are \$1,167,439 and are loans payable \$759,588 and lease liabilities of \$407,851. Contractual obligations for four to five years are \$nil and there after.

(b) Capital Transactions and Resources

Common share transactions for the three months ended March 31, 2025

- i) On January 6, 2025, the Company received \$2,071,851 (CAD\$2,977,851) from the exercise of 5,414,275 share purchase warrants after electing, on December 31, 2024, to exercise its acceleration right for a total of 12,500,000 warrants granted on December 19, 2024, pursuant to a private placement. As a result, the remaining 7,085,725 unexercised warrants expired.
- ii) During the three months ended March 31, 2025, 1,095,099 share purchase warrants with an original exercise price of CAD\$2.00 were amended to CAD\$1.51. All other terms and conditions remain unchanged (note 13 (c)).
- iii) On March 20, 2025, the Company closed a non-brokered private placement for gross proceeds of \$3,479,351 (CAD\$5,001,150). The Company issued 3,031,000 units (each a “Unit”) of the Company at a price of CAD\$1.65 per Unit. Each Unit comprised of one common share and one-half common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of the Company at a price of CAD\$2.05 for a period of 24 months and is subject to an accelerated expiry at the Company’s election under certain conditions. The warrants were allocated a residual value of \$263,584. In connection with the non-brokered private placement, the Company issued 212,170 finder warrants. Each finder’s warrant will be exercisable to purchase one common share for a period of 24 months at an exercise price of CAD\$1.65. The broker warrants were allocated a fair value of \$84,183. Additionally, the Company paid commissions and legal expenses of \$322,344.
- iv) On February 25, 2025, a total of \$3,704 was received in advance for 3,500 share purchase warrants exercised subsequent to March 31, 2025.
- v) During the three months ended March 31, 2024, a total of 189,100 common shares were issued pursuant to the exercise of RSUs with a fair value of \$364,880.

Common share transactions for the year ended December 31, 2024

- i) On January 12, 2024, the Company closed the initial tranche of a Listed Issuer Financing Exemption (LIFE) private placement of units, raising gross proceeds of \$662,554 (CAD\$886,000). As of December 31, 2023, the Company had received \$224,915 of these proceeds. This tranche involved the issuance of 590,068 units at a price of CAD\$1.50 per unit. Each unit consisted of one common share and one purchase warrant, allowing the holder to purchase an additional common share at CAD\$2.00 per share within 36 months. The warrants were allocated a residual value of \$154,596. Additionally, the Company issued 15,171 broker warrants to agents under identical terms and conditions with a fair value of \$4,508. Agent commissions totaling \$17,110 were paid.
- ii) Subsequently, on February 5, 2024, the Company closed the final tranche of the same non-brokered private placement, raising an additional \$112,285 (CAD\$150,000). This tranche involved the issuance of 100,000 units under the same terms and conditions as the initial tranche. Each unit consisted of one common share and one purchase warrant, allowing the holder to purchase an additional common share at CAD\$2.00 per share within 36 months. The warrants were allocated a residual value of \$37,428.
- iii) On February 26, 2024, the Company closed an investment by Viken Detection Corp. (“Viken”) pursuant to which Viken purchased 909,091 units of the Company at an issue price of CAD\$1.50 per unit for total gross proceeds of \$1,000,000 (CAD\$1,363,636). Each unit comprised one common share and one purchase warrant. Each warrant entitles Viken to purchase one additional common share of the Company at an exercise price of CAD\$2.00 for a period of 36 months. The warrants were allocated a residual value of \$166,667. Additionally, the Company also incurred cash costs in connection to filing and legal expenses in the amount of \$27,116 were also paid. These warrants contain blocker

language restricting the exercise of the warrants in the event such exercise results in Viken holding more than 9.9% of the outstanding voting securities of the Company.

- iv) On March 17, 2024, a total of 199,636 finder warrants expired with an exercise price of CAD\$3.30. These broker warrants had a fair value of \$312,815 and the reserve value was reclassified to share capital.
- v) During the year ended December 31, 2024, a total of 101,841 common shares were issued pursuant to the exercise of RSUs with a fair value of \$286,019.
- vi) During the year ended December 31, 2024, a total of 60,000 shares were issued pursuant to the exercise of 60,000 warrants, resulting in proceeds of \$87,367 (CAD\$120,000). Residual value in the amount of \$15,275 was reversed.
- vii) On August 13, 2024, the Company closed the first tranche of a non-brokered private placement for gross proceeds of \$508,864 (CAD\$697,550). The Company issued 465,035 special warrants of the Company at a price of CAD\$1.50 per Unit. Each special warrant will automatically convert into one Unit. Each Unit shall consist of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of the Company at a price of CAD\$2.00 within a period of 36 months. These special warrants were converted into one Unit on August 13, 2024. The warrants were allocated a residual value of \$203,560. The Company paid the agents 19,051 broker warrants with a fair value of \$5,757. Each broker warrant will be exercisable to purchase one common share for a period of 36 months at an exercise price of CAD\$2.00. Additionally, the Company also incurred cash costs in connection to private placement in the amount of \$30,995.
- viii) On December 18, 2024, the Company closed a non-brokered private placement for gross proceeds of \$5,585,812 (CAD\$8,000,000). The Company issued 25,000,000 units (each a "Unit") of the Company at a price of CAD\$0.32 per Unit. Each Unit comprised of one common share and one-half common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of the Company at a price of CAD\$0.55 for a period of 24 months and are subject to an accelerated expiry at the Company's election under certain conditions. The Company paid the agents \$274,123 in finders fees and issued 1,251,062 finder warrants with a fair value of \$382,873. Each finder's warrant will be exercisable to purchase one common share for a period of 24 months at an exercise price of CAD\$0.55. Additionally, the Company also incurred cash costs in connection to private placement in the amount of \$41,687.
- ix) The Company settled a total of \$363,336 (CAD\$520,947) of indebtedness with a certain creditor by issuing 1,562,500 units valued at \$927,332 and follows the same terms as the units issued on December 18, 2024, non-brokered private placement. The Company recognized a loss on extinguishment of debt totalling \$563,996 (included in other expenses (2023 - \$nil).

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, 2025, the number of stock options outstanding and exercisable was:

Expiry date	Outstanding		Exercisable	
	Number of stock options	Exercise price	Remaining contractual life (years)	Number of stock options
7-Apr-26	108,000	CAD\$ 5.00	1.02	108,000
10-Jun-26	10,000	CAD\$ 5.00	1.19	10,000
28-Jul-26	12,500	CAD\$ 5.50	1.33	12,500
28-Jul-26	9,000	CAD\$ 6.50	1.33	9,000
1-Nov-26	46,500	CAD\$ 4.60	1.59	46,500
14-Jan-27	10,000	CAD\$ 3.60	1.79	10,000
26-Apr-27	153,500	CAD\$ 4.10	2.07	153,500
26-May-27	10,000	CAD\$ 3.80	2.15	10,000
16-Aug-27	12,500	CAD\$ 2.90	2.38	12,500
21-Nov-27	6,000	CAD\$ 2.20	2.64	6,000
26-Apr-28	9,500	CAD \$1.80	3.07	9,500
16-Oct-28	106,000	CAD \$1.90	3.55	79,500
30-Dec-29	2,715,000	CAD \$0.80	4.75	383,125
	3,208,500			850,125

Total stock-based compensation expense arising from options granted and vested during the three months March 31, 2025, was \$548,391 (three months ended March 31, 2024 – \$33,423). Additionally, \$11,842 of stock-based compensation were reclassified to cost of revenue during the three months ended March 31, 2025 (three months ended March 31, 2024 – \$9,372).

As at March 31, 2025, the number of restricted share units (“RSU”) outstanding and exercisable are as follows:

	Number of equity settled RSUs	Grant Price
Outstanding, December 31, 2023	592,914	CAD\$ 3.09
Granted	177,500	1.22
Cancelled	(132,248)	2.82
Exercised	(101,841)	3.79
Outstanding, December 31, 2024	536,325	CAD\$ 2.41
Exercised	(189,100)	2.78
Outstanding, March 31, 2025	347,225	CAD\$ 2.38

The estimated fair value of the equity settled RSUs granted as of March 31, 2025, was \$nil (three months ended March 31, 2024 - \$141,576) and will be recognized as an expense over the vesting period of the RSUs. The fair value of the equity settled RSUs as at the grant date was determined with reference to the market value of the common shares of the Company at the grant date.

During the three months ended March 31, 2025, the Company recognized stock-based compensation related to RSUs in the amount of \$22,320 (three months ended March 31, 2024 - \$(19,380)).

During the three months ended March 31, 2025, the following transactions occurred in connection to restricted share units:

- i) During the three months ended March 31, 2025, a total of 189,100 common shares were issued pursuant to the exercise of RSUs.

During the year ended December 31, 2024, the following transactions occurred in connection to restricted share units:

i) On February 28, 2024, the Company granted 147,500 RSUs to employees of the Company; these RSUs shall be settled with common shares of the Company, have an exercise period that expires on February 28, 2029, and vest at 100% on February 28, 2025.

ii) On March 25, 2024, a total of 50,000 common shares were issued pursuant to the exercise of RSUs.

iii) During the three months ended March 31, 2024, a total of 1,122,475 RSUs were cancelled.

As at March 31, 2025, the outstanding number of share purchase warrants are as follows:

	Warrants outstanding	Exercise Price
Outstanding, December 31, 2023	5,301,970	CAD\$ 3.96
Issued	16,630,724	0.73
Expired	(1,797,726)	4.81
Exercised	(60,000)	2.00
Outstanding, December 31, 2024	20,074,968	CAD\$ 1.22
Issued	1,727,670	2.00
Expired	(7,085,725)	0.55
Exercised	(5,417,775)	0.55
Outstanding, March 31, 2025	9,299,138	CAD\$ 2.16

(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 200,000 of OPS and 877,300 of CMPS. In order to fair value these performance shares, management estimated the probability that the Company would issue the performance shares.

All CMPS have been issued in previous years upon the completion of all required milestones.

Operational Performance Shares

As at March 31, 2025, none of the 200,000 OPS have been issued as neither of the two milestones have been met. The estimated fair value of the OPS is CAD\$800,000 which had an estimated vesting period between December 2024 and December 2025. The estimated vesting period has been adjusted to December 2025 and December 2026. During the fiscal year ended December 31, 2024, the Company recorded stock-based compensation in connection to OPS in the amounts of \$24,936 (March 31, 2024 – \$33,229).

	Number of equity settled	Weighted average price
Outstanding, December 31, 2023 and 2024	200,000	CAD\$ 4.00
Released from escrow	-	-
Outstanding, March 31, 2025	200,000	CAD\$ 4.00

(d) Reconciliation of use of proceeds from the non-brokered private placement closed on March 20, 2025 (“PP Q1 2025”)

Intended use of proceeds of PP Q1 2025		Actual use of proceeds from PP Q1 2025	(Over)/under expenditure	Explanation of Variance and impact on business objectives
Agent’s legal fees, expenses and disbursements	\$78,790	\$78,790	\$ -	N/A
Cash portion of Agent’s corporate finance fee	\$243,555	\$243,555	\$ -	N/A
Consulting and Investor Relations from Private Placement	\$498,374	\$254,585	\$243,789	Consulting will be paid over a period of months April 2025-August 2025
Further the production of HEXWAVE to support the increase in demand and deliver units in backlog to customers	\$2,658,632	\$245,410	\$2,413,222	N/A
Total	\$3,479,351	\$822,340	\$2,657,011	N/A

(e) Reconciliation of use of proceeds from the non-brokered private placement closed on December 18, 2024 (“PP Q4 2024”)

Intended use of proceeds of PP Q4 2024		Actual use of proceeds from PP Q4 2024	(Over)/under expenditure	Explanation of Variance and impact on business objectives
Agent’s legal fees, expenses and disbursements	\$40,546	\$40,546	\$ -	N/A
Cash portion of Agent’s corporate finance fee	\$274,123	\$274,123	\$ -	N/A
Consulting and Investor Relations from Private Placement	\$1,771,401	\$1,771,401	\$ -	N/A
Further the production of HEXWAVE to support the increase in demand and deliver units in backlog to customers	\$3,499,742	\$2,346,513	\$1,153,229	N/A
Total	\$5,585,812	\$4,432,583	\$1,153,229	N/A

(f) Reconciliation of use of proceeds from the Special Warrant Financing closed on August 13, 2024 (“PP Q3 2024”)

Intended use of proceeds of PP Q3 2024		Actual use of proceeds from PP Q3 2024	(Over)/under expenditure	Explanation of Variance and impact on business objectives
Agent’s legal fees, expenses and disbursements	\$11,006	\$11,006	\$ -	N/A
Cash portion of Agent’s corporate finance fee	\$23,555	\$23,555	\$ -	N/A
Further the production of HEXWAVE to support the increase in demand and deliver units in backlog to customers	\$474,303	\$474,303	\$ -	N/A
Total	\$508,864	\$508,864	\$ -	N/A

(g) Reconciliation of use of proceeds from the Listed Issuer Financing Exemption (“LIFE”) private placement of units closed in two tranches January 12 and February 5 (“PP Q1 2024”)

Intended use of proceeds of PP Q1 2024		Actual use of proceeds from PP Q1 2024	(Over)/under expenditure	Explanation of Variance and impact on business objectives
Agent’s legal fees, expenses and disbursements	\$36,252	\$36,252	\$ -	N/A
Cash portion of Agent’s corporate finance fee	\$17,035	\$17,035	\$ -	N/A
Further the production of HEXWAVE to support the increase in demand and deliver units in backlog to customers	\$721,552	\$721,552	\$ -	N/A
Total	\$774,839	\$774,839	\$ -	N/A

Notes:

- (1) Such expenses include costs related to funding the further enhancement, development and testing to achieve future commercialization of the Company's HEXWAVE technology as well as development of the latest technologies exclusively licensed to the Company for aviation checkpoints.

5. Commitments

- i) As at March 31, 2025, and December 31, 2024, the minimum lease payments are as follows:

	March 31,		December 31,	
	2025		2024	
Maturity analysis - contractual undiscounted cash flows				
One year or less	\$	234,227	\$	257,461
Two to five years		499,075		558,358
Six and thereafter		-		-
Total lease liabilities	\$	733,302	\$	815,819
Lease liabilities included in the statement of financial position	\$	642,080	\$	708,825
Current	\$	234,229	\$	203,443
Non-current		407,851		505,382

As a result of the completion of the RTO and under the new management's vision, the corporate office is now located in Wilmington, MA. (Boston area). As a result, the Company subleased until the expiry of the headlease (March 2024) the office space located in Vancouver, BC., as it was no 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 is: \$nil for the next 12 months and thereafter.

6. Revenue

Revenue recognized for the three months ended March 31, 2025, and 2024, relates to contract revenue from the Transportation Security Administration ("TSA"), as well as sales of HEXWAVE units.

Deferred revenue as of March 31, 2025, was \$120,000 (March 31, 2024 - \$1,230,000).

Revenue	Three months ended March 31,	
	2025	2024
TSA Contract Award HD-AIT	100,000	200,000
TSA OA Development	175,000	200,000
HD-AIT Phase II	-	133,056
HEXWAVE units	653,500	99,000
HEXWAVE Software & Warranty	126,858	
Total Revenue	\$ 1,055,358	\$ 632,056

As of March 31, 2025, the Company continued its efforts to achieve year-over-year revenue growth, with a backlog of \$1.5 million from signed purchase orders and guaranteed contract revenue in 2025.

Future revenue for the Company consists of HEXWAVE purchasers, existing and expected additional Transportation Security Administration ("TSA") contract revenue and other. The Company recorded for the fiscal year ended December 31, 2024, a total of \$2.4 million in revenue mainly from HEXWAVE sales and TSA contract revenue. With additional orders and contract revenue the company is projecting \$6 million for fiscal year 2025. The projected amount is due to several material factors outlined below:

Backlog Orders:

The Company has shipped a total of \$780,358 in backlog orders, with a remaining amount of \$900,000 in backlog for the HEXWAVE. With production levels increasing the backlog orders are expected to increase during fiscal year 2025.

HEXWAVE Sales Projections:

As a new product with no historical sales data or comparable benchmarks, HEXWAVE's revenue projections for 2025 are conservative due to the political implications of customers. Several quotes to prospective customers support optimistic projections, for fiscal year 2025 and 2026. Limited funding may impact the Company's ability to follow up with clients, invest in marketing, and promote the HEXWAVE product effectively, delaying its visibility and adoption by potential customers. Additionally, the implementation deadline for the TSA employee screening mandate was postponed by one year, from April 2025 to April 2026. The Company is still anticipating receiving a significant number of orders late in 2025 to meet the original April 2026 deadline.

TSA Contract Revenue:

The Company has experienced delays in TSA contract revenue projects, as well as in additional contract line items that the TSA had planned to exercise in 2025 and 2026. As a result, guaranteed revenue of \$579,849 originally planned for early 2025 will fall into Q2 – 2025. Additionally, \$2.2 million in additional contract revenue expected due to an LOI was expected in Q1 -2025. With the delays this could occur later in the fiscal year of 2025 and early 2026.

Global Economic Challenges:

The Company continues to face challenging economic conditions and constrained capital markets that began in 2024, which have made it difficult for customers to place purchase orders for HEXWAVE units. Management anticipates that an improvement in economic conditions, including potential reductions in federal interest rates, will enhance access to capital and support increased order activity in 2025.

The Company remains committed to addressing these challenges and has taken proactive measures to support future revenue growth. These initiatives include increasing product awareness and expanding marketing efforts as additional funding becomes available. Management is confident in the Company's ability to capitalize on these delayed opportunities within the current fiscal year.

7. Contract Awards

During the three months ended March 31, 2025, the Company recognized total contract revenue of \$275,000, recorded in revenue (three months ended March 31, 2024 – \$533,056). Future revenue related to these contracts will be recognized as performance obligations are satisfied. It is estimated that future revenues will be recognized on the same basis according to the following timelines:

Contract Award Revenue Expected in Future Years	Year ended December 31,	
	2025	2026
TSA Contract Award HD-AIT	\$ 357,905	-
TSA OA Development	71,944	-
HD-AIT Phase II A	150,000	-
Total estimated contract revenues	\$ 579,849	\$ -

i) Transportation Security Administration's ("TSA") HD-AIT Upgrade

On September 30, 2022, the Company received a contract award of \$1,747,905 from the Transportation Security Administration ("TSA") for the HD-AIT Wide Band Upgrade Kit. On September 28, 2023, the contract was modified to include an additional milestone, increasing the total contract value to \$1,922,905.

The contract award supports the development of millimeter-wave imaging system prototypes to enhance and upgrade the current imaging technology used in passenger security screening applications. The project is

scheduled to be completed over twenty-seven months, with invoices issued upon the achievement of specified milestones according to the agreed-upon timeline.

As of March 31, 2025, the Company had received \$nil and recorded a receivable of \$100,000 (three months ended March 31, 2024 – \$200,000 and \$nil, respectively). The remaining contract balance as of March 31, 2025, was \$357,905 (March 31, 2024 – \$457,905):

TSA HD-AIT Upgrade		Amounts
Year 2023	\$	1,265,000
Year 2024		200,000
Year 2025		
Milestone 5B (Q1 2025) (payment receivable)		100,000
Milestone 6 (Q2 2025)		357,905
Total Contract Value	\$	1,922,905

ii) TSA Open Architecture

On September 29, 2023, the Company received a contract award for \$1,116,944 from TSA for the Open Architecture Development. The contract award is to develop a system-level approach that addresses TSA’s request for implementation of a Checkpoint Open Architecture for On-Person Screening (OPS) systems that enable modularity and enhances security effectiveness. The project will be performed over a period of twenty-one months, and invoices will be issued once the milestones are reached based on the agreed upon timeline. As at March 31, 2025, the Company received \$nil and had a receivable of \$175,000 (three months ended March 31, 2024 – \$200,000 and \$nil, respectively). The balance remaining on the contract as of March 31, 2025, was \$71,944 (March 31, 2024 – \$841,944). The Company is required to submit quarterly invoices as follows:

TSA Open Architecture		Amounts
Year 2023	\$	75,000
Year 2024		795,000
Year 2025		
Milestone 6 (Q1 2025) (payment receivable)		175,000
Milestone 7 (Q2 2025)		71,944
Total Contract Value	\$	1,116,944

iii) TSA HD-AIT Phase II

On September 29, 2023, the Company received a contract award of \$133,056 from the Transportation Security Administration (“TSA”) for HD-AIT Phase II. This award is a follow-on option under the existing HD-AIT development program, aimed at advancing Phase II to finalize a hardware design that supports future compliance efforts. The project was scheduled to be completed over three months, with invoices issued upon reaching agreed-upon milestones. As of March 31, 2025, the Company had received the full contract amount of \$133,056 and recorded a receivable of \$nil (three months ended March 31, 2024 – \$133,056, respectively). The remaining contract balance as of March 31, 2025, was \$nil (December 31, 2024 – \$nil), as the agreement was completed on February 20, 2024.

iv) TSA HD-AIT Phase II A

On September 5, 2024, the Company received a contract award for \$446,944 from TSA for the HD-AIT Phase II A option. The contract award is a follow-on option to the current HD-AIT development program to execute phase II to drive to a final hardware design capable of supporting future compliance efforts. The project will be performed over a period of twelve months, and invoices will be issued once the milestones are reached based on the agreed upon timeline. As at March 31, 2025, the Company received \$nil and had a receivable of \$nil (three months ended March 31, 2024 - \$nil, respectively). The balance remaining on the contract as of March 31, 2025, was \$150,000 (March 31, 2024 - \$446,944).

TSA HD-AIT Phase II A		Amounts
Year 2024	\$	296,944
Year 2025		
Milestone 2 (Q2 2025)		150,000
Total Contract Value	\$	446,944

As of March 31, 2025, the Company recorded contract costs of \$nil, representing costs incurred for contract milestones not yet achieved (March 31, 2024, \$nil).

8. Off-balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

9. Transactions Between Related Parties

Compensation of key management personnel:

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Compensation provided to key management personnel is as follows:

	Three months ended March 31,	
	2025	2024
G&A Salaries	\$ 355,017	\$ 141,857
G&A Stock-based compensation	312,337	(25,671)
G&A Consulting fees (1)	-	24,480
	\$ 667,354	\$ 140,666

(1) Consulting fees were paid or payable to the CFO of the Company

As of March 31, 2025, the Company had a balance payable of \$176,537 to key management personnel (three months ended March 31, 2024, – \$653,593). This payable balance includes accounts payable and accrued liabilities relating to compensation to 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.

During the three months ended March 31, 2025, the Company received working capital loans in the amount of \$nil (December 31, 2024 – \$82,000) from directors, officers, or their related parties, and repaid \$74,658. Of the \$74,658 repaid, \$nil was offset through private placement proceeds. As at March 31, 2025, the outstanding balance is \$nil (note 8) (December 31, 2024 – \$74,658).

10. Subsequent Events

- On April 1, 2025, the Company received CAD\$5,285 from the exercise of 3,500 warrants. As a result, a total of 3,500 common shares were issued.
- On April 2, 2025, the Company granted 150,000 stock options to consultants. Each stock option is exercisable for one common share of the Company at an exercise price CAD\$0.84 per share. These stock options vest 12.5% after three months from the grant date, and 12.5% every three months thereafter, expiring on April 2, 2030.
- On April 13, 2025, a total of 356,828 warrants expired.

- On April 15, 2025, the Company granted 50,000 stock options to a consultant. Each stock option is exercisable for one common share of the Company at an exercise price CAD\$0.59 per share. These stock options vest immediately as of the grant date, expiring on April 15, 2027.

11. Material Accounting Policies and Accounting Estimates and Judgements

Full disclosure of the Company's accounting policies and significant accounting estimates and judgments in accordance with IFRS can be found in note 3 of its audited consolidated financial statements for the year ended December 31, 2024, and have remained substantially unchanged and are still applicable to the Company unless otherwise indicated.

12. Financial Instruments

As of March 31, 2025, the Company's financial instruments comprise cash, accounts receivables, accounts payable and accrued liabilities, loans payable, and factoring liability. The fair values of the Company's financial instruments approximate their carrying values due to their short-term maturity.

The Company's financial instruments are exposed to certain financial risks including, credit risk, liquidity risk, foreign currency risks, equity price risk and capital risk management. Details of each risk are laid out in the notes to the Company's condensed interim consolidated financial statements as at March 31, 2025. Details of each risk are summarized below:

a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from equity offerings or debt financings to meet its operating requirements, after considering existing cash balances, expected exercise of share purchase warrants, and stock options. The Company's ability to continue as a going concern involves significant judgements and estimates while determining forecasted cashflows and is dependent on the Company's ability to obtain financing (note 1). As at March 31, 2025, the Company had cash of \$2,657,011 (December 31, 2024 – \$1,153,229) to settle current liabilities of \$5,920,622 (December 31, 2024 – \$6,607,387).

b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations, including accounts receivable terms. The Company's cash is held through large Canadian, international, and foreign national financial institutions. The Company's receivables primarily consist of trade receivables that the Company continues to collect. These trade receivables are primarily with government agencies and are not subject to significant credit risk. The Company's maximum exposure to credit risk is limited to the carrying amount of cash and accounts receivables.

c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

i. Interest rate risk

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company currently has interest-bearing financial instruments in relation to loans, a credit line and factoring. The Company's exposure to interest rate risk is minimal as the interest rates are at a fixed percentage on the loans payable, term loans and factoring liability.

ii. Foreign currency risk

The Company is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency. The Company operates in foreign jurisdictions, which uses the U.S. dollar. The Company

does not use derivative instruments to reduce upward, and downward risk associated with foreign currency fluctuations.

	Amounts
	CAD dollars
Financial assets denominated in foreign currencies	\$ 3,035,707
Financial liabilities denominated in foreign currencies	(594,104)
Net exposure	\$ 2,441,603

A 10% change in the U.S. dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$170,115.

d) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Capital Risk Management

The Company manages common shares, stock options, performance share units, restricted share units, and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its products and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest-bearing chartered bank account. Cash consists of cash on held with banks.

The Company expects its current capital resources will be sufficient to carry its operations, and product development plans for the foreseeable future. Except for the security pledged in certain short-term loans and the factoring liability as outlined in Notes 8 and 9 of the financial statements respectively, the Company is not subject to externally imposed capital requirements.

There has been no change to the Company's approach to capital management during the period ended March 31, 2024.

13. Other requirements

Outstanding common share data:

Authorized: Unlimited number of common shares

Number of common shares issued and outstanding as at March 31, 2025: 51,965,722

Number of common shares issued and outstanding as at May 27, 2025: 51,976,722

Number of stock options outstanding and exercisable as at May 27, 2025:

Expiry date	Outstanding		Exercisable	
	Number of stock options	Exercise price	Remaining contractual life (years)	Number of stock options
7-Apr-26	108,000	CAD\$ 5.00	0.86	108,000
10-Jun-26	10,000	CAD\$ 5.00	1.04	10,000
28-Jul-26	12,500	CAD\$ 5.50	1.17	12,500
28-Jul-26	9,000	CAD\$ 6.50	1.17	9,000
1-Nov-26	46,500	CAD\$ 4.60	1.43	46,500
14-Jan-27	10,000	CAD\$ 3.60	1.64	10,000
15-Apr-27	50,000	CAD \$0.59	1.88	50,000
26-Apr-27	153,500	CAD\$ 4.10	1.92	153,500
26-May-27	10,000	CAD\$ 3.80	2.00	10,000
16-Aug-27	12,500	CAD\$ 2.90	2.22	12,500
21-Nov-27	6,000	CAD\$ 2.20	2.49	6,000
26-Apr-28	9,500	CAD \$1.80	2.92	9,500
16-Oct-28	106,000	CAD \$1.90	3.39	79,500
30-Dec-29	2,715,000	CAD \$0.80	4.60	383,125
2-Apr-30	150,000	CAD \$0.84	4.85	18750
	3,408,500			918,875

Number of share purchase warrants as at May 27, 2025:

	Warrants outstanding	Exercise Price
Outstanding, December 31, 2023	5,301,970	CAD\$ 3.96
Issued	16,630,724	0.73
Expired	(1,797,726)	4.81
Exercised	(60,000)	2.00
Outstanding, December 31, 2024	20,074,968	CAD\$ 1.22
Issued	1,727,670	2.00
Expired	(7,085,725)	0.55
Exercised	(5,417,775)	0.55
Outstanding, March 31, 2025	9,299,138	CAD\$ 2.16
Exercised or expired	(360,328)	2.88
Outstanding, May 27, 2025	8,938,810	CAD\$ 2.16

Number of restricted share units as at May 27, 2025:

Outstanding, December 31, 2023	592,914	CAD\$ 3.09
Granted	177,500	1.22
Cancelled	(132,248)	2.82
Exercised	(101,841)	3.79
Outstanding, December 31, 2024	536,325	CAD\$ 2.41
Exercised	(189,100)	2.78
Outstanding May 27, 2025	347,225	CAD\$ 2.38

There are 347,225 restricted share units that are exercisable. The restricted units are not exercisable since they vest in the future.

Number of performance share deposited and held in escrow as at May 27, 2025:

	Number of equity settled performance	Weighted average price
Outstanding, December 31, 2023 and 2024	200,000	CAD\$ 4.00
Released from escrow	-	-
Outstanding, May 27, 2025	200,000	CAD\$ 4.00

14. 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 condensed consolidated interim financial statements for the three months ended March 31, 2025 and 2024, 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.sedarplus.ca.