



Liberty Defense

INNOVATIVE & REVOLUTIONARY THREAT DETECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS AMENDED AND RESTATED THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2025

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

Dated: January 30, 2026

Liberty Defense Holdings, Ltd., ("Liberty" or the "Company") has prepared this Management's Discussion and Analysis ("MD&A") as of January 30, 2026, and should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 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.

Table of Contents

| | Page |
|---|------|
| 1 Overview | 2 |
| 2 Results of Operations | 8 |
| 3 Summary of Quarterly Results | 11 |
| 4 Liquidity and Capital Transactions Resources | 11 |
| 5 Commitments | 19 |
| 6 Revenue | 20 |
| 7 Contract Awards | 21 |
| 8 Off-balance Sheet Arrangements | 23 |
| 9 Transaction Between Related Parties | 23 |
| 10 Subsequent Events | 23 |
| 11 Material Accounting Policies and Accounting Estimates and Judgments | 24 |
| 12 Financial Instruments | 24 |
| 13 Other Requirements | 26 |
| 14 Disclosure Controls and Procedures and Internal Controls over Financial Reporting | 27 |

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) Board Changes

- a. Effective January 13, 2025, the Company appointed Bryan Cunningham as President of the Company. Mr. Cunningham is a lawyer and senior security expert with extensive experience in national security and technology. He is currently Senior Counsel at Palantir and previously served as Deputy Legal Adviser to National Security Advisor Condoleezza Rice.
- b. Effective February 24, 2025, Jason Burinescu was appointed Executive Chairman of the Board. He succeeds Daryl Rebeck, who stepped down after serving in that role for the past four years. Mr. Rebeck will remain a shareholder of the Company.

Mr. Burinescu is a Managing Partner of Vision Equity Partner Solutions, an investment and advisory firm. He has extensive experience in private equity, business development, and scaling technology companies, including senior roles at cybersecurity and media firms that were successfully acquired by larger strategic buyers.

(c) 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 | (25,581) | - | (403,840) | (429,421) |
| Balance, September 30, 2025 | \$ 347,428 | \$ - | \$ 1,794,844 | \$ 2,142,272 |

i) HEXWAVE™ Technology (intellectual property)

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

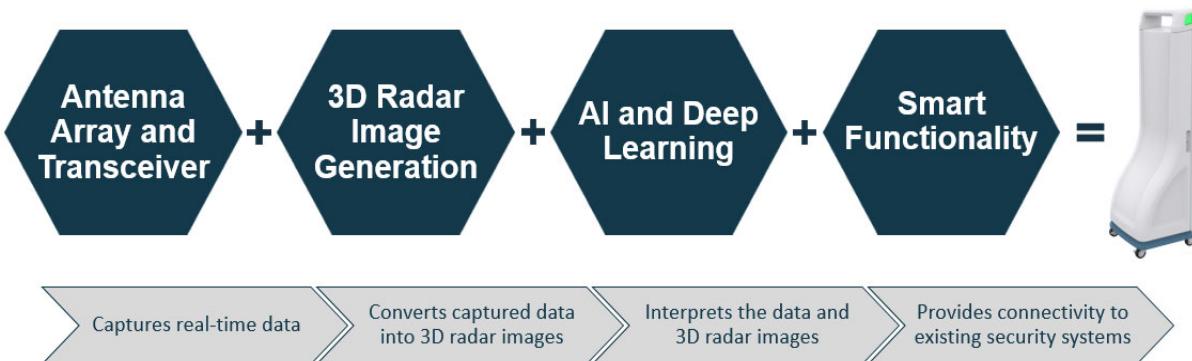
Active video rate imaging technology was developed by the Massachusetts Institute of Technology Lincoln Labs (“MIT LL”) and the technology has been in development since 2014. In October 2017, a concept demonstrator (pre-prototype) of the core technology was successfully tested under environmental conditions 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+ \(www.sedarplus.ca\)](#) 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. 18409L) (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 filling 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 nine months ended September 30, 2025, the Company accrued royalty payments of \$34,042 (as of September 30, 2024, \$86,187). 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 (\$55,000 payable) | 200,000 |
| Year 2025 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 September 30, 2025, the Company has a balance of \$205,000 payable (year ended December 31, 2024, \$290,566):

(d) 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.

(e) 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)
- Liberty Defense Commences Normal Course Issuer Bid to Buy Back To 9.9% Of the Publicly Traded Float (June 2025)
- Liberty Defense Successfully Completes Testing and Evaluation of Major US Courthouse and Affiliated Correctional Facilities (June 2025).
- Liberty Announces \$3.75MC Million Placement Units (July 2025)
- Liberty Announces \$4.4M of Equity Financing Due to Demand (July 2025)
- Liberty Announces K-Prime Technologies Inc. for Strategic Partnership and Increased Market Penetration in Canada (July 2025)
- Liberty Defense Engages Gold Standard Media LLC (August 2025)
- Liberty Defense Appoints Anjana Rajan to Strategic Advisory Board and Repricing of Warrants (September 2025)
- Jackson County Detention Center Selects Liberty Defense's HEXWAVE for Checkpoint Security Screening (September 2025)
- Liberty Defense Expands International Footprint with Award of HWXWAVE System in Bogota, Colombia (October 2025)
- Liberty Defense Announces Award of HEXWAVE Systems at One of the Largest International Airports in the U.S. for Aviation Worker Screening (October 2025)
- Liberty Defense Announces Contract Award of Multiple HEXWAVE Walkthrough Screening Systems from a U.S. Capitol Complex (November 2025)
- Liberty Defense Announces Award of HEXWAVE™ Systems at The New Terminal One at JFK for Aviation Worker Screening (November 2025)
- Liberty Defense Partners with Noble IQ to Provide Installation, Training, and Service for HEXWAVE Deployments (November 2025)
- Liberty Defense Joins NVIDIA Connect Program to Accelerate AI-Powered Threat Detection Innovations (December 2025)
- Liberty Defense Receives Contract Modification Exercising an Option from TSA Completion of HD-AIT Design Improvement (December 2025)
- Liberty Announces Closing of Final Tranche of LIFE Private Placement Raising a Total of \$2.6 Million (January 2026)
- Liberty Defense Announces Confidential Submission of Draft Registration Statement for Proposed U.S. Initial Public Offering (January 2026)

(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 nine months ended September 30, 2025, of \$10,510,206 and cash outflows used in operating activities of \$8,379,896. 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 and nine months ended September 30, 2025, the Company reported a total loss and comprehensive loss of \$3,097,554 and \$10,397,546 respectively (three and nine months ended September 30, 2024 – \$2,469,234 and \$6,316,180), and basic and diluted loss per share of \$0.05 and \$0.19 (three and nine months ended September 30, 2024 – \$0.15 and \$0.40). Despite the accumulated losses, the Company's management is confident in scaling up production and commercialization of its primary technology, HEXWAVE™, and advancing the research and development of various potential technologies currently under review.

The net loss for the three and nine months ended September 30, 2025, and 2024 is comprised of the following items:

| | | For the three months ended September 30, 2025 | For the three months ended September 30, 2024 | For the nine months ended September 30, 2025 | For the nine months ended September 30, 2024 |
|---|---------|--|--|---|---|
| | | \$ | \$ | \$ | \$ |
| Revenue | | | | | |
| HEXWAVE revenue | 15 | 129,049 | 650,000 | 909,407 | 1,447,532 |
| Contract revenue | 16 | 150,000 | 466,944 | 854,849 | 1,250,000 |
| Total revenue | | 279,049 | 1,116,944 | 1,764,256 | 2,697,532 |
| Cost of revenue | | | | | |
| HEXWAVE cost of revenue | | 838,101 | 886,225 | 2,112,884 | 2,408,789 |
| Contract cost of revenue | | 394,939 | 979,947 | 1,493,636 | 1,796,912 |
| Total cost of revenue | | 1,233,040 | 1,866,172 | 3,606,520 | 4,205,701 |
| Gross loss | | (953,991) | (749,228) | (1,842,264) | (1,508,169) |
| Engineering and research and development expenses: | | | | | |
| Product development & technology costs | | 79,417 | (59,967) | 263,754 | 103,429 |
| Salaries and consulting fees | 18 | 522,163 | 501,717 | 1,542,588 | 1,247,999 |
| Stock-based compensation | 13 & 18 | 134 | 28,816 | 15,240 | 82,220 |
| Depreciation | 6 | 57,300 | 58,066 | 189,809 | 208,407 |
| Office, rent & administration, travel, and miscellaneous | | 9,766 | 51,466 | 47,275 | 102,371 |
| General & administration expenses | | | | | |
| Salaries and consulting fees | 18 | 273,845 | 494,754 | 1,287,457 | 1,375,216 |
| Legal and professional fees | | 80,693 | 98,209 | 769,076 | 239,513 |
| Stock-based compensation | 13 & 18 | 122,412 | 137,115 | 1,099,231 | 296,406 |
| Office, rent & administration, travel, and miscellaneous | | 719,821 | 251,039 | 2,945,674 | 688,303 |
| | | 1,865,551 | 1,561,215 | 8,160,104 | 4,343,864 |
| Operating loss | | (2,819,542) | (2,310,443) | (10,002,368) | (5,852,033) |

i) Revenue

Three months ended September 30, 2025 vs 2024

Revenue was \$279,049 (2024 – \$1,116,944), a decrease of \$837,895 (75%). The decrease reflects the inventory constraints the Company has experienced which has caused a delay of shipments, as well as the contracts with the TSA were delayed with the changes in political reign, while Q3 2024 included both higher contract and HEXWAVE™ sales.

Nine months ended September 30, 2025 vs 2024

Revenue was \$1,764,256 (2024 – \$2,697,532), a decrease of \$933,277 (35%). The decrease was mainly due to lower HEXWAVE™ sales activity in the current year, partially offset by continued revenue from TSA contracts being delayed. The Company did receive additional contract awards at the end of Q3 2025 of \$357,759, which is expected to be received as revenue in Q1 2026.

HEXWAVE™ revenue for the nine months ended September 30, 2025 was US\$909,407, compared to US\$1,447,532 for the nine months ended September 30, 2024, a decrease of US\$538,125 (37.2%). The decrease primarily reflects lower HEXWAVE™ unit deliveries and lower subscription and service revenue recognized during the period, as several customer deployment schedules shifted into later periods. Deliveries of HEXWAVE™ units during the nine months ended September 30, 2025 decreased to 12 units at an average selling price per unit of approximately US\$71,792, compared to 20 units at an average selling price per unit of approximately US\$72,376 delivered during the comparable period in 2024. The lower volume of deliveries in the nine months ended September 30, 2025 was primarily attributable to timing-related factors, including customer site readiness, installation scheduling, and the deferral of certain customer deployments into subsequent periods, as well as management's focus on manufacturing optimization and operational efficiency initiatives during the period.

Subsequent to September 30, 2024, and during the three months ended December 31, 2024, the Company recorded net negative revenue and net negative cost of revenue primarily as a result of the return of six HEXWAVE™ units by a customer. These units had been sold and recognized as revenue earlier in fiscal year 2024, and upon return, the Company reversed the previously recognized revenue and related cost of revenue in accordance with its accounting policy. This fourth quarter activity explains why, when read together with the Company's audited financial statements for the year ended December 31, 2024, full-year revenue, cost of revenue, and units sold are lower than the amounts reported for the nine months ended September 30, 2024.

ii) Cost of Revenues

Three months ended September 30, 2025 vs 2024

Cost of revenues was \$1,233,040 (2024 – \$1,866,172), a decrease of \$633,132 (34%). The decrease reflects lower production and contract activity compared to the prior year.

Nine months ended September 30, 2025 vs 2024

Cost of revenues was \$3,606,520 (2024 – \$4,205,701), a decrease of \$599,181 (14%). The decrease reflects the lower production and contract activity year to date compared to prior year.

iii) Engineering and Research & Development (R&D)

Three months ended September 30, 2025 vs 2024

R&D expenses were \$668,780 (2024 – \$580,098), an increase of \$88,682 (15%). The increase was mainly due higher salary and consulting fees as the organization grows, as well as higher product development and technology costs, as a large reclass to contract cost or revenue occurred in Q3 2024. Current quarter costs included \$79,417 product development, \$9,766 office and administration, \$134 stock-based compensation, and \$57,300 depreciation.

Nine months ended September 30, 2025 vs 2024

R&D expenses were \$2,058,666 (2024 – \$1,744,426), an increase of \$314,240 (18%). The increase primarily reflects higher product development and technology costs associated with advancing the Company's licensed technologies, partially offset by lower stock-based compensation and office, rent, administration, travel and miscellaneous expenses.

iv) General and Administrative (G&A)

Three months ended September 30, 2025 vs 2024

G&A expenses were \$1,196,771 (2024 – \$981,117), an increase of \$215,654 (22%). The increase was primarily attributable to consulting and marketing fees related to the March 2025 private placement, higher legal and professional fees. Office, rent, administration, travel, and miscellaneous expenses also increased to \$719,821 (2024 – \$251,039) due to amortization of prepaid marketing and consulting costs from 2024. Salaries and consulting fees decreased to \$273,845 (2024 – \$494,754) due to fewer consultants. Stock-based compensation was \$122,412 in Q3 2025 compared to \$137,115 in Q3 2024. The decrease is due to the reversal of stock-based compensation from employee's resignations.

Nine months ended September 30, 2025 vs 2024

G&A expenses were \$6,101,438 (2024 – \$2,599,438), an increase of \$3,502,000 (135%). The increase reflects higher consulting, marketing, legal, professional, and investor relations costs, combined with higher stock-based compensation and the amortization of prepaid expenses.

v) Finance Costs and Foreign Exchange

Three months ended September 30, 2025 vs 2024

Interest expense was \$142,966 (2024 – \$121,056), reflecting increased borrowings, primarily from factoring. The Company recorded a foreign exchange loss of \$8,597 in Q3 2025, compared to \$1,691 in Q3 2024. The change reflects lower volatility in exchange rates and fewer U.S. dollar-denominated transactions.

Nine months ended September 30, 2025 vs 2024

Interest expense was \$483,898 (2024 – \$566,266). A foreign exchange loss of \$28,611 was recognized in Q3 2025, compared to a loss of \$11,428 in Q3 2024, reflecting fluctuations in foreign currency rates and transaction volumes.

3. Summary of Quarterly Results

| Three months ended | Working capital (deficiency) | Total loss and | | | Loss per share |
|--------------------|---------------------------------|----------------|----------------------|------|----------------|
| | | Total assets | comprehensive income | loss | |
| 30-Sep-25 | (4,452,151) | 6,754,164 | (3,097,554) | | (0.05) |
| 30-Jun-25 | (4,447,549) | 6,352,896 | (3,677,596) | | (0.07) |
| 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) |

Discussion of Quarterly Trends

Q3 2025 (September 30, 2025):

Net loss was \$3.1 million (loss per share – \$0.05). During the quarter, the Company continued production of HEXWAVE™ while advancing research and development on other licensed technologies. HEXWAVE™ shipments continued, with TSA contract performance remaining on schedule. Marketing and investor relations efforts also increased to support sales initiatives. The working capital deficiency remained flat at \$4.4 million. The Company also closed a private placement on July 29, 2025, generating gross proceeds of \$3.2 million.

Q2 2025 (June 30, 2025):

Net loss was \$3.7 million (loss per share – \$0.07). During the quarter, the Company continued production of HEXWAVE™ while advancing research and development on other licensed technologies. HEXWAVE™ shipments continued, with TSA contract performance remaining on schedule. Marketing and investor relations efforts also increased to support sales initiatives. The working capital deficiency increased to \$4.4 million, reflecting continued cash usage in operations.

Q1 2025 (March 31, 2025):

Net loss was \$3.8 million (loss per share – \$0.08). The Company closed a private placement on March 20, 2025, generating gross proceeds of \$3.48 million, which increased total assets to \$8.5 million. The results also reflected higher operating expenses associated with commercialization activities.

Prior's years quarters (December 31, 2024 – December 31, 2023):

Net losses for these periods ranged between \$1.4 million and \$2.9 million per quarter, with loss per share ranging from \$0.09 to \$0.21. These results primarily reflected ongoing investment in HEXWAVE™ production and commercialization, research and development on licensed technologies, stock-based compensation, and financing-related expenses. Detailed discussions of these quarters were provided in the Company's MD&A filings for those periods, available on SEDAR+.

Overall Trends

The Company has consistently incurred net losses over the past eight quarters as it continues to invest in the development and commercialization of HEXWAVE™ and related technologies. Quarterly results have been influenced by the timing of contract revenue recognition, fluctuations in R&D and G&A expenses (notably stock-based compensation), and financing transactions. Private placements completed in 2024 and 2025 provided additional liquidity, but the Company remains in a working capital deficiency position as expenditures continue to exceed revenues.

4. Liquidity and Capital Transactions Resources

(a) Liquidity

As of September 30, 2025, the Company maintained a cash balance of \$640,907 and experienced a working capital deficiency of \$4,452,151. Current liabilities amounted to \$8,239,018 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.

| | For the nine months ended | |
|--|---------------------------|-----------------------|
| | September 30, 2025 | September 30, 2024 |
| | \$ | \$ |
| Operating activities: | | |
| Loss and comprehensive loss for the period | (10,510,206) | (6,429,727) |
| Items not involving cash: | 2,520,479 | 2,177,850 |
| Changes in non-cash working capital: | (390,169) | 1,179,059 |
| Cash used in operating activities | (8,379,896) | (3,072,818) |
| Cash used in investing activities | (176,498) | (125,206) |
| Cash provided by financing activities | 7,931,412 | 3,474,239 |
| Effect of foreign exchange rate changes on cash | 112,660 | 113,338 |
| Change in cash | (512,322) | 389,553 |
| Cash, beginning of the period | 1,153,229 | 963 |
| Cash, end of the period | 640,907 | 390,516 |

During the nine months ended September 30, 2025, we used net cash of US\$8,379,896 in operating activities, compared to US\$3,072,818 during the same period in 2024. The increase in cash used in operations primarily reflects a higher net loss in 2025, adjusted for non-cash items. Non-cash charges and credits during the period included stock-based compensation of US\$1,135,285 (September 30, 2024 — US\$396,091), amortization recorded in cost of revenues of US\$381,711 (September 30, 2024 — US\$871,023), depreciation of US\$197,214 (September 30, 2024 — US\$321,665), inventory impairment of US\$233,676 (September 30, 2024 — US\$143,488), lease liability interest of US\$32,697 (September 30, 2024 — US\$53,691), accrued interest of US\$253,856 (September 30, 2024 — US\$57,075), credit line fees of US\$304,554 (September 30, 2024 — US\$15,900), and a loss on disposal of lease assets of US\$18,514 (September 30, 2024 — US\$29,233).

Changes in non-cash working capital used US\$390,169 of cash during the nine months ended September 30, 2025, compared to cash provided of US\$1,179,059 during the same period in 2024. These changes included a decrease in receivables and prepaid expenses of US\$525,024 (September 30, 2024 — US\$217,729 decrease), a decrease in inventory of US\$360,015 (September 30, 2024 — US\$964,272 increase), and a decrease in deferred revenue of US\$9,964 (September 30, 2024 — US\$1,135,970 increase). These decreases were partially offset by an increase

in accounts payable and accrued liabilities of US\$235,882 (September 30, 2024 — US\$703,454 decrease) and an increase in contract costs of US\$268,952 (September 30, 2024 — nil).

The change in working capital during the 2025 period was primarily driven by lower production and shipment volumes, changes in the timing of customer deployments, and reduced contract activity compared to the prior year period. Specifically, the decrease in inventory of US\$360,015 reflects lower manufacturing activity and the utilization of previously produced HEXWAVE™ units to support customer deployments during the period, compared to the US\$964,272 increase in inventory in 2024 when production volumes were higher.

The decrease in receivables and prepaid expenses of US\$525,024 was primarily attributable to lower sales volumes, improved collection timing, and reduced prepaid expenditures related to marketing, consulting, and operational activities compared to the prior year period. The decrease in deferred revenue of US\$9,964 reflects the recognition of previously deferred revenue as contractual performance obligations were satisfied during the period, partially offset by fewer new advance customer payments compared to 2024. These changes were partially offset by an increase in contract costs of US\$268,952, reflecting ongoing engineering, development, and support activities under TSA contracts for which revenue recognition is expected in future periods.

Overall, the changes in working capital reflect the Company's lower level of production and contract activity during the nine months ended September 30, 2025 compared to the same period in 2024.

Operating cash flows for the nine months ended September 30, 2025 and 2024 reflect ongoing gross losses, research and development expenditures, and general and administrative expenses, including salaries, consulting fees, and promotional and investor relations activities.

Investing Activities

Cash used in investing activities was \$176,498 (2024 — \$125,206), relating to additions to property and equipment.

Financing Activities

Net cash provided by financing activities was \$7,931,413 (2024 — \$3,474,239). In 2025, this consisted mainly of:

- Net proceeds of \$6,120,797 (2024 - \$1,983,567) from the issuance of common shares through private placements;
- Proceeds of \$2,075,555 (2024 - \$87,367) from warrants exercised;
- Proceeds of \$650,000 (2024 - \$1,800,000) from Parabilis term loan;
- Proceeds of factoring \$350,000 (2024 - \$1,551,166);
- Offset by repayments of loans and factoring of \$(1,124,175) (2024 - \$2,497,955), including related party loans of \$(74,658) (2024 - \$220,281) third-party working capital loans of \$(26,250) (2024 - \$687,570), and Parabilis term loan (\$183,017) (2024 - \$nil); and Parabilis factoring and credit lines \$(840,250) (2024 - \$1,567,031)
- Repayments of lease liabilities of \$(140,765) (2024 - \$(185,081)).

In comparison, in 2024 financing cash flows included net proceeds of \$1,983,567 from private placements (January 15, February 12, and June 27, 2024), \$735,175 from loans, \$1,800,000 from Parabilis term loan, \$87,367 proceeds from warrants, and \$1,551,166 factoring and credit lines, offset by repayments of \$(930,924) in loans, \$(1,567,031) in factoring and credit lines, and \$(185,081) in leases.

Dividends

The Company has not declared or paid dividends to date and has no current plans to do so in the foreseeable future.

Contractual Obligations

At September 30, 2025, the Company had contractual obligations totaling \$8,414,516, of which \$8,068,980 are due within one year. These short-term obligations include:

- Accounts payable and accrued liabilities of \$4,391,772;
- Loans payable of \$2,642,526;
- Credit line liability of \$797,975; and
- Lease liabilities of \$236,707.

Contractual obligations in the one-to-three year period includes:

- Lease liabilities of \$345,536

There were no contractual obligations due in the four-to-five year or greater than periods.

(b) Capital Transactions and Resources

Common share transactions for the nine months ended September 30, 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 (CAD\$121,004). Additionally, the Company paid commissions and legal expenses of \$420,423 (CAD\$600,650).
- iv) 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
- v) On July 29, 2025, the Company closed a non-brokered private placement for gross proceeds of \$3,199,767 (CAD\$4,400,000). The Company issued 20,000,000 units (each a “Unit”) of the Company at a price of CAD\$0.22 per Unit. Each Unit comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of the Company at a price of CAD\$0.35 for a period of 12 months and is subject to an accelerated expiry at the Company’s election under certain conditions. The warrants were allocated a residual value of \$nil. Additionally, the Company issued 719,973 broker warrants with a fair value of \$44,908 (CAD\$61,753). The Company paid commissions and legal expenses of \$138,087 (CAD\$189,781).
- vi) During the nine months ended September 30, 2025, a total of 204,100 common shares were issued pursuant to the exercise of RSUs with a fair value of \$374,067.

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 with 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 is 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 with 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 September 30, 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 | 83,000 | CAD\$ 5.00 | 0.52 | 83,000 |
| 28-Jul-26 | 12,500 | CAD\$ 5.50 | 0.82 | 12,500 |
| 28-Jul-26 | 5,000 | CAD\$ 6.50 | 0.82 | 5,000 |
| 1-Nov-26 | 42,500 | CAD\$ 4.60 | 1.09 | 42,500 |
| 14-Jan-27 | 10,000 | CAD\$ 3.60 | 1.29 | 10,000 |
| 15-Apr-27 | 50,000 | CAD\$ 0.59 | 1.54 | 50,000 |
| 26-Apr-27 | 128,500 | CAD\$ 4.10 | 1.57 | 128,500 |
| 2-Jul-27 | 250,000 | CAD\$ 0.24 | 1.75 | - |
| 21-Nov-27 | 6,000 | CAD\$ 2.20 | 2.14 | 6,000 |
| 26-Apr-28 | 5,000 | CAD\$ 1.80 | 2.57 | 5,000 |
| 16-Oct-28 | 100,000 | CAD\$ 1.90 | 3.05 | 100,000 |
| 30-Dec-29 | 2,365,000 | CAD\$ 0.80 | 4.25 | 1,018,125 |
| 2-Apr-30 | 150,000 | CAD\$ 0.84 | 4.51 | 18,750 |
| 30-Sep-30 | 2,000,000 | CAD\$ 0.27 | 4.95 | - |
| September 30, 2025 | 5,207,500 | | | 1,479,375 |

Total stock-based compensation expense arising from options granted and vested during the three and nine months ended September 30, 2025, was \$98,189 and \$1,032,541 respectively (three and nine months ended September 30, 2024 – \$11,706 and \$62,442). Additionally, \$20,814 of stock-based compensation were reclassified to cost of revenue during the nine months ended September 30, 2025 (nine months ended September 30, 2024 – \$17,465).

As at September 30, 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 |
| Granted | 50,000 | 0.27 |
| Exercised | (204,100) | 2.64 |
| Outstanding, September 30, 2025 | 382,225 | CAD\$ 2.00 |

The estimated fair value of the equity settled RSUs granted as of September 30, 2025, was \$6,915 (nine months ended September 30, 2024 - \$159,963) 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 and nine months ended September 30, 2025, the Company recognized stock-based compensation related to RSUs in the amount of \$665 and \$25,017 respectively (three and nine months ended September 30, 2024 - \$124,338 and \$234,278).

During the nine months ended September 30, 2025, the following transactions occurred in connection to restricted share units:

- i) During the nine months ended September 30, 2025, a total of 204,100 common shares were issued pursuant to the exercise of RSUs.
- ii) On August 7, 2025, the Company granted 50,000 RSUs to consultants; these RSUs shall be settled with common shares of the Company, have an exercise period that expires on January 1, 2029, and vest at 100% on January 1, 2026.

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 August 19, 2024, the Company granted 30,000 RSUs to a consultant of the Company; these RSUs shall be settled with common shares of the Company, have an exercise period that expires on August 19, 2029, and vest as follows: 25% on November 19, 2024, 25% on February 19, 2025, 25% on May 19, 2025, 25% on August 19, 2025.
- iii) During the year ended December 31, 2024, a total of 132,248 RSUs were cancelled and 101,841 RSUs were exercised, resulting in the issuance of 101,841 common shares pursuant to those exercises.

As at September 30, 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 | 22,447,643 | 0.48 |
| Expired | (7,643,473) | 0.73 |
| Exercised | (5,417,775) | 0.55 |
| Outstanding, September 30, 2025 | 29,461,363 | CAD\$ 0.87 |

(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 September 30, 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 three and nine months ended September 30, 2025, the Company recorded stock-based compensation in connection to OPS in the amounts of \$26,509 and \$77,727 (three and nine months ended September 30, 2024 – \$33,252 and \$99,371).

| | Number of equity settled | Weighted average price |
|---|--------------------------|------------------------|
| Outstanding, December 31, 2023 and 2024 | 200,000 | CAD\$ 4.00 |
| Released from escrow | - | - |
| Outstanding, September 30, 2025 | 200,000 | CAD\$ 4.00 |

(d) Reconciliation of use of proceeds from the non-brokered private placement closed on July 29, 2025 (“PP Q3 2025”)

| Intended use of proceeds of PP Q3 2025 | Actual use of proceeds from PP Q3 2025 | (Over)/under expenditure | Explanation of Variance and impact on business objectives |
|--|--|--------------------------|--|
| Agent’s legal fees, expenses and disbursements | \$21,043 | \$21,043 | \$ - N/A |
| Cash portion of Agent’s corporate finance fee | \$115,187 | \$115,187 | \$ - N/A |
| Consulting and Investor Relations from Private Placement | \$1,150,000 | \$850,000 | \$300,000 Balance of investor marketing to paid in Q4 2025 |
| Further the production of HEXWAVE™ to support the increase in demand and deliver units in backlog to customers | \$1,913,537 | \$1,572,630 | \$340,907 Balance to be used for HEXWAVE support and production. |
| Total | \$3,199,767 | \$2,558,860 | \$640,907 N/A |

(e) 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 | \$498,374 | \$- N/A |
| Further the production of HEXWAVE™ to support the increase in demand and deliver units in backlog to customers | \$2,658,632 | \$2,658,632 | \$- N/A |
| Total | \$3,479,351 | \$3,479,351 | \$- N/A |

(f) 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 | \$3,499,742 | \$ - | N/A |
| Total | \$5,585,812 | \$5,585,812 | \$ - | N/A |

(g) 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 |

(h) 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 HEXWAVETM technology as well as development of the latest technologies exclusively licensed to the Company for aviation checkpoints.

5. Commitments

i) As at September 30, 2025, and December 31, 2024, the minimum lease payments are as follows:

| | September 30, 2025 | December 31, 2024 |
|--|-----------------------|----------------------|
| Maturity analysis - contractual undiscounted cash flows | | |
| One year or less | \$ 236,707 | \$ 257,461 |
| Two to five years | 419,003 | 558,358 |
| Six and thereafter | - | - |
| Total lease liabilities | \$ 655,710 | \$ 815,819 |
| Lease liabilities included in the statement of financial position | \$ 582,243 | \$ 708,825 |
| Current | \$ 236,709 | \$ 203,443 |
| Non-current | \$ 345,534 | \$ 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 and nine months ended September 30, 2025, and 2024, relates to contract revenue from the Transportation Security Administration ("TSA"), as well as sales of HEXWAVE™ units.

| Revenue | Three months ended September 30, Nine months ended September 30, | | | |
|-----------------------------|--|---------------------|---------------------|---------------------|
| | 2025 | 2024 | 2025 | 2024 |
| TSA Contract Award HD-AIT | - | - | 457,905 | 200,000 |
| TSA OA Development | - | 170,000 | 246,944 | 620,000 |
| HD-AIT Phase II | - | - | | 133,056 |
| HD-AIT Phase III | 150,000 | 296,944 | 150,000 | 296,944 |
| HEXWAVE units | 129,049 | 650,000 | 861,500 | 1,446,032 |
| HEXWAVE Software & Warranty | - | - | 47,907 | 1,500 |
| Total Revenue | \$ 279,049 | \$ 1,116,944 | \$ 1,764,256 | \$ 2,697,532 |

As of December 31, 2025, the Company continued its efforts to achieve year-over-year revenue growth, with a backlog of \$2 million from signed purchase orders and guaranteed contract revenue in 2026.

During the nine months ended September 30, 2025, the Company delivered 12 HEXWAVE™ units at an average selling price per unit of approximately US\$71,792, compared to 20 units delivered at an average selling price per unit of approximately US\$72,376 during the nine months ended September 30, 2024. The decrease in units delivered during the nine-month period primarily reflects the timing of customer deployments and installation schedules.

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 \$3 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 \$720,358 in backlog orders, with a remaining amount of \$780,000 in backlog for the HEXWAVE™. With production levels increasing the backlog orders are expected to increase during fiscal year 2025. Inventory constraints and limited funding continue to be a challenge in fulfilling orders.

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 \$37,759 originally planned for early 2025 will fall into Q4 – 2025, as the TSA HD-AIT Phase II B was awarded September 29, 2025. Additionally, \$1.8 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 operate in a challenging global economic environment, characterized by constrained capital markets and slower customer procurement cycles. These conditions, which began in 2024, have persisted through 2025 and continue to affect the timing of purchase orders for HEXWAVE™ units.

While interest rates remain elevated, recent signals of potential monetary policy easing in late 2025 or early 2026 may improve access to capital markets and support increased customer activity. Management expects that any improvement in financing conditions could positively impact order volumes in future periods.

In response, the Company has undertaken proactive measures to mitigate these challenges and position itself for growth. These include:

- Increasing product awareness through targeted marketing and investor relations activities;
- Focusing on advancing customer pilots and demonstrations to strengthen the sales pipeline; and
- Maintaining operational readiness to scale production as purchase commitments are secured.

Management also recognizes that current capital market conditions directly affect the Company's liquidity and working capital position. As at September 30, 2025, the Company had a working capital deficiency of \$4.5 million and contractual obligations of \$8.6 million, of which \$8.2 million are due within the next 12 months. Continued access to external financing will therefore be critical to support operations and growth initiatives until the Company is able to generate sustainable revenues from commercial sales.

7. Contract Awards

During the nine months ended September 30, 2025, the Company recognized total contract revenue of \$854,849, recorded in revenue (nine months ended September 30, 2024 – \$1,250,000). 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 |
| HD-AIT Phase II B | 357,759 | - |
| Total estimated contract revenues | \$ 357,759 | \$ - |

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.

During the period ended September 30, 2025, the Company had received \$457,905 and recorded a receivable of \$nil (nine months ended September 30, 2024 – \$200,000 and \$nil, respectively). The remaining contract balance as of September 30, 2025, was \$nil (September 30, 2024 – \$457,905):

| TSA HD-AIT Upgrade | Amounts |
|-------------------------------|---------------------|
| Year 2023 | \$ 1,265,000 |
| Year 2024 | 200,000 |
| Year 2025 | |
| Milestone 5B (Q1 2025) (paid) | 100,000 |
| Milestone 6 (Q2 2025) (paid) | 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. During the period ended September 30, 2025, the Company received \$246,944 and had a receivable of \$nil (nine months ended September 30, 2024 – \$620,000 and \$nil, respectively). The balance remaining on the contract as of September 30, 2025, was \$nil (September 30, 2024 – \$421,944).

| TSA Open Architecture | Amounts |
|------------------------------|---------------------|
| Year 2023 | \$ 75,000 |
| Year 2024 | 795,000 |
| Year 2025 | |
| Milestone 6 (Q1 2025) (paid) | 175,000 |
| Milestone 7 (Q2 2025) (paid) | 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. During the period ended September 30, 2025, the Company had received the full contract amount of \$133,056 and recorded a receivable of \$nil (nine months ended September 30, 2024 – \$133,056, and \$nil respectively). The remaining contract balance as of September 30, 2025, was \$nil (September 30, 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. During the period ended September 30, 2025, the Company received \$150,000 and had a receivable of \$nil (nine months ended September 30, 2024 - \$nil, and \$296,944 respectively). The balance remaining on the contract as of September 30, 2025, was \$nil (September 30, 2024 - \$150,000).

| TSA HD-AIT Phase II A | Amounts |
|------------------------------|----------------|
| Year 2024 | \$ 296,944 |
| Year 2025 | |
| Milestone 2 (Q3 2025) (paid) | 150,000 |
| Total Contract Value | \$ 446,944 |

v) TSA HD-AIT Phase II B

On September 29, 2025, the Company received a contract award for \$357,759 from TSA for the HD-AIT Phase II B 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 three months, and invoices will be issued once the milestones are reached based on the agreed upon timeline. During the period ended September 30, 2025, the Company received \$nil and had a receivable of \$nil (three months ended September 30, 2024 - \$nil, and \$nil respectively). The balance remaining on the contract as of September 30, 2025, was \$357,759 (September 30, 2024 - \$nil).

| TSA HD-AIT Phase II B | Amounts |
|------------------------------|----------------|
| Year 2026 | |
| Milestone 3 (Q1 2025) | \$ 100,000 |
| Milestone 4 (Q1 2025) | \$ 175,000 |
| Milestone 5 (Q1 2025) | 82,759 |
| Total Contract Value | \$ 357,759 |

As of September 30, 2025, the Company recorded contract costs of \$nil, representing costs incurred for contract milestones not yet achieved (September 30, 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 September 30, | | Nine months ended September 30, | |
|------------------------------|----------------------------------|-------------------|---------------------------------|-------------------|
| | 2025 | 2024 | 2025 | 2024 |
| G&A Salaries | \$ 385,401 | \$ 171,686 | \$ 1,061,266 | \$ 485,108 |
| G&A Stock-based compensation | 166,095 | 77,548 | 693,419 | 136,004 |
| G&A Consulting fees (1) | - | 24,192 | - | 72,788 |
| | \$ 551,496 | \$ 273,426 | \$ 1,754,685 | \$ 693,901 |

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

As of September 30, 2025, the Company had a balance payable of \$197,021 to key management personnel (nine months ended September 30, 2024, – \$725,456). 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 nine months ended September 30, 2025, the Company received working capital loans in the amount of \$nil (September 30, 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 September 30, 2025, the outstanding balance is \$nil (note 8) (December 31, 2024 – \$74,658).

10. Subsequent Events

- Subsequent to September 30, 2025, an aggregate of 5,414,551 common shares were issued pursuant to the exercise of 5,414,551 warrants, for gross proceeds of CAD\$1,895,093. In addition, on December 8, 2025, the Company issued 10,000 common shares pursuant to the vesting and settlement of 10,000 RSUs.
- On December 31, 2025, the Company closed the first tranche of a non-brokered private placement for gross proceeds of CAD\$1,747,168, through the issuance of 7,941,671 units at a price of CAD\$0.22 per unit. Each unit comprised one common share and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share at an exercise price of CAD\$0.30 per share, exercisable from March 2, 2026, to December 31, 2027. The Company issued an aggregate of 356,162 broker warrants to agents under terms and conditions substantially identical to those of the unit warrant.

Subsequently, on January 15, 2026, the Company closed the second and final tranche of the same non-brokered private placement for additional gross proceeds of CAD\$867,506, through the issuance of 3,943,207 units at a price of CAD\$0.22 per unit. Each unit comprised one common share and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share at an exercise price of CAD\$0.30 per share, exercisable from March 17, 2026, to January 15, 2028.

In connection with the private placement, the Company issued an aggregate of 227,024 broker warrants to agents under terms and conditions substantially identical to those of the unit warrant.

- On December 12, 2025, the Company granted 321,702 RSUs to a consultant. The RSUs vest in full on December 12, 2026, and expire on December 12, 2029, if not settled prior to that date.
- A total of 220,000 stock options were cancelled.

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 September 30, 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 September 30, 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 September 30, 2025, the Company had cash of \$640,907 (December 31, 2024 – \$1,153,229) to settle current liabilities of \$8,239,018 (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 | \$ 182,454 |
| Financial liabilities denominated in foreign currencies | (643,290) |
| Net exposure | \$ (460,836) |

A 10% change in the U.S. dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss by \$33,687.

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 September 30, 2025.

13. Other requirements

Outstanding common share data:

Authorized: Unlimited number of common shares

Number of common shares issued and outstanding as at September 30, 2025: 71,984,222

Number of common shares issued and outstanding as at January 30, 2026: 89,293,651

Number of stock options outstanding and exercisable as at January 30, 2026, is as follows:

| Expiry date | Outstanding | | Exercisable | |
|-------------------------|-------------------------|----------------|------------------------------------|-------------------------|
| | Number of stock options | Exercise price | Remaining contractual life (years) | Number of stock options |
| 7-Apr-26 | 83,000 | CAD\$ 5.00 | 0.19 | 83,000 |
| 28-Jul-26 | 8,500 | CAD\$ 5.50 | 0.50 | 8,500 |
| 28-Jul-26 | 9,000 | CAD\$ 6.50 | 0.50 | 9,000 |
| 1-Nov-26 | 42,500 | CAD\$ 4.60 | 0.76 | 42,500 |
| 14-Jan-27 | 10,000 | CAD\$ 3.60 | 0.97 | 10,000 |
| 15-Apr-27 | 50,000 | CAD\$ 0.59 | 1.22 | 50,000 |
| 26-Apr-27 | 118,500 | CAD\$ 4.10 | 1.25 | 118,500 |
| 2-Jul-27 | 250,000 | CAD\$ 0.24 | 1.43 | 125,000 |
| 21-Nov-27 | 6,000 | CAD\$ 2.20 | 1.82 | 6,000 |
| 26-Apr-28 | 5,000 | CAD\$ 1.80 | 2.25 | 5,000 |
| 16-Oct-28 | 80,000 | CAD\$ 1.90 | 2.72 | 80,000 |
| 30-Dec-29 | 2,325,000 | CAD\$ 0.80 | 3.93 | 1,357,500 |
| 2-Apr-30 | 150,000 | CAD\$ 0.84 | 4.18 | 56,250 |
| 30-Sep-30 | 1,850,000 | CAD\$ 0.27 | 4.68 | 462,500 |
| January 30, 2026 | 4,987,500 | | | 2,413,750 |

Number of share purchase warrants as at January 30, 2026, is 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 | 22,447,643 | 0.48 |
| Expired | (7,643,473) | 0.73 |
| Exercised | (5,417,775) | 0.55 |
| Outstanding, September 30, 2025 | 29,461,363 | CAD\$ 0.87 |
| Exercised | (5,414,551) | 0.35 |
| Issued | 12,468,064 | 0.30 |
| Outstanding, January 30, 2026 | 36,514,876 | CAD\$ 0.75 |

Number of restricted share units as at January 30, 2026, is as follows:

| | 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 |
| Granted | 371,702 | 0.25 |
| Exercised | (214,100) | 2.58 |
| Outstanding January 30, 2026 | 693,927 | CAD\$ 1.23 |

There are 332,225 restricted share units that are exercisable.

Number of performance share deposited and held in escrow as at January 30, 2026:

| | Number of equity settled performance | Weighted average price |
|--|--|---------------------------|
| <u>Outstanding, December 31, 2023 and 2024</u> | 200,000 | CAD\$ 4.00 |
| <u>Released from escrow</u> | - | - |
| <u>Outstanding, January 30, 2026</u> | 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 and nine months ended September 30, 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.