INNOVATIVE & REVOLUNTIONARY WEAPON DETECTION

"Q3 2019 – REMAINING FOCUSSED AND ON TRACK"

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(*Expressed in U.S. Dollars)*

Dated: November 7th, 2019

Information is available at the Company's website *www.libertydefense.com*. In addition, reference should be made to Company's audited consolidated financial statements for the period ended December 31, 2018. Financial information included in this MD&A has primarily been derived from the consolidated financial statements of the Company, which are prepared in accordance with International Financial Reporting Standards (IFRS). All amounts are presented in United States dollars, unless otherwise noted. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the period ended September 30, 2019.

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

Additional information on the Company, including the Company's Annual Information Form ("AIF") for the year ended December 31, 2018 is available under the Company's profile at www.sedar.com.

Our Mission: protecting communities and preserving peace of mind through superior security detection solutions.

Our Vision: Provide the most effective leading-edge sensor capability for stand-off layered threat detection with the flexibility to be deployed as a stand-alone system or integrated into a full security solution.

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1 OVERVIEW

About Liberty Defense Holdings Ltd.
Liberty Defense Holdings Ltd. (the "Company" or "Liberty"), is a public company (TSXV: SCAN, Frankfurt: L2D, OTC: LDDFF), that was incorporated under the Business Corporation Act of Ontario on June 8, 2012. The Company undertook a reverse takeover ("RTO") transaction with Liberty Defense Holdings Inc. ("LPC") on April 3, 2019 and subsequently renamed itself from Gulfstream Acquisition 1 Corp., to Liberty. The Company, through its wholly owned subsidiary Liberty Defense Technologies Inc. ("LDT"), is principally engaged in the commercialization of HEXWAVE an active 3D imaging technology system, to detect concealed threats. The Company's corporate office is located at Suite 1030, 200 Granville St, Vancouver, British Columbia, Canada, V6C 1S4 and its registered and records office is located at 5300 Commerce Court West, 199 Bay Street, Toronto, ON M5L 1B9.

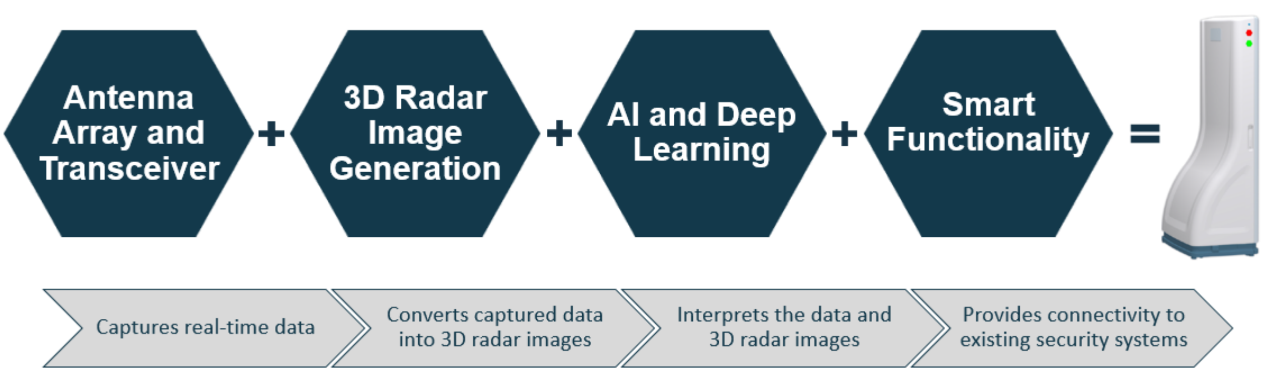
Recognizing the public security need and the potential of the Urban Security market, LDT was formed in April 2018. LDT trademarked HEXWAVE and the Company will look to bring this exciting product to market which is ideally suited to improve concealed threat detection in the Urban Security market.

Our Product - HEXWAVE
The core technology behind HEXWAVE 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 operational conditions.

MIT LL spent 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 technology behind HEXWAVE. In September 2019, Liberty and MIT LL were recognized by the FLC (Federal Laboratory Consortium) for the 2019 Excellence in Technology Transfer North East Region.

With the exclusive global license agreement for the use of the technology behind HEXWVE in place, the Company has continued to develop HEXWAVE using the technology and concepts demonstrated by MIT LL. MIT assisted through the Technology Transfer Agreement ("TTA") in transferring the intellectual property and understanding from MIT LL to LDT's Center of Excellence ("COE") in order for the technology to be further refined and developed. As part of the commercialization and go to market strategy, the Company has identified certain required changes and have entered into the Cooperative Research and Development Agreement (CRADA) with MIT LL to leverage off their existing experience and accelerate the development of certain aspects of HEXWAVE. Liberty also used images from MIT LL to start developing the Automatic Detection (AI: Deep Learning Software) system.

<u>HEXWAVES Four Principle Subsystems:</u>



Since then Liberty has significantly advanced HEXWAVE and the technology behind it. This culminated in the demonstration of the four principle subsystems in September 2019 at the COE in Atlanta, Georgia. For commercialization and other purposes, Liberty had redesigned and refined the Antenna Arrays & Transceiver and these along with 3D imaging algorithm were all demonstrated at the COE. The Artificial Intelligence phase and Smart features were also demonstrated using images from MIT LL. This step represented a significant de-risking of the product development phase and has meant that the Company can now proceed to the final phase of the alpha testing, being the end to end testing of HEXWAVE.

Global License Agreement Update
Liberty entered into a global license exclusive agreement ("License Agreement") with MIT for a 20-year period for the use of the technology behind HEXWAVE in September 2018. Under the terms License Agreement, the Company is required to meet several milestones in order to comply with its diligence requirements, which have all been complied with to date. MIT continues to work closely with Liberty on developing this technology and recently amended the timeline to develop a beta prototype from on or before December 31, 2019 to April 1st, 2020.

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 metallic & non-metallic threat objects
- Detects both indoor and outdoor locations including both overt and covert application
- Protects privacy (no personal data is collected or analyzed)
- Smart functionality provides connectivity to existing security systems (VMS, door locks, networks)
- Accurately detects threat in real-time using AI and Deep Learning
- Routine software & AI updates
- Operationally agile (mobile and deployable across detection space)
- High throughput (over 1,000 screens per hour) with precise secondary screening
- Venue-wide aggregate analytics
- Remote operation allowing for unmanned Concept of Operations ("CONOPS")

About the Explosives and Weapon Detection Market
The aggregate markets associated with the explosives and weapon detection market are expected to total $8 billion by 2020 and over $11 billion by 2025. These markets include North America, Europe, Asia-Pacific, Middle East/Africa, and Latin America. The verticals most relevant to the growing Urban Security Market ("USM") are public venues, secured perimeters & buildings, land transportation, government / Department of Homeland Security ("DHS") and others (schools, hotels, casinos, places of worship, malls, workplace & community screening).

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

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

Current Alternatives
The current alternatives in the USM are typically restricted to:

- principally focusing on metallic threats, therefore unmetallic threats can potentially go undetected
- airport solutions which aren't able to be used across other verticals
- 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

Liberty has a leadership team with extensive and relevant experience in delivering new technology products, and bringing new businesses to market. Central to the team since 2018, is the collective technical expertise of the CEO, COO, and CTO each of which compliment each other's product development backgrounds. Bill Riker (CEO) brings over three decades of product development from Research & Development ("R&D") through fielding experience in defense and security original equipment manufacturer ("OEM") roles. Aman Bhardwaj (COO and President of US operations) is the technology and product development lead for the business, leveraging an especially relevant 30 years in bringing software and hardware technologies to market, managing technology partners and building global teams to develop and launch high volume consumer products. As the CTO, Bart Smudde compliments the team as the senior engineer with over three decades of designing, testing and manufacturing products for the industrial, medical and military markets. In May 2019, Ron Solanki was appointed VP Operations. He has held leadership positions with major multi-national global electronics corporations such as Motorola, Panasonic, Flextronics and Hisense and brings over 30 years of experience in high-tech company operations, strategic business management and development, research and development, manufacturing, and supply chain. In July 2019, Bob Falk, was appointed VP of Sales and Business Development. He has over 20 years of experience in the detection and security inspection industry as well as in business development and sales. Bob's experience will further enhance the initial customer experiences and help to drive the successful adoption of HEXWAVE. The development team also includes software (User Interface "UI", and Artificial Intelligence "AI"), electrical including radio frequency engineering and mechanical engineering expertise.

Liberty runs its operations at the COE based out of Peachtree Corners, Georgia. This location was selected due to its proximity to the Atlanta technology corridor that includes engineering-centric universities and local workforce / facilities that have the requisite local talent.

About Liberty's Advisors

Liberty has assembled a group of Advisors that can provide unprecedented market access to a number of our identified market verticals including stadiums (National Hockey League ("NHL") and Federation Internationale de Football association ("FIFA")) and shopping malls. A key aspect to Liberty's success will be gaining access and developing the market for HEXWAVE. In addition to the reach achieved through our Board of Directors and Executive Management, the Company has an industry leading Board of Advisors to broaden its reach and provide unprecedented market access. Management also includes David Albert, the VP of External Affairs with over 25 years of government relations at the federal and state level.

Recent Updates & Developments

From inception, Liberty has set itself an aggressive product development timeline by pursuing a concurrent engineering and development approach and it is pleased to announce that it remains on track to deliver upon these milestones with these recent updates:

- Achieved active real-time 3D Imaging, a significant product milestone for HEXWAVE (November 2019)
- Announced agreement with TUV SUD for wireless, EMC & safety testing certification (September 2019)
- Completed HEXWAVE subsystem prototypes for active 3D imaging and AI for threat detection to enable the alpha testing phase (September 2019)
- Enhanced HEXWAVE's Smart Functionality with ONVIF (August 2019)
- Completed Tech Transfer and Announced Antenna Array working at the COE (June 2019)
- Announced FCC Granting of Experimental License to Begin Testing HEXWAVE (April 2019)

Liberty has established a number of collaboration agreements with a number of well-respected recognized organization across its various market verticals to assist in Beta testing of HEXWAVE these include the following most recent announcements. Liberty entered into the following collaboration agreements ("CoA") for beta testing:

- Port of Tampa (October 2019)
- University of Wisconsin Police Department (October 2019)
- Greater Toronto Airports Authority (October 2019)
- Metro Toronto Convention Centre (September 2019)
- Maryland Stadium Authority (September 2019)
- A Major Global Hindu Organization (September 2019)
- Virginia Division of Capitol Police (July 2019)
- Agreement with FC Bayern München to Beta Test HEXWAVE (June 2019)
- Signed MOU with the Utah Attorney General for HEXWAVE testing (May 2019)

- Provided update of Sleiman Enterprises MOU to test HEXWAVE (April 2019)
- Outlined MOU strategy which includes the Vancouver Arena Limited Partnership (April 2019)

In addition to advancing HEXWAVE and the market for it, Liberty has achieved a number of significant milestones from a corporate perspective, these include:

- Announced Laurentian Bank Securities Inc. to initiate analyst coverage of the Company (September 2019)
- Confirmed DTC eligibility for trading on the OTCQB venture market, under symbol "LDDFF" (September 2019)
- Graduating to OTCQB Venture Market under the symbol "LDDFF" (August 2019)
- Appointed Bob Falk as VP of Sales & Business Development (July 2019)
- Testified before the House of Commons standing Committee on Health (June 2019)
- Appointed Jeremy Morton as Chairman (May 2019)
- Commenced trading on the Frankfurt Stock Exchange (April 2019)
- Commenced Trading on the TSXV under the symbol "SCAN" (April 2019)
- Completion of RTO (April 2019)
- Completed oversubscribed private placement QT financing for gross proceeds of CA$7m (March 2019)

Going Concern & Nature of Operations

For the period ended September 30, 2019, the Company reported a $9,534,753 loss ($2,230,108 relating to RTO costs) and cash outflows from operating activities of $6,302,965.

As at September 30, 2019, the Company had a positive working capital of $1,715,390. Notwithstanding, in order to fully commercialize HEXWAVE the Company will require additional funds to achieve its development timeline and bring HEXWAVE to market. While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured. 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. These conditions cast significant doubt on the validity of the going concern assumption. In November 7, 2019 the Company announced a CA$2.5 million financing and it has also filed a base shelf prospectus, in order to be able to continue to advance the development of HEXWAVE.

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. These conditions cast significant doubt on the validity of the going concern assumption.

2 OUTLOOK

Liberty remains firmly on track to achieve its stated business objectives and milestones, as referenced above in our recent updates.

Our aggressive development schedule is based on a concurrent engineering and development approach whereby the Company is working on many different tasks in parallel rather than in series. This has enabled us to significantly shorten the normal development timelines associated with product development. For example, at the same time as looking to complete our alpha testing we are already undertaking some design for manufacturing steps, the benefits of which will not be realized under later generations of HEXWAVE.

We continue to have a myriad of upcoming catalysts to look forward as we de-risk both the development of HEXWAVE and our go to market strategies. In order to complete our stated objectives, we will look again to access the capital markets to be able to achieve these objectives and fund our development efforts.

In November we were excited to announce having achieved active real-time 3D imaging and anticipate being able to complete the end to end performance of HEXWAVE as set out in our alpha testing by the end of 2019 with a system demonstration to follow. Our concurrent engineering approach means we are already starting to address the next product milestones, the next one being the building of our Beta units, required for testing at the locations noted above (refer to our collaboration agreements), with an initial focus on North America and then Europe. The beta testing phase is expected to run through H1 2020 to provide vital feedback in a live environment on the HEXWAVE beta units and the CONOPs behind their deployment.

We remain very focused on our product development timeframe and look forward to continuing to report against these milestones in due course.

3 FINANCIAL POSITION REVIEW

Certain comparatives in prior periods may have restated to conform to the current presentation. The following table sets out the assets of the Company on a quarterly basis since inception:

3.1 Assets

Table 1: Assets ($)	Q218	Q318	Q418	Q119	Q219	Q319
Current assets						
Cash and cash equivalents	663,571	664,483	3,664,397	1,501,179	3,896,657	1,869,746
Restricted cash	-	-	-	4,988,834	-	-
Receivable and prepaid expenses	674	27,152	252,119	820,150	863,936	360,238
Deferred financing fees	-	20,938	74,977	-	-	-
Total current assets	**664,245**	**712,573**	**3,991,493**	**7,310,163**	**4,760,593**	**2,229,984**
Intangible assets	-	89,784	115,143	115,143	115,143	100,597
Property & equipment	-	-	64,551	372,243	495,526	463,995
Total assets	**664,245**	**802,357**	**4,171,187**	**7,797,549**	**5,371,262**	**2,794,576**

Cash and cash equivalents receipts in Q2 and Q3 2018 relate to the initial seed financing of LPC. The increase in Q4 2018, was a result from proceeds obtained from the October 2018 financing, which was offset by a reduction in accounts payable and expenses. The decrease in Q1 2019 was due to development expenditures in the first quarter. In Q2 2019 cash and cash equivalents increased from the QT financing. The decrease in Q3 2019 was due to development expenditures that were incurred in the third quarter.

Restricted cash arose in Q1 2019 due to the receipt of funds from the QT financing which was subject to completion of the RTO. The conditional precedents were met in Q2 2019 when the RTO was completed and therefore restricted cash disappeared and increased cash and cash equivalents.

Receivables and prepaids increased in Q4 2018 mainly as a result of the prepayment of the first instalment under the CRADA, the benefit in which were recognized in the first quarter of 2019. The increase in Q1 2019 relates to a refund due on a termination of a marketing contract, which was subsequently received in Q2 2019. The prepaids balance at the end of Q2 2019 primarily relates to marketing contracts that are prepaid as well as the third instalment under the CRADA, the benefit which will extend into the third quarter of 2019. The decrease in Q3 2019 primarily relates to recognizing the benefit of marketing contracts and the third instalment under the CRADA.

Deferred financing fees in Q4 2018 were debited to equity in Q1 2019 as a result of the closing of the Subscription Receipts financing.

Property and equipment in 2018 primarily are a result of purchases made for the COE. On January 1, 2019 the Company adopted IFRS 16 which resulted in the capitalization of the lease payments associated with lease obligations at the COE and the recognition of a lease asset of $319,157. In Q2 2019 the Company entered into another office lease increasing total PP&E by $150,941. The decrease in Q3 primarily relates to recognizing depreciation on the Company's office leases.

(expressed in U.S. Dollars)

3.2 Liabilities

Table 2: Liabilities ($)	Q218	Q318	Q418	Q119	Q219	Q319
Current liabilities						
Accounts payable and accrued liabilities	257,811	1,046,004	437,210	893,621	574,676	382,428
Lease liabilities	-	-	-	99,532	128,586	132,166
Non-current Liabilities						
Lease liabilities	-	-	-	229,800	304,632	269,219
Total Liabilities	**257,811**	**1,046,004**	**437,210**	**1,222,953**	**1,007,894**	**783,813**

As of September 30, 2019, accounts payable was $143,423 (Q418: $345,830) and accruals were $239,005 (Q418 $91,380). A portion of the increase in accounts payables and accruals in Q1 2019 relates to costs associated with the RTO. The Q2 2019 accounts payable and accrued liabilities balance includes $184k in payroll which was paid in May 2019. The decrease in Q3 is primarily as a result of having approximately 221k less in its trade payable after the Company paid down large invoices that were outstanding in Q2.

The finance lease obligation increased due to the adoption of IFRS 16 leases (effective January 1, 2019), where any leases that are operating in nature for accounting purposes that have a lease period extending more than one year, are capitalized. The increase in Q2 2019 is a direct result of the aforementioned additional lease. The decrease in Q3 is a direct result of paying monthly lease payments during the period.

3.3 Equity

Table 3: Equity ($)	Q218	Q318	Q418	Q119	Q219	Q319
Shareholders' equity						
Common shares	461,346	692,002	4,277,990	4,735,793	10,342,881	10,342,881
Contributed surplus	280,437	227,228	2,462,334	6,565,655	3,851,329	4,094,399
Accumulated other comprehensive income ("AOCI")	3,701	(8,049)	(227,955)	(127,793)	(42,013)	(80,159)
Deficit	(339,050)	(1,154,828)	(2,778,392)	(4,599,059)	(9,788,829)	(12,346,358)
Total shareholders' equity	**406,434**	**(243,647)**	**3,733,977**	**6,574,596**	**4,363,368**	**2,010,763**

Common Shares

Table 4: Common shares	Q218	Q318	Q418	Q119	Q219	Q319
Opening balance	-	15,000,000	27,530,000	51,311,525	53,111,525	66,549,721
Seed financing	15,000,000	6,250,000	-	-	-	-
Seed financing (warrants exercised)	-	6,280,000	14,970,000	-	-	-
Unit financing	-	-	8,811,525	-	-	-
Shares issued	-	-	-	1,800,000	-	-
QT financing	-	-	-	-	8,826,630	-
RTO - Gulfstream	-	-	-	-	3,444,403	-
RTO - Finders fee	-	-	-	-	1,167,163	-
Total Common Shares	**15,000,000**	**27,530,000**	**51,311,525**	**53,111,525**	**66,549,721**	**66,549,721**

Initial seed unit financing, totalling 21,250,000 units at a price of CA$0.05 per unit for gross proceeds of $836,747, was completed in Q2 2018 and Q3 2018. Each unit was comprised of one common share and one share purchase warrant, which were subsequently all exercised by December 31, 2018. Each share purchase warrant was exercisable at CA$0.05 per common share.

(expressed in U.S. Dollars)

In October 2018, the completion of a 8,811,525 unit financing at CA$0.80 per unit was completed, recognizing total net proceeds of CA$6.2 million. Each unit was comprised of one common share and one share purchase warrant. Each share purchase warrant is exercisable at CA$1.10 per common share for a period of two years, subject to an accelerated exercise clause whereby if the daily volume-weighted average trading price for any 10 consecutive trading days is greater than CA$2.00 per share, the Company may written return notice accelerate the expiry date of the warrants to 30 days after providing such notice.

In conjunction with the aforementioned financing, 144,900 warrants were issued with a deemed value of $28,420 (booked to contributed surplus), entitling the holder to acquire one common share with the same terms as the October financing mentioned above. In addition, 292,087 Advisory and Broker warrants were issued with a deemed value of $80,743 (also booked to contributed surplus) to purchase a unit at CA$0.80. Each Broker warrant entitles the holder to purchase one common share and one share purchase warrant. Each share purchase warrant is on the same terms as October financing mentioned above.

Prior to December 31, 2018, agreements with a number of advisors required the issuance of shares and/or warrants for services to be performed. In January 31, 2019, 1,800,000 common shares with a fair value of $457,803 (750,000 which have been valued on the same basis as the CA$0.05 Unit offering as well as 1,050,000 valued based on the CA$0.80 Unit offering exercisable at CA$0.80) were issued.

On March 7, 2019, 503,935 Advisory and Broker warrants were issued with a fair value of $121,530 (booked to contributed surplus) to purchase a unit at CA$0.80. Each Broker warrant entitles the holder to purchase one common share and one share purchase warrant. Each share purchase warrant can be exercised for CA$1.10. Furthermore, on March 7, 2019 an additional 8,826,630 warrants were issued relating to the QT financing all of which are booked as part of contributed surplus and can be exercised for CA$1.10.

8,826,630 subscription receipts were issued upon completion of the RTO. On April 3, 2019, these subscription receipts converted into units of Liberty and were split between common shares ($4,240,578) and contributed surplus ($1,022,330). In conjunctions with the RTO a share consolidation of 2.5:1 occurred reducing the issued and outstanding shares to 3,444,403 with a fair value of $1,654,795 and a finders fee of 1,167,163 shares were issued with a fair value $560,740.

As of September 30, 2019, the Company had 66,549,721 common shares issued and outstanding (Dec 31, 2018: 51,311,525).

Warrants

The Company has issued warrants for both common shares and units (comprising one common share and one further common share warrant). As of September 30, 2019, the Company had 19,733,055 common share warrants and 796,022 unit warrants for a total of 21,325,099 dilutive securities.

As of September 30, 2019, the Company had the following warrants for common shares outstanding:

Table 5: Warrants - Common Shares	**Q218**	**Q318**	**Q418**	**Q119**	**Q219**	**Q319**
Opening Balance	-	15,000,000	14,970,000	8,956,425	10,906,425	19,733,055
Seed Unit Financing	15,000,000	6,250,000	-	-	-	-
Seed Unit Financing Warrants Exercised	-	(6,280,000)	(14,970,000)	-	-	-
Unit Financing	-	-	8,956,425	-	-	-
Board of Advisor Warrants	-	-	-	1,950,000	-	-
QT Financing	-	-	-	-	8,826,630	-
Total Warrants	**15,000,000**	**14,970,000**	**8,956,425**	**10,906,425**	**19,733,055**	**19,733,055**

(expressed in U.S. Dollars)

Prior to December 31, 2018 agreements with a number of advisors required the issuance of 1,950,000 warrants with a fair value of $166,687 which was recorded in contributed surplus. In January 2019, these warrants were issued and are exercisable into one common share at an exercise price of CA$0.80 for a period of three years.

Upon completion of the QT financing, a further 8,826,630 warrants at CA$1.10 for a period of two years were issued subject to an accelerated exercise clause whereby, if the daily volume-weighted average trading price for any 10 consecutive trading days is greater than CA $2.00 per share, the Company may provide written notice to accelerate the expiry date of the warrants to 30 days after providing such notice.

As of September 30, 2019, the Company had the following warrants for units outstanding:

Table 6: Warrants Outstanding - Units	Q218	Q318	Q418	Q119	Q219	Q319
Opening Balance	-	-	-	292,087	796,022	796,022
Broker/Advisor Warrants	-	-	292,087	503,935	-	-
Total Warrants	**-**	**-**	**292,087**	**796,022**	**796,022**	**796,022**

In conjunction with the QT financing 503,935 Broker Unit warrants were issued. Each broker unit warrant entitles the holder to acquire one unit of the Company representing one common share and a further share purchase warrant for CA$0.80 for a period of 2 years from March 7, 2019. Each share purchase warrant is exercisable at CA$1.10 per common share for a period of 2 years, subject to an accelerated exercise clause whereby, if the daily volume-weighted average trading price for any 10 consecutive trading days is greater than CA$2.00 per share, the Company may provide written notice to accelerate the expiry date of the warrants to 30 days after providing such notice.

Options

As of September 30, 2019, the Company had the following options for common shares outstanding:

Table 7: Options	Q219	Q319
Opening Balance	-	4,725,000
Issued	4,725,000	225,000
Forfeited	-	(176,667)
Total Options	**4,725,000**	**4,773.333**

In April 2019, Liberty issued 4,725,000 with an exercise price of CA$0.80 to various employees, consultants, and directors with a deemed value of $703,393. The purpose of the plan is to help attract and retain these individuals who will contribute to the Company's long-range success to provide incentives to these individuals that align with the interests of shareholders, and to promote the success of the Company's business. Furthermore, in Q3 2019, the Company issued a further 225,000 options. In addition, 176,667 options were forfeited.

Table 8: Equity Instruments	December 31, 2018	September 30, 2019
Common shares outstanding	51,311,525	66,549,721
Warrants outstanding – common shares	8,956,425	19,733,055
Weighted average price	CA$1.10	CA$1.07
Warrants outstanding – units	292,087	796,022
Weighted average price	CA$0.80	CA$0.80
Options outstanding	-	4,773,333
Weighted average price	-	CA$0.80
Market capitalization	NA*	CA$31,278,369
Closing share price	NA*	CA$0.47
Total Issued and Outstanding Warrants		

*Not Applicable (NA), as the Company wasn't public during this period

(expressed in U.S. Dollars)

As of September 30, 2019, the Company had a closing share price of CA$0.47 and a total market capitalization of CA$31,278,369. Furthermore, the average weighted price for warrants and options outstanding are CA$1.07 (December 31, 2018 CA$1.10) and CA$0.80 respectively. As of October 31, 2019, the Company had a closing price of CA$0.26 and a total market capitalization of CA$17,302,927.

4 EXPENDITURES REVIEW

The following table details the Company's expenditures to September 30, 2019 broken down into their functional areas of Brand & Market Awareness (costs associated with establishing a market for HEXWAVE and the brand HEXWAVE), Research and Development (costs associated with obtaining, developing, engineering, refining and redesigning the product) and General and Administrative (costs associated with starting up the Company and running the Company from a corporate perspective).

As the Company is in a start-up phase, the Company has no revenues and does not expect any until it commercializes HEXWAVE. From an operational standpoint, there are no comparatives that existed prior to Q2 2018 and therefore aren't included within this expenditure review.

Certain comparatives in prior periods may have been restated to conform to the current presentation. In Q3 2019 certain technology costs were transferred to salary and consulting fees to better effect their underlying nature in Research & Development.

4.1 Brand & Market Awareness

Table 9:			**Quarterly**				**YTD**	
Brand & Market Awareness ($)	**Q218**	**Q318**	**Q418**	**Q119**	**Q219**	**Q319**	**2018**	**2019**
Legal fees	11,001	10,433	35,174	-	-	-	21,434	-
Marketing	-	-	-	148,343	351,366	245,086	-	744,795
Other Costs	-	3,570	-	-	206	10,000	3,570	10,206
Salaries & consulting Fees	64,348	97,708	116,280	23,394	21,495	15,337	162,057	60,226
Stock-based compensation	-	25,249	518,524	-	134,488	84,984	25,249	219,472
Travel & miscellaneous	-	14,857	-	44,300	34,419	33,063	14,857	111,782
Total	**75,349**	**151,817**	**669,978**	**216,037**	**541,974**	**388,470**	**227,167**	**1,146,481**

The ability to understand and develop the market as well as gain access to it will be a critical determinant for Liberty. The legal costs include costs associated with understanding the marketplace and developing a trademark.

Our marketing expenditures have benefits to both Brand and Market Awareness as well as investor and shareholder interest. For this reason we generally split our costs on marketing between Brand and Market Awareness, and also General & Administrative costs. Marketing costs include costs associated with promoting awareness of HEXWAVE and Liberty both from a product awareness and Company awareness perspective, as well as encouraging investment in the Company. During the first three quarters of 2019, significant marketing costs were incurred to help promote its HEXWAVE brand and to provide awareness about the Company to its stakeholders. Costs increased in Q2 & Q3 2019 primarily as a result of entering into investor relation contracts once the company became public in April 2019. In Q2 the Company embarked on a marketing and brand awareness campaign program in Europe. Pursuant to an agreement with a consulting firm the Company agreed to pay approximately $200,000 Euros for a three-month period marketing campaign in Europe. The aforementioned European program was completed in Q2 hence the reduction in Q3 2019 costs. The Company's significant marketing campaigns are disclosed on Liberty's new releases dated May 3rd 2019, May 13th 2019, and on its Filing Statement dated March 15th, 2019 available on SEDAR.

Salary and consulting costs include a 20% allocation of the time of the CEO and in 2018 consulting fees included work done to initially understand the marketplace and gain access to key players, which have not existed in 2019.

(expressed in U.S. Dollars)

Stock-based compensation related to developing the brand is a non-cash expense and relates to the issuance of shares and warrants to certain advisors to the Company, as well as issuing stock options. The increase in stock-based compensation in Q4 2018, relates to shares and warrants that were subsequently issued in January 2019 to four new advisors that were introduced in Q4 2018. In Q2 2019, Liberty issued stock options to various employees, consultants, and directors whom are associated with establishing Brand & Market Awareness and therefore increased stock-based compensation. In Q3 2019 stock-based compensation decreased as a significant portion of the initial options issued in Q2 2019 vested immediately, whereas in Q3 2019 no options vested, and only portrays the accrued costs until up until the next vesting date.

Travel & miscellaneous expenses in both Q1 2019 & Q2 2019 increased due the increased activity with establishing a market for the HEXWAVE product and the brand HEXWAVE where management incurred a larger portion of travel costs. Travel costs weren't as prevalent in 2018 primarily due to the earlier stage of HEXWAVE.

4.2 Research & Development

Table 10:	**Quarterly**						**YTD**	
Research & Development ($)	**Q218**	**Q318**	**Q418**	**Q119**	**Q219**	**Q319**	**2018**	**2019**
Depreciation	-	-	8,168	30,104	31,821	32,729	-	94,654
Legal fees	25,255	57,582	9,767	7,959	31,651	18,107	82,837	57,717
Other	-	-	6,660	38,188	50,540	51,912	-	140,640
Salaries & consulting fees	87,213	194,938	369,342	559,655	851,771	966,483	282,151	2,377,909
Stock-based compensation	-	-	-	-	221,598	90,329	-	311,927
Technology costs	-	61,400	108,348	252,951	340,070	369,295	61,400	962,316
Travel & miscellaneous	-	34,082	36,269	16,354	14,211	15,479	34,082	46,044
Total	**112,468**	**348,002**	**538,554**	**905,211**	**1,541,662**	**1,544,334**	**460,470**	**3,991,207**

Research and Development costs relate principally to the costs of running our COE. We have established an aggressive development schedule based on a concurrent engineering and development approach whereby the Company is working on many different tasks in parallel rather than in series. This has enabled us to significantly shorten the normal development timelines associated with product development. For example, at the same time as looking to complete our alpha testing we are already undertaking some design for manufacturing steps, the benefits of which will not be realized until later generations of HEXWAVE. This approach has resulted in a slightly higher cost structure compared to if we were to have taken a more conservative product development approach

Depreciation increased in 2019 mainly as a result of the depreciation on the financial lease of the COE.

Legal fees include the costs associated with drafting and developing the technology transfer and license agreements and also some initial costs associated with CRADA. The increased Legal fees during Q2 and Q3 2019 is as a result of work relating to Federal Communications Commission ("FCC") certification.

Salary and consulting costs include 100% of the COO salary and a 30% allocation of the salary of the CEO. The increase from Q318 to Q418 was consistent with the build out of our development team as we transferred the technology from MIT and started building our initial prototype. There's a consistent trend of salaries & consulting fees increasing quarter over quarter in 2019 due to the increased activity as we ramp up to commercialize. The split between salaries and consulting fees in Q3 2019 was $742,961 and $246,022 respectively.

In Q2 2019, Liberty issued stock options to various employees, consultants, and directors whom are primarily associated with research and development at the COE. In Q3 2019 stock-based compensation decreased as a significant portion of the initial options issued in Q2 2019 vested immediately, whereas in Q3 2019 no options vested, and only portrays the accrued costs until up until the next vesting date.

Technology costs in Q318 and Q418 include $61,400 and $76,600 respectively for technology transfer costs associated with the TTA. Technology costs include software and hardware costs associated with developing the initial prototype which continue to be expensed as well as CRADA expenditures. Technology costs increased significantly in Q1 2019 mainly as a result of the Phase 1 CRADA costs. Technology costs in Q2 & Q3 increased as there were higher costs associated with building the prototype.

(expressed in U.S. Dollars)

4.3 General & Administrative

Table 11:	Quarterly						YTD	
General and Administrative ($)	**Q218**	**Q318**	**Q418**	**Q119**	**Q219**	**Q319**	**2018**	**2019**
Depreciation	-	-	452	570	8,050	8,106	-	16,726
Foreign exchange loss	234	195	(1,048)	1,761	1,657	(3,364)	429	54
Legal fees	19,366	35,257	46,123	19,631	59,502	41,217	54,623	120,350
Marketing & IR*	59,000	16,991	10,399	142,384	403,097	238,047	75,991	783,528
Other	541	702	37,112	31,170	33,173	21,643	1,243	85,986
RTO Transaction Costs	-	-	-	-	2,230,108	-	-	2,230,108
Salaries & consulting fees	51,357	260,030	207,114	299,760	164,732	199,510	311,387	664,002
Stock-based compensation	-	196	83,128	-	350,549	95,773	196	446,322
Travel & miscellaneous	20,735	2,587	31,753	11,985	31,806	30,709	23,322	74,500
Total	**151,233**	**315,959**	**415,033**	**507,261**	**3,282,674**	**631,641**	**467,191**	**4,421,576**

*IR – investor relations

Depreciation increased in Q2 and Q3 2019 mainly as a result of entering into the office lease in May 2019. Legal fees principally relate to legal costs in the US of establishing our US subsidiary, LDT, and various US legal matters. Legal fees increased in Q2 2019 mainly as a result of Liberty becoming public. Legal fees decreased slightly in Q3 2019 and related to general matters associated in operating the business.

Our marketing expenditures have benefits to both Brand and Market Awareness as well as investor and shareholder interest. For this reason we split our costs on marketing between Brand and Market Awareness, and also General & Administrative costs. Costs increased in Q2 & Q3 2019 primarily as a result of entering into marketing contracts once the company became public in April 2019. Please refer section 4.1 marketing expenditures for additional details.

RTO transactions costs are costs that are associated with the reverse takeover that occurred between Liberty and LPC in Q2 2019. The main costs include the shares that were issued to the former Liberty shareholders as well as the shares issued for the finders fee.

	September 30, 2019
Purchase price:	
Fair value of shares retained by Gulfstream shareholders	1,654,795
Transaction costs	191,317
Finders fee	560,740
Total purchase price	2,406,852
Net assets acquired:	
Current assets	191,382
Current liabilities	(14,638)
Net Identifiable assets	176,744
Reverse acquisition costs	2,230,108

Salary and consulting costs include consulting fees to help stand-up and establish the Company from a corporate perspective in Q218 and Q318. Salary costs in Q318 include recruitment for the CEO. Salaries in Q2 and Q3 2019 were less significant than in Q1 2019 as there was a severance payout for the LPC's former executive chairman in Q1 2019.

Stock-based compensation is a non-cash expense and relates to the issuance of shares and warrants to certain advisors to the Company, as well as issuing stock options. Stock-based compensation in Q4 2018 principally relates to a signing bonus paid in shares rather than cash. Stock-based compensation increased in Q2 2019 as a result of issuing stock options to employees, consultants, and directors who are responsible for running the Company from a corporate and administrative perspective. In Q3 2019 stock-based compensation decreased as a portion of the initial options issued in

(expressed in U.S. Dollars)

Q2 2019 vested immediately, whereas in Q3 2019 no options vested, and only portrays the accrued costs until up until the next vesting date.

4.4 Related Party Disclosure

Table 12:			**Quarterly**				**YTD**	
Related Parties ($)	**Q218**	**Q318**	**Q418**	**Q119**	**Q219**	**Q319**	**2018**	**2019**
Paid to related parties								
Short-term employee benefits	167,602	329,706	379,039	351,460	192,921	201,218	876,347	745,599
Share-based payments	-	-	83,128	-	253,424	188,179	83,128	441,603
Total	**167,602**	**329,706**	**462,167**	**351,460**	**446,345**	**389,397**	**959,475**	**1,187,202**

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

In December 2018, $96,613 was accrued and expensed to Makena Management Group Ltd., a company whose principal was a director of LPC, for accounting services, rent and office expenses, all of which were arms-length transactions. In 2018, services for the Company for the Chief Financial Officer were paid through Makena Management Group Ltd., however starting in 2019, were paid by the Company. In Q2 2019, a total of $19,690 was expensed and accrued, relating to Makena Management Group Ltd. During Q2 2019, the Company subsequently terminated its contract with Makena Management Group Ltd. As the contract with Makena Management Group Ltd. was terminated, there were no expenses to accrue for in Q3 2019.

4.5 Financial Instruments

As at September 30, 2019, the Company's financial instruments comprise of cash and cash equivalents, receivables, and accounts payable and accrued liabilities, none of which are valued at fair value. The fair values of receivables and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

5 RISKS FACTORS

5.1 Forward looking and third-party information

This MD&A includes estimates, projections, and other forward-looking statements, within the meaning of applicable Canadian Securities Laws or United States securities legislation. All estimates, projections, and other forward-looking statements have been prepared by us on assumptions we consider reasonable, but these estimates, projections, and statements involve a high degree of risk and may not prove accurate. No representation is made as to the accuracy of such estimates, statements, or projections or their attainability, and nothing in this MD&A shall be relied upon as a promise or representation as to our future performance.

Statements that are not historical facts or that describe our plans, beliefs, goals, intentions, objectives, projections, expectations, assumptions, strategies, or future events are forward-looking statements. In addition, terms such as "will", "believe", "anticipate", "estimate", "plan", "projects", "continuing", "ongoing", "expect", "intend", "potential", and similar expressions and discussions of our strategy or other intentions identify forward-looking statements. These statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed for the reasons described in this presentation. You should not place undue reliance on these forward-looking statements. The forward-looking statements speak only as of the date on which they are made, and, except as required by applicable law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements.

(expressed in U.S. Dollars)

This MD&A includes certain statements and estimates provided by the Company with respect to the anticipated future performance on the Company. Such statements and estimates reflect various assumptions by the Company concerning anticipated results, which assumptions may or may not provide to be correct. No representations are made as to the accuracy of such statements and estimates, as well as the exercise of a substantial degree of judgment by management as to the scope and presentation of such information. Such statements and estimates are based on a number of assumptions, and subject to a number of risks and other factors, including those that are not in the control of management and which may not prove to be true. Actual results achieved during projection periods may differ substantially from those projected. Historical statements contained in this document regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

Certain of the information contained in this MD&A concerning industry trends and performance is based upon or derived from information provided by third-party consultants, variously publicly available sources, other industry sources and our research. Although the Company believes it to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this presentation, or analyzed or verified the underlying reports relied upon or referred to by such sources, or ascertained the underlying assumptions relied upon by such sources. The Company does not make any representation as to the accuracy of such information. Statements containing forward-looking information are made as of the date of this MD&A.

5.3 Nature of Operations - *Refer to Overview*

5.4 Other Risk Factors

Reference should be made to the Company's risk factors section at the December 31, 2018, Management Discussion and Analysis and Base Shelf Prospectus for a complete discussion of the risk factors associated with:

- ***Limited operating history;***
- ***History of losses;***
- ***Negative cash flow for the foreseeable future;***
- ***Reliance on management;***
- ***Reliance on the successful development of prototype of HEXWAVE;***
- ***Reliance on a single product, HEXWAVE, and a decline in the growth of demand for this product, would have a material adverse effect on the Company's operating results and growth prospects;***
- ***Because many of its expenses will be fixed, the Company may not be able to limit its losses if the Company fails to achieve forecasted revenue;***
- ***Concealed weapons detection is a relatively new market and the rate of adoption and the Company's associated growth in anticipated markets may not be representative of rates of adoption or future growth in other markets;***
- ***Reliance on third parties (MIT and MIT LL);***
- ***Growth may place significant demands on the Company's management and resources;***
- ***Future acquisitions could disrupt the Company's business and harm the Company's financial condition and operating results;***
- ***The impact of worldwide economic conditions, including the resulting effect on target market spending, may adversely affect the Company's business, operating results and financial condition;***
- ***Failure to comply with various applicable laws, including the collection of sales or related taxes, could harm the Company's results of operations and financial condition;***
- ***Failure to adequately protect the Company's intellectual property could substantially harm the Company's business and operating results;***
- ***Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information;***
- ***The Company's failure to raise additional capital necessary to expand the Company's operations and invest in the Company's business could reduce the Company's ability to compete successfully;***
- ***The Company's business may require permits, certifications and licences;***
- ***The Company's business is subject to regulatory changes;***
- ***Low barriers to entry and high competition in the industry;***
- ***Risks associated with brand development of the Company;***
- ***The Company's business is subject to rapid technological change;***
- ***The Company may become engaged in legal proceedings that could cause it to incur unforeseen expenses and could occupy a significant amount of the Company's management's time and attention;***

- ***The Company's business is subject to the risks of earthquakes, fires, floods and other natural catastrophic events and to interruption by manmade problems such as computer viruses and terrorism;***
- ***Risks associated with international operations of the Company;***
- ***Internal controls; and***
- ***Potential conflicts of interest of directors and officers of the Company***
- ***Failure to meet milestones under the license agreement***

6 CRITICAL ACCOUNTING ESTIMATES & POLICIES

For a full version of the critical accounting estimates and policies, reference should be made to the Company's audited financial statements for the period ended December 31, 2018, which are available on the Company's website at www.libertydefense.com. In addition, reference should be made to the most recently filed Annual Information Form available on SEDAR at www.sedar.com. The following list does not include the policies for **foreign currency translation, intangible assets, share-based payments, cash and cash equivalents, receivables, fixed assets, leases, accounts payable and accrued liabilities, share capital, financial assets, impairment of financial assets, derivative instruments, loss per share, income taxes, and investment tax credits.**

Basis of presentation

The consolidated financial statements associated with this MD&A have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements are compliant with IAS 34 and do not include all the information required for full annual financial statements. These consolidated financial statements were approved for issuance by the Board of Directors on November 7th, 2019.

Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, LDT. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken in account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases. All significant intercompany balances and transactions have been eliminated on consolidation.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Estimates and use of judgement

In preparing these consolidated financial statements, the Company has made judgments and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are made prospectively.

Development costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 Intangible Assets are met. Those criteria require that the product is technically and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The threshold for capitalizing has not yet been reached as of September 30, 2019.

Adoption in Accounting Policies – IFRS 16 Lease Accounting

Accounting policy

Since inception, the Company has entered into multiple office lease contracts for fixed periods of three to five years. From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. The assets and liabilities that arise from leases are initially measured on a present value basis. Lease liabilities include the present value of the following payments:

- Fixed payments, less any lease incentives receivable
- Variable lease payments that are based on an index or a rate, initially measured using an index or rate as at the commencement date
- Amounts expected to be payable by the Company under residual value guarantees

Lease payments are discounted using the incremental borrowing rate which is what the Company would have to pay to borrow funds necessary to obtain an asset of similar value to the right-to-use asset in a similar economic environmental with similar terms, security and conditions. Some office leases contain variable lease payments including common area maintenance, utilities, and property taxes. These variable costs however are not based on an index or rate that can be measured on the commencement date and are therefore expensed as incurred.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the statement of loss. Short-term leases are leases with a lease term of 12 months of less.

Adjustments recognized on adoption

The Company has adopted IFRS 16 retrospectively from January 1, 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to its office lease which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. This liability was measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 9.2%. The associated right-of-use asset for the office lease was measured on a retrospective basis as if the new rules had always been applied.

Operating lease commitments disclosed as at 31 December 2018	408,729
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(56,360)
Lease liability recognised as at 1 January 2019	352,369
Of which are:	
Current lease liabilities	96,352
Non-current lease liabilities	256,017
	352,369

The company recognized a right-of-use asset relating to its office lease as at January 1, 2019 amounting to $319,157. On January 1, 2019, the company recorded the following retrospective adjustment in relation to the adoption of IFRS 16.

Retrospective Adjustment	
Retained earnings (Debit)	33,213
Right-of-use asset (Debit)	319,156
Current finance lease obligation (Credit)	(96,352)
Non-current finance lease obligation (Credit)	(256,017)
Total	-

(expressed in U.S. Dollars)