INNOVATIVE & REVOLUNTIONARY WEAPON DETECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE YEAR ENDED DECEMBER 31, 2019

(*Expressed in U.S. Dollars)*

Dated: March 12, 2020

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 year ended December 31, 2019. 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 audited consolidated financial statements for the year ended December 31, 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 is available under the Company's profile at www.sedar.com.

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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, OTCQB: LDDFF), that was incorporated under the Business Corporation Act of Ontario on June 8, 2012. The Company undertook a reverse takeover transaction ("GS RTO") 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 development and commercialization of HEXWAVE, an active 3D imaging technology and machine learning 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 ("USM"), LDT was formed in April 2018. LDT has exclusive global license for the technology and has trademarked HEXWAVE and the Company will look to bring this exciting product to market.

Strategic Review and Letter of Intent

On December 31, 2019 Liberty announced a fulsome review of its go-to-market strategy and all aspects of it's business, which included finding a strategic partner, selling, or raising additional funding to ensure that HEXWAVE could be brought to market. On January 27, 2020, the Company entered into a Letter of Intent ("LOI") with DrawDown Detection Inc. ("DrawDown") to acquire a 100% interest in DrawDown via a merger with Liberty. The LOI provided for an initial loan of $2 million ($1.0 million advanced as of March 11, 2020) and upon completion of the merger, a minimum of 12 months funding. Upon completion of the merger, it is expected that the common shares of the resulting entity will resume trading on the TSXV. The closing of the transaction amongst other things is subject to Liberty and DrawDown negotiating and executing definitive documentation, the satisfactory completion of due diligence by the parties, and the completion of additional financing. It is expected that a new management team will also be put in place.

About DrawDown

DrawDown is a privately-held corporation incorporated on October 26, 2018 under the Business Corporations Act (British Columbia), and is a weapons detection technology company that intends to commercialize intellectual property for use in the public safety market. DrawDown is in the development stage of a handheld device to detect smokeless gunpowder (the "GDS"), which it intends to develop and sell. The GDS technology is being developed in the United States.

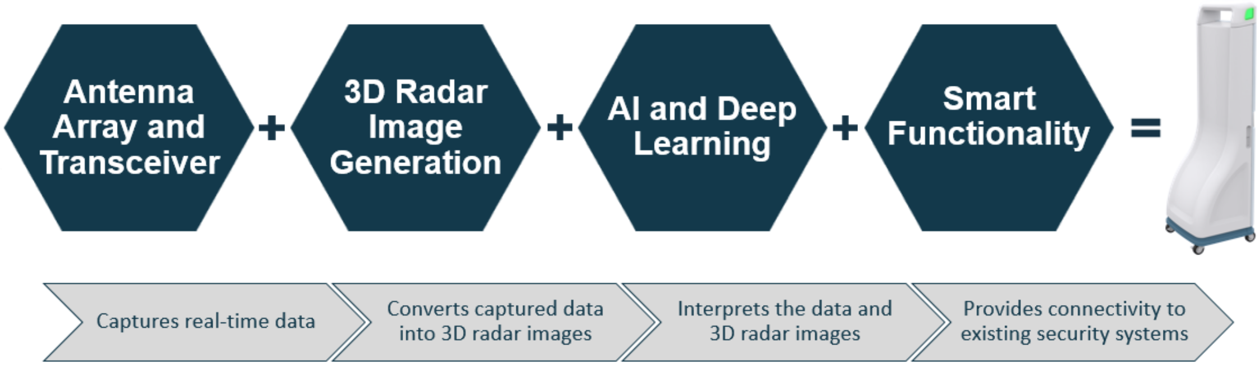
About HEXWAVE

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 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 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 (the "License Agreement") for the use of the technology behind HEXWAVE in place, the Company has continued to develop HEXWAVE using the technology and concepts demonstrated by MIT LL. MIT LL, through the Technology Transfer Agreement ("TTA") has transferred the intellectual property and understanding to Liberty's Center of Excellence ("COE") in order for the technology to be further refined and developed. As part of the commercialization and go to market strategy, the Company has identified certain required changes and 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.

HEXWAVE Overview:



Since acquiring the License Agreement from MIT LL, Liberty has significantly advanced HEXWAVE and the technology behind it. This culminated in the demonstration of the four principle subsystems in September 2019. This step represented a significant de-risking of the product development phase.

Global License Agreement – September 2018

The License Agreement for the use of the technology behind HEXWAVE with MIT is for a 20-year period. Under the License Agreement, several milestones are required to be met in order to keep it in good standing. MIT continues to work closely with Liberty on developing this technology and recently amended the timeline to develop a beta prototype from on or before December 31, 2019 to April 1, 2020. Liberty is working with MIT to amend some of the milestones under the License Agreement and hopes to be able to provide an update shortly, in conjunction with the strategic review and the DrawDown LOI.

HEXWAVE Key Discriminators

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

- Detects metal & non-metal threat objects
- Detects both indoor and outdoor locations including both overt and covert application
- Protects privacy (no personal data is collected or analyzed)
- 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

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. The verticals most relevant to the growing Urban Security Market ("USM") are public venues, secured perimeters & buildings, land transportation, government and others (schools, hotels, casinos, places of worship, malls, workplace & community screening).

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

In contrast, urban communities are largely unprotected against random acts of violence or use systems that significantly impede the flow of customers into and within business facilities. While the occasional violent act was more often considered an anomaly, the frequency and magnitude of violent attacks is forcing both businesses and governments to rethink how to move to more proactive measures. Since 2015, there have been over 300 mass shootings per year in the

USA at a pace of nearly one per day. There is a market-driven need for security detection that can be broadly deployed across nearly all public and private facilities. The base requirements are that they be both highly accurate and nonintrusive to our daily lives.

Current Alternatives

The current alternatives in the USM are typically restricted to:

- principally focusing on metal threats, therefore non-metal threats can potentially go undetected
- airport solutions which 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 and COO who compliment each other's product development backgrounds. Bill Riker (CEO) brings over three decades of product and service development leadership from Research & Development ("R&D") through production and deployment. Aman Bhardwaj (COO and President of US Operations) is the technology and product development lead for the business, with 30 years experience in bringing software and hardware technologies to market. During 2019 the Company added Ron Solanki as VP Operations and Bob Falk, as VP of Sales and Business Development.

As part of the strategic review, the Company undertook a review of its go-to-market strategy and development timelines based on its inability to raise the required capital to continue at the previous pace of development. As a result, subsequent to year end a number of the COE team members were either let go and/or reduced from full time to part time. In conjunction with the DrawDown LOI and the revised scope of development some of the team has been rehired while others remain on part-time basis. It is anticipated that further management and board changes will occur upon completion of the merger with DrawDown.

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.

Recent Updates & 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. The development timeline is being revisited and will be updated upon completion of the merger with DrawDown.

- Achieved active real-time 3D Imaging (November 2019)
- Demonstrated HEXWAVE's subsystem prototypes (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 recognizable organizations across its various market verticals to assist in Beta testing HEXWAVE these include the following most recent announcements:

- Port of Tampa (October 2019)
- University of Wisconsin Police Department (October 2019)
- Greater Toronto Airport 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)

- FC Bayern München (June 2019)
- Utah Attorney General (May 2019)

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

- Proposed merger transaction with DrawDown (January 2020)
- Laurentian Bank initiated analyst coverage (September 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 GS RTO (April 2019)
- Completed Qualifying Transaction ("QT") financing for CA$7m (March 2019)

Going Concern & Nature of Operations

For the year ended December 31, 2019, the Company reported a loss of $11,587,120 ($2,205,822 relating to GS RTO costs) and cash outflows from operating activities of $7,592,827.

As at December 31, 2019, the Company had a negative working capital of $168,951. 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. The Company undertook a strategic review and subsequently entered into the DrawDown LOI, whereby an initial loan of $2 million was provided for ($1.0 million advanced as of March 11, 2020) and upon completion of the merger a minimum of 12 months funding. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional funding through financing such as the DrawDown LOI or through other arrangements.

2 OUTLOOK

Despite meeting all of its stated business objectives and milestones during the year, the Company was unable to raise the required capital to continue with its concurrent engineering and initial go-to-market strategy. In December 2019, Liberty announced it was unsuccessful in closing the November 2019 financing and a decision to conduct a strategic review. This strategic review resulted in stopping all outside engineering efforts with a reduced development scope to reduce burn and conserve cash which resulted in a workforce reduction.

The DrawDown LOI was entered into on January 27, 2020 and subject to closing will result in the merger of Liberty with DrawDown. The LOI provided for a loan of $2 million bearing 12% interest per annum and upon completion of the merger to provide a minimum of 12 months funding. The merger with DrawDown is expected to close in Q2 2020 and with the completion of the associated financings, the Company should be well funded to complete and push towards commercialization of HEXWAVE.

It is expected that changes will occur at both the executive management level and Board level and these changes will be communicated as the merger progresses.

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	Q419
Current assets							
Cash and cash equivalents	663,571	664,483	3,664,397	1,501,179	3,896,657	1,869,746	578,765
Restricted cash	-	-	-	4,988,834	-	-	-
Receivable and prepaid expenses	674	27,152	252,119	820,150	863,936	360,238	119,161
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**	**697,926**
Intangible assets	-	89,784	115,143	115,143	115,143	100,597	120,884
Property & equipment	-	-	64,551	372,243	495,526	463,995	430,743
Total assets	**664,245**	**802,357**	**4,171,187**	**7,797,549**	**5,371,262**	**2,794,576**	**1,249,553**

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 and Q4 2019 was due to development expenditures incurred during the respective periods.

Restricted cash arose in Q1 2019 due to the receipt of funds from the QT financing which was subject to completion of the GS RTO.

Receivables and prepaids increased in Q4 2018 mainly as a result of a prepayment under the CRADA. The increase in Q1 2019 relates to a refund of a marketing contract. The prepaids balance at the end of Q2 2019 primarily relates to advances on marketing contracts and a further CRADA instalment. The decrease in Q3 & Q4 2019 primarily relates to recognizing the benefit of marketing contracts and CRADA.

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 recorded as property and equipment. In Q2 2019 the Company entered into a lease for its corporate office which increased total PP&E by $150,941. The decrease in Q3 and Q4 2019 primarily relates to recognizing depreciation on the Company's office leases.

3.2 Liabilities

Table 2: Liabilities ($)	Q218	Q318	Q418	Q119	Q219	Q319	Q419
Current liabilities							
Accounts payable and accrued liabilities	257,811	1,046,004	437,210	893,621	574,676	382,428	730,191
Lease liabilities	-	-	-	99,532	128,586	132,166	136,686
Non-current Liabilities							
Lease liabilities	-	-	-	229,800	304,632	269,219	235,010
Total Liabilities	**257,811**	**1,046,004**	**437,210**	**1,222,953**	**1,007,894**	**783,813**	**1,101,887**

As of December 31, 2019, accounts payable was $356,372 (2018: $345,830) and accruals were $373,819 (2018 $91,380). Accounts payables and accruals in Q1 2019 were higher due to costs associated with the GS RTO. In Q4 2019 accounts payable increased significantly as the Company sought additional financing and was forced to age certain creditors. Subsequent to year end a number of these creditors have been paid down with the proceeds from the

(expressed in U.S. Dollars)

DrawDown loan. In November 2019, the Company announced a $2.5 million financing and on December 31, 2019 announced that the financing had not closed and that the funds would be returned. As of December 31, 2019, $109,250 was recorded in accruals associated with the financing and has subsequently been repaid in 2020.

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 lease for the corporate office. The decrease in Q3 and Q4 2019 is a direct result of paying monthly lease payments during the period.

3.3 Equity

Table 3: Equity ($)	Q218	Q318	Q418	Q119	Q219	Q319	Q419
Shareholders' equity							
Common shares	461,346	692,002	4,277,990	4,735,793	10,342,881	10,342,881	10,342,881
Contributed surplus	280,437	227,228	2,462,334	6,565,655	3,851,329	4,094,399	4,267,832
Accumulated other comprehensive income ("AOCI")	3,701	(8,049)	(227,955)	(127,793)	(42,013)	(80,159)	(64,322)
Deficit	(339,050)	(1,154,828)	(2,778,392)	(4,599,059)	(9,788,829)	(12,346,358)	(14,398,725)
Total shareholders' equity	**406,434**	**(243,647)**	**3,733,977**	**6,574,596**	**4,363,368**	**2,010,763**	**147,666**

Common Shares

Table 4: Common shares	Q218	Q318	Q418	Q119	Q219	Q319	Q419
Opening balance	-	15,000,000	27,530,000	51,311,525	53,111,525	66,549,721	66,549,721
Unit financing	15,000,000	12,530,000	23,781,525	-	8,826,630	-	-
Advisor shares	-	-	-	1,800,000	-	-	-
GS RTO - Gulfstream	-	-	-	-	3,444,403	-	-
GS 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**	**66,549,721**

The initial seed unit financing, totalling 21,250,000 (15,000,000 Q2 18 and 6,250,000 in Q3 2018) units at a price of CA$0.05 per unit for gross proceeds of $836,747. 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.

In October 2018, an 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, by 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.

(expressed in U.S. Dollars)

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 GS 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 conjunction with the GS 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 December 31, 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 December 31, 2019, the Company had 19,733,055 common share warrants and 796,022 unit warrants and a total of 21,325,099 dilutive warrant securities.

As of December 31, 2019, the Company had the following warrants for common shares outstanding:

Table 5: Warrants - Common Shares	Q218	Q318	Q418	Q119	Q219	Q319	Q419
Opening balance	-	15,000,000	14,970,000	8,956,425	10,906,425	19,733,055	19,733,055
Unit financing	15,000,000	6,250,000	8,956,425	-	8,826,630	-	-
Warrants exercised	-	(6,280,000)	(14,970,000)	-	-	-	-
Advisor warrants	-	-	-	1,950,000	-	-	-
Total Warrants	**15,000,000**	**14,970,000**	**8,956,425**	**10,906,425**	**19,733,055**	**19,733,055**	**19,733,055**

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 December 31, 2019, the Company had the following warrants for units outstanding:

Table 6: Warrants Outstanding - Units	Q218	Q318	Q418	Q119	Q219	Q319	Q419
Opening Balance	-	-	-	292,087	796,022	796,022	796,022
Broker/Advisor Warrants	-	-	292,087	503,935	-	-	-
Total Warrants	**-**	**-**	**292,087**	**796,022**	**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 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.

(expressed in U.S. Dollars)

Options

As of December 31, 2019, the Company had the following options for common shares outstanding:

Table 7: Options	Q219	Q319	Q419
Opening Balance	-	4,725,000	4,773,333
Issued	4,725,000	225,000	250,000
Forfeited	-	(176,667)	(196,666)
Expired	-	-	(88,333)
Total Options	**4,725,000**	**4,773.333**	**4,738,334**

In April 2019, Liberty issued 4,725,000 options with an exercise price of CA$0.80 to various employees, consultants, and directors. 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. In Q3 2019, the Company issued an additional 225,000 options to consultants and in Q4 2019 another 250,000 options to a director. In Q3 and Q4 2019 176,667 and 196,666 options were forfeited respectively. The Company normally has vesting restrictions placed on options when they are initially granted, when these vesting conditions are not met the options are regarded as forfeited. In Q4 2019 88,333 options expired, generally as a result of the acceleration of the expiry dates on vested options due to either resignations or terminations of employees or consultants.

Table 8: Equity Instruments	Q218	Q318	Q418	Q119	Q219	Q319	Q419
Common shares outstanding	15,000,000	27,530,000	51,311,525	53,111,525	66,549,721	66,549,721	66,549,721
Warrants outstanding – common shares	15,000,000	14,970,000	8,956,425	10,906,425	19,733,055	19,733,055	19,733,055
Weighted average price (CA$)	0.05	0.05	1.10	1.05	1.07	1.07	1.07
Warrants outstanding – units			292,087	796,022	796,022	796,023	796,022
Weighted average price (CA$)			0.80	0.80	0.80	0.80	0.80
Options outstanding					4,725,000	4,773,333	4,738,334
Weighted average price (CA$)		NA			0.80	0.80	0.80
Market capitalization (CA$)					49,246,794	31,278,369	12,644,447
Closing share price (CA$)					0.74	0.47	0.19

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

As of February 29, 2020, the Company had a closing price of CA$0.11 and a total market capitalization of CA$7,320,469 and currently remains halted due to the merger with DrawDown.

4 EXPENDITURES REVIEW

The following table details the Company's expenditures to December 31, 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, prototypes for testing, 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.

(expressed in U.S. Dollars)

4.1 Brand & Market Awareness

Table 9:				Quarterly				Annual	
Brand & Market Awareness ($)	**Q218**	**Q318**	**Q418**	**Q119**	**Q219**	**Q319**	**Q419**	**2018**	**2019**
Legal fees	11,001	10,433	35,174	3,546	2,593	-	951	56,608	7,090
Marketing	24,647	36,650	45,542	148,343	351,366	245,086	155,956	106,839	900,751
Other Costs	-	3,570	-	-	206	10,000	-	3,570	10,206
Salaries & consulting Fees	39,701	61,058	70,739	23,394	21,495	15,337	16,974	171,498	77,200
Stock-based compensation	-	25,249	518,523	-	134,488	84,984	35,967	543,772	255,439
Travel & miscellaneous	-	14,857	-	44,300	34,419	33,063	4,570	14,857	116,352
Total	**75,349**	**151,817**	**669,978**	**219,583**	**544,567**	**388,470**	**214,418**	**897,144**	**1,367,038**

The ability to understand and develop the market as well as gain access to it will be a critical in determining the success of 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 2019, significant marketing costs were incurred to help promote the 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 marketing initiatives once the Company became public in April 2019. In 2019 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 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 in its Filing Statement dated March 15th, 2019 available on SEDAR. In Q4 2019, marketing costs decreased as the Company was in search of seeking additional financing and limited its marketing budget.

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.

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. Stock-based compensation in Q4 2018, relates to four new advisors. In Q2 2019, stock options to various employees, consultants, and directors whom are associated with establishing Brand & Market Awareness and therefore increased stock-based compensation. In Q3 and Q4 2019 stock-based compensation decreased as one-third of the initial options issued in Q2 2019 vested immediately, whereas in Q3 & Q4 2019 few or no options vested, and only includes the accrued costs until up until the next vesting date.

Travel & miscellaneous expenses in the first three quarters of 2019 increased due to the increased activity with establishing a market for HEXWAVE.

(expressed in U.S. Dollars)

4.2 Research & Development

Table 10:				Quarterly				Annual	
Research & Development ($)	**Q218**	**Q318**	**Q418**	**Q119**	**Q219**	**Q319**	**Q419**	**2018**	**2019**
Depreciation	-	-	8,168	30,104	31,821	32,729	33,248	8,168	127,902
Legal fees	25,255	57,582	9,767	4,413	29,058	18,107	13,033	92,604	64,611
Other	-	-	6,660	38,188	50,540	51,912	45,952	6,660	186,592
Salaries & consulting fees	87,213	194,938	369,342	559,655	851,771	966,483	1,023,583	651,493	3,401,492
Stock-based compensation	-	-	-	-	221,598	90,329	35,199	-	347,126
Technology costs	-	61,400	108,348	252,951	340,070	369,295	167,353	169,748	1,129,669
Travel & miscellaneous	-	34,082	36,269	16,354	14,211	15,479	9,161	70,351	55,205
Total	**112,468**	**348,002**	**538,554**	**901,665**	**1,539,069**	**1,544,334**	**1,327,529**	**999,024**	**5,312,597**

Research and Development costs relate principally to the costs of running our COE. Liberty had established an aggressive development schedule based on a concurrent engineering and development approach whereby the Company was working on many different tasks in parallel rather than in series. This had enabled us to significantly shorten the normal development timelines associated with product development. This approach resulted in a higher initial cost structure compared to if we were to have taken a more conservative product development approach. In December 2019 the development pace was slowed due to capital constraints.

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 2019 was 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. There was a consistent trend of salaries & consulting fees increasing quarter over quarter in 2019 due to increased activity as the Company ramping up to commercialize. However, this trend slowed down once the decision was taken in December 2019 to conserve cash and reduce the burn rate as a result of not being able to raise the necessary financing.

In Q2 2019, Liberty issued stock options to various employees, and consultants who were primarily associated with research and development, one-third of which vested immediately, the remainder vest over time. In Q3 and Q4 2019 few or no options vested.

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 2019 increased as there were higher costs associated with building the prototype. Technology costs decreased in Q4 2019 as a result of decreased activity on prototype related expenditures as the Company searched for additional financing.

(expressed in U.S. Dollars)

4.3 General & Administrative

Table 11:				Quarterly				Annual	
General and Administrative ($)	**Q218**	**Q318**	**Q418**	**Q119**	**Q219**	**Q319**	**Q419**	**2018**	**2019**
Depreciation	-	-	452	570	8,050	8,106	8,130	452	24,856
Foreign exchange loss	234	195	(1,048)	1,761	(1,621)	10,289	6,892	(619)	17,320
Legal fees	19,366	35,257	46,123	19,631	59,502	41,217	59,075	100,746	179,425
Marketing & IR (1)	59,000	16,991	10,399	142,384	403,097	238,047	149,272	86,390	932,800
Other	541	702	37,112	31,170	33,173	21,642	19,250	38,355	105,236
RTO Transaction Costs	-	-	-	-	2,230,108	-	(24,286)	-	2,205,822
Salaries & consulting fees	51,357	260,030	207,114	299,760	164,732	199,510	189,657	518,501	853,659
Stock-based compensation	-	196	83,128	-	350,549	95,773	71,809	83,324	518,131
Travel & miscellaneous	20,735	2,587	31,753	11,985	31,806	30,709	23,957	55,075	98,457
Total	**151,233**	**315,958**	**415,033**	**507,261**	**3,279,396**	**645,293**	**503,756**	**882,224**	**4,935,706**

(1) IR denotes investor relations

Depreciation increased in Q2, Q3, and Q4 2019 mainly as a result of entering into the office lease in May 2019.

2018 legal fees principally relate to costs of establishing our US subsidiary (LDT) in 2018. Legal fees increased in Q2 2019 mainly as a result of Liberty becoming public. Legal fees decreased slightly in Q3 2019 however increased again in Q4 2019 as the Company incurred costs associated with a potential financing.

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. In Q4 2019, marketing costs decreased as the Company was in search of seeking additional financing and limited its marketing budget. Please refer section 4.1 marketing expenditures for additional details.

GS RTO transactions costs are expenses 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.

Table 12: RTO Transaction Costs	**December 31, 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	215,668
Current liabilities	(14,638)
Net Identifiable assets	201,030
Reverse acquisition costs	2,205,822

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 costs for the CEO. Q1 2019 included a severance payout for the LPC's former executive chairman.

(expressed in U.S. Dollars)

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 of which one-third vested immediately. In Q3 & Q4 2019 few or no options vested.

4.4 Related Party Disclosure

Table 13:				Quarterly				Annual	
Related Parties ($)	**Q218**	**Q318**	**Q418**	**Q119**	**Q219**	**Q319**	**Q419**	**2018**	**2019**
Paid to related parties									
Short-term employee benefits	167,602	329,706	379,039	201,110	342,923	200,659	185,678	876,347	930,370
Share-based payments	-	-	83,128	-	433,735	137,946	73,300	83,128	644,981
Total	**167,602**	**329,706**	**462,167**	**201,110**	**776,658**	**338,606**	**258,978**	**959,475**	**1,575,351**

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. (“MMG”), a company whose principal was a director of LPC, for accounting services, rent and office expenses. In 2018, the services of the Chief Financial Officer were billed through MMG, however starting in 2019, these services were paid directly by the Company. In Q2 2019, a total of $19,690 was expensed and accrued, relating to MMG. During Q2 2019, the Company terminated its contract with MMG.

4.5 Financial Instruments

As at December 31, 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.

5.2 Nature of Operations - *Refer to Overview*

5.3 Other Risk Factors

Limited operating history
Liberty was incorporated on April 30, 2018 and has yet to generate revenue from the sale of products. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

History of losses
Liberty has incurred losses in recent periods. Liberty may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, Liberty expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If Liberty's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

Negative cash flow for the foreseeable future
Liberty has no history of earnings or cash flow from operations. Liberty does not expect to generate material revenue or achieve self-sustaining operations for several years. To the extent that the Company has negative cash flow in future periods, the Company may need to allocate a portion of its cash reserves to fund such negative cash flow.

Reliance on management
Another risk is the loss of important staff members. The success of the Company will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on Liberty's business, operating results or financial condition. The success of the Company further depends on the continued ability to attract, retain, and motivate highly qualified management, clinical, and scientific personnel and to develop and maintain important relationships with leading academic institutions, companies, and thought leaders.

Reliance on the successful development of prototype of HEXWAVE
The Company's ability to generate future revenue or achieve or sustain profitable operations is largely dependent on its ability to attract experienced management with the requisite know-how to develop new devices and to partner with larger, more established companies in the industry to successfully commercialize products. Successfully developing the prototype of HEXWAVE into a commercially viable device may take several years and significant financial resources, and the Company may not achieve this objective.

In order to commercialize any product, the Company will need to conduct trials, which may not succeed, and to obtain regulatory approvals, which it may fail to do. Although presently uncertain, HEXWAVE may need to comply with regulatory compliance requirements prescribed for users of covert weapons and contraband detection, including but not limited to the rules of regulations of the Federal Communications Commission ("FCC").

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 Liberty is currently substantially dependent on HEXWAVE as its only product, factors such as changes in customer preferences may have a disproportionately greater impact on the Company than if it derived significant revenue from multiple lines of products. There can be no assurance that HEXWAVE technology will attain or maintain long-term customer appeal. If customer interest in HEXWAVE technology in general declines, or if there is increased competition in the market for active millimeter wave imaging technology, the Company may experience a significant loss of sales, cancellation of orders from customers, loss of customers, excess inventories, inventory markdowns and deterioration of its brand image, and lower revenues and gross and operating margins as a result of price reductions and may be forced to liquidate excess inventories at a discount, any or all of which would have a material adverse impact on the Company's operating results and growth prospects.

The sales potential of the Company's products and solutions is still at an early pre-commercial stage. The ongoing and future demands for the Company's products and solutions, in existing and target industries, is yet to be fully established and is uncertain. There is a risk that the Company may not be able to obtain and maintain market share or that there is insufficient demand for the Company's product for revenue to be sustainable. The Company's future performance will be dependent on its ability to design, develop, manufacture, assemble, test, market and support its current products, as well as to continue developing new products and enhancing its current products, in a timely and cost effect manner on behalf of its customers.

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

To commence commercialization of Liberty's technology, the Company may be required to make significant investments in operations. If the Company's product trials are unsuccessful or the Company's business does not develop as quickly as anticipated, or if there is a lack of demand for the Company's products, the Company may be unable to offset these costs, and the Company's operating results may be adversely affected as a result of high operating expenses, reduced margins, underutilization of capacity and asset impairment charges. Moreover, the Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry.

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

The Company is expected to derive one hundred percent (100%) of its revenues in subsequent years from commercial sale and implementation of weapons detection technology, a relatively new and rapidly evolving market. If this market fails to grow or grows more slowly than Liberty currently anticipates, the Company's business would be negatively affected. To date, Liberty has targeted markets that it believes are most likely to adopt its technology. However, there is no assurance that the Company will be successful in these markets or will be able to expand beyond these markets in the long term.

Reliance on third parties (MIT and MIT LL)

If the third parties on whom the Company relies do not properly, successfully or timely carry out their obligations, the Company may not be able to develop, obtain regulatory approval for, or commercialize its products, which in turn may adversely affect the Company's financial performance.

Growth may place significant demands on the Company's management and resources

Liberty expects to experience substantial growth in its business, which comes with growth-related risks including capacity constraints and pressure on the Company's internal systems and controls. The growth has placed and may continue to place significant demands on the Company's management and operational and financial resources. The Company may not be able to provide the scale of operation necessary to meet the demands associated with its growth. As it grows, the Company will need to implement new systems and software to help run its operations. As its operations grow in size, scope and complexity, the Company will need to continue to improve and upgrade its systems and infrastructure to offer an increasing number of customers enhanced services, solutions and features. The Company may choose to commit significant financial, operational and technical resources in advance of an expected increase in the volume of business, with no assurance that the volume of business will increase. Continued growth could also strain the Company's ability to maintain reliable service levels for existing and new customers, which could adversely affect the Company's reputation and business. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Future acquisitions could disrupt the Company's business and harm the Company's financial condition and operating results

The Company's success will depend, in part, on the Company's ability to expand its markets and grow its business in response to changing technologies, customer needs and competitive pressures. The Company may seek to grow its business by acquiring complementary businesses, solutions or technologies. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and the Company may not be able to successfully complete identified acquisitions. In addition, the Company may not be able to successfully assimilate and integrate the business, technologies, solutions, personnel or operations of any company the Company acquires. Acquisitions may also involve the entry into geographic or business markets in which the Company has little or no prior experience. Moreover, the anticipated benefits of any acquisition, investment or business relationship may not be realized or the Company may be exposed to unknown liabilities. For one or more of those transactions, the Company may, among other things:

- issue additional equity securities that would dilute the holders of the Company Common Shares;
- use cash that the Company may need in the future to operate its business;
- incur debt on terms unfavorable to the Company or that the Company is unable to repay;
- incur large charges or expenses or assume substantial liabilities;
- amortize expenses related to goodwill and other intangible assets;
- encounter difficulties retaining key employees of the acquired companies or integrating diverse software codes or business cultures; and
- become subject to adverse tax consequences, substantial depreciation or deferred compensation charges.

Any of these risks could harm the Company's business 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

The Company's anticipated performance will be subject to worldwide economic conditions, such as unemployment levels, interest rates or inflation rates, each of which influence, among other things, consumer trends and the levels of government and private sector security spending.

The Company expects a number of factors to cause the Company's operating results to fluctuate on a quarterly basis, which may make it difficult to predict the Company's future performance.

The Company's revenues, if any, and operating results could vary significantly from quarter to quarter because of a variety of factors, many of which are outside of the Company's control. As a result, comparing the Company's operating results on a period-to-period basis may not be meaningful. In addition to other risk factors discussed in this section, factors that may contribute to the variability of the Company's quarterly results include:
the impact of worldwide economic conditions and their impact on levels of security and defense spending;
certain fixed costs inherent in the Company's business, which limit the Company's ability to adjust for period-to-period changes in demand;

- system interruptions that impair access to the Company's customers, key vendors or communication with the Company's technology and any related impact on the Company's reputation;
- the Company's ability to forecast revenues accurately and appropriately plan the Company's expenses; and
- the impact of fluctuations in currency exchange rates, to the extent that the Company sources material or labour from outside of Canada, sells its products outside of Canada or operates outside of Canada.

In addition, the Company's operating results may not meet the expectations of investors or public market analysts who follow the Company.

Managing the Company's growth will require significant expenditures and allocation of valuable management resources, and the failure to do so appropriately may harm 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

The Company's business will be subject to various local, provincial and federal tax payment and collection requirements. Amounts that the Company is expected to be required to pay or collect may change as the Company's business develops and expands. As a result, the Company will need to continually ensure proper taxes are paid or collected and remitted to the appropriate tax agencies. If the Company does not collect the appropriate taxes from its customers, the Company may need to pay more than what it has collected. In addition, the Company may be audited by various agencies to ensure compliance with tax collection requirements. Such audits could result in additional sales or other tax collection obligations on the Company which the Company may not be able to recover from its customers. Such obligations could have a material adverse impact on the Company's future operating results.

Failure to adequately protect the Company's intellectual property could substantially harm the Company's business and operating results

As the Company's business depends substantially on the Company's intellectual property, the Company could be adversely affected if it does not adequately protect its intellectual property rights. The Company regards its marks, rights, and trade secrets and other intellectual property rights as critical to the success of the Company's business. To protect its investments and the Company's rights in these various intellectual properties, it may rely on a combination of patents, trademark and copyright law, trade secret protection and confidentiality agreements and other contractual arrangements with its employees, clients, strategic partners, acquisition targets and others to protect proprietary rights. These afford only limited protection. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Company's technology's features, software and functionality or obtain and use information that the Company considers proprietary. There can be no assurance that the steps taken by the Company to protect proprietary rights will be adequate or that third parties will not infringe or misappropriate the Company's copyrights, trademarks and similar proprietary rights, or that the Company will be able to detect unauthorized use and take appropriate steps to enforce rights. Moreover, policing the Company's proprietary rights is difficult and may not always be effective. In particular, the Company may need to enforce the Company's rights under the laws of countries that do not protect proprietary rights to as great an extent as do the laws of the Canada. In addition, although the Company believes that its proprietary rights do not infringe on the intellectual property rights of others, there can be no assurance that other parties will not assert infringement claims against the Company. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

Litigation or proceedings before governmental authorities and administrative bodies in the United States, Canada and abroad may be necessary in the future to enforce the Company's intellectual property rights, to protect the Company's patent rights, trade secrets, trademarks and domain names and to determine the validity and scope of the proprietary rights of others. The Company's efforts to enforce or protect the Company's proprietary rights may be ineffective and could result in substantial costs and diversion of resources and could substantially harm the Company's operating results.

The Company will rely on trade secrets to protect technology where it does not believe patent protection is appropriate or obtainable. Trade secrets are difficult to protect. While commercially reasonable efforts to protect trade secrets will be used, strategic partners, employees, consultants, contractors or scientific and other advisors may unintentionally or willfully disclose information to competitors. If the Company is not able to defend patents or trade secrets, then it will not be able to exclude competitors from developing or marketing competing products, and the Company may not generate enough revenue from product sales to justify the development cost of products or achieve or maintain profitability.

The Company's exposure to risks associated with the use of intellectual property may increase as a result of acquisitions, as the Company has a lower level of visibility into the development process with respect to acquired technology or the care taken to safeguard against infringement risks.

Third parties may make infringement and similar or related claims after the Company has acquired technology that had not been asserted prior to the Company's acquisition. Liberty is not currently aware of any litigation or other proceedings or claims by third parties that its technologies or methods infringe upon their intellectual property. While it is the practice of Liberty to undertake pre-filing searches and analyses of developing technologies, the Company cannot guarantee that Liberty has identified every patent or patent application that may be relevant to the research, development, or commercialization of its products. Moreover, the Company cannot assure that third parties will not assert valid, erroneous or frivolous patent infringement claims.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information

Liberty expects to principally rely on patent protection to protect the Company's proprietary technologies; however, the Company's competitive advantage will rely to a certain extent on owned and developed trade secrets. Liberty has devoted substantial resources to the development of its proprietary technology and related processes. In order to protect the Company's proprietary technology and processes, Liberty intends to rely in significant part on confidentiality and invention assignment agreements with the Company's employees, licensees, independent contractors and other advisors. These agreements may not (a) effectively prevent disclosure of confidential information, (b) deter independent third-party development of similar technologies and/or (c) provide an adequate remedy in the event of unauthorized disclosure of confidential information or misappropriation of the Company's technology. In addition, others may independently discover trade secrets and proprietary information, and in such cases, the Company would not be able to assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of the Company's proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect the Company's competitive business position.

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 may require additional capital in the future to support ongoing operations, undertake capital expenditures or commence acquisitions or other business combination transactions. Due to the early stage of the industry in which Liberty operates, Liberty expects to face additional competition from new entrants. To become and remain competitive, the Company requires research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company. The Company may not be able to obtain additional debt or equity financing on favorable terms, if at all. If the Company raises additional equity financing, the Company Shareholders may experience significant dilution of their ownership interests, and the per-share value of the Company Common Shares could decline. Moreover, any new equity securities that the Company issues could have rights, preferences and privileges senior to those of the holders of Company Common Shares. If the Company engages in debt financing, the Company may be required to accept terms that restrict its ability to incur additional indebtedness and force it to maintain specified liquidity or other ratios. If the Company needs additional capital and cannot raise or otherwise obtain it on acceptable terms, it may not be able to, among other things:

develop or introduce service enhancements to customers;

- continue to expand the Company's development, sales and marketing and general and administrative functions;
- acquire complementary technologies or businesses;
- expand the Company's operations;
- hire, train and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

The Company's business may require permits, certifications and licences

The operations of the Company and its products require licences, certifications and permits from various governmental and regulatory authorities. There can be no assurance that such licences and permits will be granted, maintained or renewed. Any failure to obtain, maintain or renew any of the licences and permits required by the Company or any of its subsidiaries could have a material adverse effect on the Company's business, operating results or financial condition.

Like many other electronic devices, systems such as HEXWAVE are subject to environmental standards, Federal Communications Commission (FCC) compatibility regulations, and electrical safety requirements (UL Certification).

The deployment of HEXWAVE to sports and other public venues may require testing and evaluation by authorities who are working to apply new performance standards across the urban security marketplace. Testing and evaluation may be required by customers as part of their qualifying standards for procurement. This includes but is not limited to the National Center for Spectator Sports Safety and Security (NCS4) and the Qualified Anti-Terrorism Technology (QATT) under the Department of Homeland Security Safety Act. The development activities are accounting for the testing and evaluation within the deployment timelines.

The Company's business is subject to regulatory changes
The business of the Company is subject to rapid regulatory changes. Failure to keep up with such changes may adversely affect the business of the Company. The Company's prospects must be considered in light of the risks, expenses, shifts, changes and difficulties frequently encountered with companies whose businesses are regulated by various federal, state and local governments. Active threat detection technology and similar companies are subject to a variety of regulatory requirements and the regulatory environment is ever changing particularly with recent legislation, the full impact of which is not yet understood as regulations have not been issued. Failure to follow regulatory requirements will have a detrimental impact on the business. Changes in legislation cannot be predicted and could irreparably harm the business.

Low barriers to entry and high competition in the industry
There is high potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company. Competitive pressures created by any one of the Company's competitors could have a material adverse effect on the Company's business, results of operations and financial condition. New technologies and the expansion of existing technologies may increase the competitive pressures on the Company by enabling the Company's competitors to offer a lower-cost product.

Risks associated with brand development of the Company
Liberty believes that continuing to strengthen its brand is critical to achieving widespread acceptance of the Company, particularly in light of the competitive nature of the Company's market. Promoting and positioning its brand will depend largely on the success of the Company's marketing efforts and the ability of the Company to provide high quality services. In order to promote its brand, the Company will need to increase its marketing budget and otherwise increase its financial commitment to creating and maintaining brand loyalty among users. There can be no assurance that brand promotion activities will yield increased revenues or that any such revenues would offset the expenses incurred by the Company in building its brand. If the Company fails to promote and maintain its brand or incurs substantial expenses in an attempt to promote and maintain its brand or if the Company's existing or future strategic relationships fail to promote the Company's brand or increase brand awareness, the Company's business, results of operations and financial condition would be materially adversely affected.

The Company's business is subject to rapid technological change
The business of the Company is subject to rapid technological changes. Failure to keep up with such changes may adversely affect the business of the Company. The Company is subject to the risks of companies operating in the active threat detection business. The market in which the Company competes is characterized by rapidly changing technology, evolving industry standards, frequent new service and product announcements, introductions and enhancements and changing customer demands. As a result, an investment in the stocks of the Company is highly speculative and only suitable for investors who recognize the high risks involved and can afford a total loss of investment.

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 may be subject to litigation or claims that could negatively affect the Company's business operations and financial position. The Company may be subject to consumer class action lawsuits. Litigation disputes could (a) cause the Company to incur unforeseen expenses, (b) occupy a significant amount of management's time and attention, and (c) negatively affect the Company's business operations and financial position.

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
The Company's systems and operations are vulnerable to damage or interruption from earthquakes, volcanoes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins and similar events. For example, a significant natural disaster, such as an earthquake, fire or flood, could have a material adverse impact on the Company's business, operating results and financial condition, and the Company's insurance coverage may be insufficient to compensate the Company for losses that may occur. The Company's servers may also be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with the Company's computer systems, which could lead to interruptions, delays, loss of critical data or the unauthorized disclosure of confidential data. The Company may not have sufficient protection or recovery plans in certain circumstances and the Company's business interruption insurance (as and if carried by the Company) may be insufficient to compensate the

Company for losses that may occur. As the Company expects to rely heavily on its servers, computer and communications systems and the Internet to conduct the Company's business and provide a high quality customer experience, such disruptions could negatively impact the Company's ability to run its business, which could have an adverse effect on the Company's operating results.

Further, the business of the Company may not be insurable or the insurance may not be purchased due to high cost. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Company.

Risks associated with international operations of the Company
A component of the Company's strategy is to expand internationally. Expansion into international markets will require management's attention and resources. The Company has limited experience in localizing its service, and the Company believes that many of its competitors are also undertaking expansion into foreign markets. There can be no assurance that the Company will be successful in expanding into international markets or generating revenues from foreign operations. In addition, there are certain risks inherent in doing business on an international basis, including, among others, regulatory requirements, legal uncertainty regarding liability, tariffs and other trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, different accounting practices, problems in collecting accounts receivable, political instability, seasonal reductions in business activity and potentially adverse tax consequences, any of which could adversely affect the success of the Company's international operations. To the extent that the Company expands its international operations and has additional portions of its international revenues denominated in foreign currencies, the Company could become subject to increased risks relating to foreign currency exchange rate fluctuations. There can be no assurance that one or more of the factors discussed above will not have a material adverse effect on the Company's future international operations and, consequently, on the Company's business, results of operations and financial condition.

Internal controls
Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the shares.

Potential conflicts of interest of directors and officers of the Company
There are potential conflicts of interest to which some of the directors and officers, of the Company may be subject in connection with the operations of the Company. Some of the individuals who will be appointed as directors or officers of the Company are also directors and/or officers of other reporting and non-reporting issuers.

Failure to meet milestones under the license agreement
The Company is subject to certain milestones under the License Agreement. In the event the Company does not meet these milestones in the timelines prescribed by the License Agreement, MIT would have the ability to terminate the License Agreement which would have a material adverse impact on the development of the HEXWAVE product.

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, 2019, 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 IFRS, as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved for issuance by the Board of Directors on March 10, 2020.

Consolidation
These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, LDT. Subsidiaries are entities controlled by the Company. The Company controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. 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 judgements 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.

<u>Critical accounting judgements</u>
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 feasible and have future economic benefits, 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 December 31, 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 $319,156. 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)