INNOVATIVE & REVOLUTIONARY THREAT DETECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE YEAR ENDED DECEMBER 31, 2020

(*Expressed in U.S. Dollars)*

Dated: April 28, 2021

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, 2020. 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, 2020.

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 an exclusive global license for the active imaging technology and has trademarked HEXWAVE and the Company will look to bring this exciting product to market.

Strategic Review and the Agreement
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 April 2, 2020, the Company entered into an amalgamation agreement (the "Agreement") with DrawDown Detection Inc. ("DrawDown") to acquire a 100% interest in DrawDown via an arm's length reverse takeover of the Company by DrawDown. The Agreement provided for a bridge loan of $2 million ($1.8 million advanced as of December 31, 2020) and upon completion of the merger the funding required per rules and regulations of the TSXV. Subsequent to December 31, 2020, on March 17, 2021 the Company completed the business combination with DrawDown. Please refer to section 7 – Subsequent Events, for additional details.

Board Changes
Effective May 1st, 2020, Aman Bhardwaj assumed the role of Interim CEO and Director of the Company. Mr. Bhardwaj will also continue in his role as COO and President of US Operations, which he previously held.

In connection with the merger with DrawDown, Bill Riker (Liberty's former CEO and Director) and Damian Towns (Liberty's former CFO and Director) agreed to terminate their employment agreement with the Company effective April 30, 2020. Subsequently on September 1, 2020, Mr. Riker resigned as a Director of the Company and effective May 12, 2020 Mr. Towns also resigned as a Director for the Company.

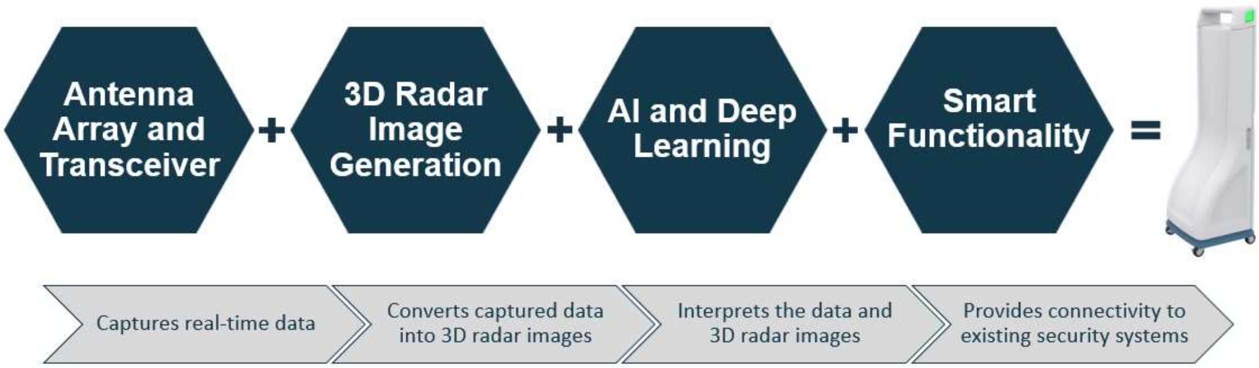
Mr. Crosby Marshall resigned as a Director of the Company on April 6, 2020.

About HEXWAVE
Active imaging technology was developed by the Massachusetts Institute of Technology Lincoln Labs ("MIT LL") and the technology has been in development since 2014. In October 2017, a concept demonstrator (pre-prototype) of the core technology was successfully tested under 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 active imaging technology. In September 2019, Liberty and MIT LL were recognized by the FLC (Federal Laboratory Consortium) for the 2019 Excellence in Technology Transfer North East Region.

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

HEXWAVE Overview:



Since acquiring the License Agreement from MIT LL, Liberty has significantly advanced HEXWAVE which includes active imaging technology, automated threat detection ("ATD") and smart technologies. 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 to keep it in good standing. MIT continues to work closely with Liberty on developing this technology and recently amended the timeline to develop a beta prototype from on or before December 31, 2019 to November 1, 2020. The amendment also included additional details in relation to changes on required commercial sales dates, required total net sales by year, and payment dates on its license agreement. Refer to SEDAR (www.sedar.com) for further details on the MIT amendment.

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

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

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

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

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

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

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

About Liberty's Management Team
Central to Liberty's team since 2018, is the technical and management expertise of the Interim CEO Aman Bhardwaj who is the technology and product development lead for the business, with 30 years experience in bringing software and hardware technologies to market and building global teams in U.S., Canada, China, and India for large multi-national and start-up companies.

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, a number of the COE team members were either laid off and/or reduced from full time to part time during the year 2020. In conjunction with the DrawDown Agreement and the revised scope of development some of the team has been rehired while others remain on part-time basis.

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 and Federation Internationale de Football Association and shopping malls. A key aspect to Liberty's success will be gaining access and developing the market for HEXWAVE.

Recent Developments
From inception, Liberty set itself an aggressive product development timeline by pursuing a concurrent engineering and development approach and prior to its financial constraints had managed to deliver upon this timeline. The development timeline is being revisited and will be updated upon completion of the merger with DrawDown.

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

Most recently in April of 2021, the Company signed a license agreement with Battelle Memorial Institute ("Battelle") to develop next-generation checkpoint screening solutions. Liberty has licensed the millimeter wave-based, High Definition Advanced Imaging Technology (HD-AIT) body scanner and shoe scanner technologies as part of its ongoing relationship with Battelle. HD-AIT will enhance security screening at airports today by providing a next-generation technology platform for threat detection.

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

- Signed a license agreement with Battelle Memorial Institute (April 2021)
- Secured a $1 million grant from The Israel-US Binational Industrial Research and Development (BIRD) Foundation (Mar 2021)
- Complete the business combination with DrawDown (March 2021)

- Closing of oversubscribed public offering for total gross proceeds of CAD$6.9 million (March 2021)
- Update on Merger with DrawDown (June 2020)
- Execution of Definitive Agreement with DrawDown (April 2020)
- 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, 2020, the Company reported a $2,552,804 loss and cash outflows from operating activities of $2,615,861.

As at December 31, 2020, the Company had a negative working capital of $2,836,633. On March 12, 2021, the Company closed a financing for gross proceeds of CAD$6,900,000 and on March 17, 2021, the Company completed an amalgamation that constituted a reverse take-over of the Company by Drawdown Detection Inc. ("DrawDown"). Notwithstanding, subsequent to year end financing and reverse take-over of the Company, in order to fully commercialize HEXWAVE the Company will require additional funds to achieve its development timeline and bring HEXWAVE to market. The Company has certain committed development milestones over the next twelve months and based on the Company's current forecasted operational and development spend, the Company will require additional funds to meet these milestones. While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured. This material uncertainty casts significant doubt upon the Company's ability to continue as a going concern.

2 OUTLOOK

Despite meeting all of its stated business objectives and milestones during 2019, the Company was unable to raise the required capital to continue with its concurrent engineering and initial go-to-market strategy for 2020. In December 2019, Liberty announced it was unsuccessful in closing the November 2019 financing and a decision to conduct a strategic review was announced. This strategic review resulted in stopping all outside engineering efforts with a reduced development scope in order to reduce burn and conserve cash which resulted in a workforce reduction. The Company, subsequently entered into an amalgamation agreement (the "Agreement") with DrawDown on April 2, 2020, whereby it will acquire all the issued and outstanding securities of DrawDown (the "Transaction"). The Agreement provided for an initial loan of $2 million ($1.8 million advanced as of December 31, 2020) and the intention for Liberty to acquire 100% of Drawdown, which would constitute a reverse-takeover of Liberty. Alongside this reverse-takeover, a concurrent financing was closed such that sufficient cash were raised to provide working capital for a minimum of 12 months from the transaction date for the combined entities.

As a result of the Transaction, the Board and the executive management team changed; John McCoach, Aman Bhardwaj, and David G. Albert will remain with the Company.

3 FINANCIAL POSITION REVIEW

Certain comparatives in prior periods may have revised to conform to the current presentation. The following table sets out the assets of the Company on a quarterly basis for the last eight quarter:

3.1 Assets

Table 1: Assets	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
Current assets								
Cash and cash equivalents	24,039	141,523	412,703	430,746	578,765	1,869,746	3,896,657	1,501,179
Restricted cash	-	-	-	-	-	-	-	4,988,834
Receivable and prepaid expenses	35,100	36,688	38,212	28,760	119,161	360,238	863,936	820,150
Deferred financing fees	-	-	-	-	-	-	-	-
Total current assets	**59,139**	**178,211**	**450,915**	**459,506**	**697,926**	**2,229,984**	**4,760,593**	**7,310,163**
Intangible assets	119,305	127,156	126,149	125,833	120,884	100,597	115,143	115,143
Property & equipment	264,136	300,448	339,049	375,215	430,743	463,995	495,526	372,243
Total assets	**442,580**	**605,815**	**916,113**	**960,554**	**1,249,553**	**2,794,576**	**5,371,262**	**7,797,549**

Decrease in cash and cash equivalents during the last two quarters of 2020, relate to the timing of cash calls received from DrawDown; in the same manner the total currents assets also decreased in the last two quarters influenced by the cash balances. Intangibles and property and equipment decreased due to normal depreciation and amortization for the period.

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 a lease for its corporate office which increased total PP&E by $150,941. The decrease in the last two quarters of 2019 and first two quarters of 2020 primarily relates to recognizing depreciation on the Company's office leases.

Receivables and prepaids increased 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.

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.

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 the last two quarters of 2019 and first two quarters of 2020 was due to development expenditures incurred during the respective periods.

(expressed in U.S. Dollars)

3.2 Liabilities

	2020				2019			
Table 2: Liabilities ($)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Current liabilities								
Accounts payable and accrued liabilities	420,320	316,886	314,589	295,762	730,191	382,428	574,676	893,621
Lease liabilities	154,243	148,487	143,640	138,441	136,686	132,166	128,586	99,532
Borrowings	2,321,209	1,933,503	1,704,148	967,604	-	-	-	-
Non-current liabilities								
Lease liabilities	82,546	120,056	156,956	191,302	235,010	269,219	304,632	229,800
Borrowings	25,081	29,987	29,352	-	-	-	-	-
Total liabilities	**3,003,399**	**2,548,918**	**2,348,685**	**1,593,109**	**1,101,887**	**783,813**	**1,007,894**	**1,222,953**

Current accounts payable and accrued liabilities have been consistent quarter over quarter in 2020 except for Q4 2020 as the company incurred in additional professional fees and legal costs as a result of the transaction with DrawDown. The borrowings balance has increased consistently as it mainly relates to cash calls received from the DrawDown loan to pay for the Company's operational expenses.

In Q1 2020 accounts payable and accruals decreased as a number of creditors were paid down with the proceeds from the DrawDown loan and has remained relatively consistent with the rest of 2020. In November 2019, the Company announced a $2.5 million financing, subsequently on December 31, 2019 Liberty announced the financing did not close and advanced 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.

As of December 31, 2019, accounts payable was $356,372 and accruals were $373,819. 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.

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 subsequent decrease is a direct result of paying monthly lease payments during those periods.

3.3 Equity

	2020				2019			
Table 3: Equity ($)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Shareholders' equity								
Common shares	10,342,881	10,342,881	10,342,881	10,342,881	10,342,881	10,342,881	10,342,881	4,735,793
Contributed Surplus	4,230,538	4,221,972	4,258,422	4,264,987	4,267,832	4,094,399	3,851,329	6,565,655
Accumulated other comprehensive income ("AOCI")	(182,709)	(101,235)	(76,030)	(40,443)	(64,322)	(80,159)	(42,013)	(127,793)
Deficit	(16,951,529)	(16,406,723)	(15,957,845)	(15,199,980)	(14,398,725)	(12,346,358)	(9,788,829)	(4,599,059)
Total shareholders' equity	(2,560,819)	(1,943,105)	(1,432,572)	(632,555)	147,666	2,010,763	4,363,368	6,574,596

Common Shares

	2020				2019			
Table 4: Common shares	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Opening Balance	66,549,721	66,549,721	66,549,721	66,549,721	66,549,721	66,549,721	53,111,525	51,311,525
Unit Financing	-	-	-	-	-	-	8,826,630	-
Advisor shares	-	-	-	-	-	-	-	1,800,000
GS RTO - Gulfstream	-	-	-	-	-	-	3,444,403	
GS RTO - Finders fee	-	-	-	-	-	-	1,167,163	
Total Common Shares	**66,549,721**	**66,549,721**	**66,549,721**	**66,549,721**	**66,549,721**	**66,549,721**	**66,549,721**	**53,111,525**

(expressed in U.S. Dollars)

At the end of Q4 2020, Company had a balance of 66,549,721 common shares issued and outstanding which is consistent with previous quarters in 2020 as the Company has not closed additional financings since Q2 2019.

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 CAD$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 CAD$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 CAD$1.10.

A total of 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 finder's fee of 1,167,163 shares were issued with a fair value $560,740.

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, 2020, the Company had 10,776,630 common share warrants and 503,935 unit warrants and a total of 11,784,500 dilutive warrant securities.

As of December 31, 2020, the Company had the following warrants for common shares outstanding:

	2020				2019			
Table 5: Warrants Common Shares	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Opening Balance	19,733,055	19,733,055	19,733,055	19,733,055	19,733,055	19,733,055	10,906,425	8,956,425
Unit Financing	-	-	-	-	-	-	8,826,630	-
Warrants exercised	-	-	-	-	-	-	-	-
Advisor Warrants	-	-	-	-	-	-	-	1,950,000
Expired	(8,956,425)	-	-	-	-	-	-	-
Total Warrants	**10,776,630**	**19,733,055**	**19,733,055**	**19,733,055**	**19,733,055**	**19,733,055**	**19,733,055**	**10,906,425**

During the Q4 2020, a total of 8,956,425 common share warrants expired without being exercised.

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 CAD$0.80 for a period of three years.

Upon completion of the QT financing, a further 8,826,630 warrants at CAD$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 CAD$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, 2020, the Company had the following warrants for units outstanding:

	2020				2019			
Table 6: Warrants Outstanding - Units	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Opening Balance	796,022	796,022	796,022	796,022	796,022	796,022	796,022	292,087
Broker/Advisor Warrants	-	-	-	-	-	-	-	503,935
Total Warrants - Unit	**796,022**	**796,022**	**796,022**	**796,022**	**796,022**	**796,022**	**796,022**	**796,022**

(expressed in U.S. Dollars)

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 CAD$0.80 for a period of 2 years from March 7, 2019. Each share purchase warrant is exercisable at CAD$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 CAD$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.

Share stock options

As of December 31, 2020, the Company had the following share stock options outstanding:

	2020				2019			
Table 7: Share stock options	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Opening Balance	2,264,666	3,073,666	3,881,333	4,738,334	4,773,333	4,725,000	-	-
Issued	-	-	-	-	250,000	225,000	4,725,000	-
Forfeited	(350,000)	(242,334)	(283,334)	(458,667)	(196,666)	(176,667)	-	-
Expired	(484,666)	(566,666)	(524,333)	(398,334)	(88,333)	-	-	-
Total share stock options	**1,430,000**	**2,264,666**	**3,073,666**	**3,881,333**	**4,738,334**	**4,773,333**	**4,725,000**	**-**

For the last six quarter share stock options have forfeited and expired generally as a result of the acceleration of the expiry dates on vested share stock options due to resignations or terminations of employees and/or consultants. This is also the result of unwinding the Company's operations for not being able to close the financing required during Q3/Q4 2019.

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 Q3 and Q4 2019, the Company issued an additional 225,000 and 250,000 share stock options to consultants and a director respectively.

In April 2019, Liberty issued 4,725,000 options with an exercise price of CAD$0.80 to various employees, consultants, and directors. The purpose of the stock option 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.

	2020				2019			
Table 8: Equity Instruments	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Common shares outsanding	66,549,721	66,549,721	66,549,721	66,549,721	66,549,721	66,549,721	66,549,721	53,111,525
Warrants outstanding - common shares	10,776,630	19,733,055	19,733,055	19,733,055	19,733,055	19,733,055	19,733,055	10,906,425
Weighted average price (CAD$)	1.05	1.07	1.07	1.07	1.07	1.07	1.07	1.05
Warrants outstanding - units	796,022	796,022	796,022	796,022	796,022	796,022	796,022	796,022
Weighted average price (CAD$)	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Share stock options outstanding	1,430,000	2,264,666	3,073,666	3,881,333	4,738,334	4,773,333	4,725,000	NA
Weighted average price (CAD$)	0.80	0.80	0.80	0.80	0.80	0.80	0.80	NA
Market capitalization	3,327,486	3,327,486	3,660,235	7,320,469	12,644,447	31,278,369	49,246,794	NA
Closing share price (CAD$)	0.05	0.05	0.06	0.11	0.19	0.47	0.74	NA

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

As of December 31, 2020, the Company's common shares trading was halted pending the satisfaction of the conditions of the TSX Venture Exchange (the "Exchange") for resumption of trading. Trading resumed on March 22, 2021 as the Transaction with DrawDown was completed.

4 EXPENDITURES REVIEW

The following table details the Company's expenditures during the decried periods 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).

(expressed in U.S. Dollars)

As the Company is in a start-up phase, the Company has no revenues and does not expect any until it commercializes HEXWAVE.

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

4.1 Brand & Market Awareness

	2020				2019				2020	2019
Table 9: Brand and Market Awareness ($)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**YTD**	**YTD**
Legal fees	-	-	835	394	951	-	2,593	3,546	1,229	7,090
Marketing & rnvestor relations	(20)	61	528	2,636	155,956	245,086	351,366	148,343	3,205	900,751
Other costs	-	-	-	-	-	10,000	206	-	-	10,206
Salaries & consulting Fees	-	1	11,923	7,723	16,974	15,337	21,495	23,394	19,647	77,200
Stock-based compensation	(5,648)	(15,590)	(18,146)	(1,643)	35,967	84,984	134,488	-	(41,027)	255,439
Travel & miscellaneous	-	-	-	-	4,570	33,063	34,419	44,300	-	116,352
Total	**(5,668)**	**(15,528)**	**(4,860)**	**9,110**	**214,418**	**388,470**	**544,567**	**219,583**	**(16,946)**	**1,367,038**

The ability to understand and develop the market as well as gain access to it will be critical in determining the success of the Company. The legal costs include costs associated with understanding the marketplace and developing a trademark. Up until the resignation of the Company's CEO during Q2 2020, salary and consulting costs include a 20% allocation of CEO's compensation.

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 four quarters of 2020, the Company curtail the majority of the budgets related to band and marketing awareness since Liberty was not able to close the required financing in Q3/Q4 2019.

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. From Q4 2019 onwards, marketing costs decreased as the Company was in search of seeking additional financing and limited its marketing budget.

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.

In the four quarters of 2020 the Company experienced a significant number of layoffs which in turn increased the number of forfeitures during the period and resulted in a net credit to stock-based compensation.

In Q2 2019, stock options were issued 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 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. From Q4 2019 onwards, travel costs decreased as the Company limited its travel budget as a measure to preserve available cash at the time.

(expressed in U.S. Dollars)

4.2 Research & Development

Table 10: Research and Development ($)	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2020 YTD	2019 YTD
Depreciation	33,429	33,430	33,430	33,430	33,248	32,729	31,821	30,104	133,719	127,902
Amortization of intangible asset	7,851	-	-	-	-	-	-	-	7,851	-
Legal fees	36,501	8,027	25,652	17,461	13,033	18,107	29,058	4,413	87,641	64,611
Other costs	(9,908)	21,330	10,051	25,414	45,952	51,912	50,540	38,188	46,887	186,592
Salaries & consulting fees	277,429	306,612	370,810	400,026	1,023,583	966,483	851,771	559,655	1,354,877	3,401,492
Stock-based compensation	(2,579)	(8,738)	507	(20,647)	35,199	90,329	221,598	-	(31,457)	347,126
Technology costs	33,665	21,875	64,892	93,235	167,353	369,295	340,070	252,951	213,667	1,129,669
Travel & miscellaneous	1	784	495	2,454	9,161	15,479	14,211	16,354	3,734	55,205
Total	**376,389**	**383,320**	**505,837**	**551,373**	**1,327,529**	**1,544,334**	**1,539,069**	**901,665**	**1,816,919**	**5,312,597**

Research and Development costs mainly relate to costs of running the COE. In April 2019, after the completion of the reverse take over of Gulfstream, Liberty 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 the Company to significantly shorten the normal development timelines associated with product development. This approach resulted in a higher initial cost structure compared to if the Company had taken a more conservative product development approach, consequently higher costs during the year 2019.

Subsequently, in Q3/Q4 2019, the Company was not able to close the required financing to continue with its development plan, as a result during Q4 2019 and Q1 2020 the Company started to unwind its operations, restrict spending with the objective to preserve cash. On December 31, 2019, the Company announced it entered into an amalgamation agreement with DrawDown that turned into a reverse take over of Liberty. This transaction provided an initial loan of $2 million to cover for Liberty's operating expenses while the transaction closed.

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

Salary and consulting fees costs include 100% of the COO salary and a 30% allocation of the salary of the CEO until he resigned in April 2020. 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 preserve cash and reduce the burn rate as a result of not being able to raise the necessary financing. Additionally, in Q4 2020 the Company recorded an initial benefit of a below market government loan received against payroll related costs in the amount of $76,513.

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. In Q1 2020 the Company experienced significant layoffs and resignations which in turn increased the number of forfeitures during the period and resulted in a net credit to stock-based compensation.

Technology costs include software and hardware costs associated with developing the initial prototype which continue to be expensed and, in some periods, include 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 started to decrease in Q4 2019, and the trend continued into the year 2020 as a result of decreased activity on prototype related expenditures due to cash constraints.

(expressed in U.S. Dollars)

4.3 General & Administrative

Table 11: General and Administrative ($)	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2020 YTD	2019 YTD
Depreciation	10,099	7,528	7,297	7,964	8,130	8,106	8,050	570	32,888	24,856
Foreign exchange (gain) loss	(73,680)	(7,274)	149	18	6,892	10,289	(1,621)	1,761	(80,787)	17,320
Interest on Investment	-	-	-	-	-	-	-	-	-	(28,221)
Accretion of government loans	25,938	-	-	-	-	-	-	-	25,938	-
Benefit of government loan	(7,779)	-	-	-	-	-	-	-	(7,779)	-
Interest expense	162,048	-	-	-	-	-	-	-	162,048	-
Legal fees	14,062	7,856	35,837	62,313	59,075	41,217	59,502	19,631	120,068	179,425
Marketing and investor relations	679	449	1,295	3,675	149,272	238,047	403,097	142,384	6,098	932,800
Other costs	(63,737)	59,986	44,033	35,234	19,250	21,643	33,173	31,170	75,516	105,236
RTO transaction costs	-	-	-	-	(24,286)	-	2,230,108	-	-	2,205,822
Salaries & consulting fees	91,225	23,829	156,567	111,957	189,657	199,510	164,732	299,760	383,578	853,659
Stock-based compensation	15,325	(11,385)	11,710	19,540	71,809	95,773	350,549	-	35,190	518,131
Travel and miscellaneous	2	-	-	71	23,957	30,709	31,806	11,985	73	98,457
Total	**174,182**	**80,989**	**256,888**	**240,772**	**503,756**	**645,293**	**3,279,396**	**507,261**	**752,831**	**4,907,485**

Depreciation increased in Q2 2019 mainly because of entering the lease for the corporate office in May 2019.

The Company also recorded an initial benefit of a below market government loan received in the amount of $8,194. This amount was calculated as the net present value of the 2.7-year loan with a discounted rate of 12%. The Company also recognized an accretion expenses of $25,938 in connection to government loans received during the year 2020.

Interest expense recorded during Q4 2020, relate to interest incurred in the DrawDown loan. Also, during this quarter the Company reallocate interest expense on the DrawDown loan which was previously recorded under other costs to interest expense since the balance is now significant.

Legal fees increased in Q2 2019 and subsequently mainly as a result of Liberty becoming a public entity. Legal fees decreased slightly in Q3 2020 however increased again in Q4 2020 as a result of additional costs incurred associated with the corporate transaction with DrawDown.

Marketing expenditures have benefits to both brand and market awareness as well as investor and shareholder interest. For this reason, the Company splits the costs on marketing between brand and market awareness, and 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 and the first two quarters of 2020 marketing costs decreased as the Company limited its marketing budget due to cash constraints.

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 finder's 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

(expressed in U.S. Dollars)

Salary and consulting costs include consulting fees to help stand-up and establish the Company from a corporate perspective. Additional salary costs in Q1 2019 included a severance payout for the LPC's former executive chairman. Salaries and consulting costs decreased in Q1 2020 mainly as a result of management taking a salary cut in order to preserve cash. Subsequent increase in employment related costs during Q2 2020, relate to labour obligation expenses in connection to the termination of the employment contracts of CEO and CFO. By the Q3 2020, the Company had no employees in the corporate office and the increase in Q4 2020, relates to professional fees incurred in closing the transaction with DrawDown and audit fees.

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 share stock options. 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. In the first three quarters of 2020 the Company experienced layoffs which in turn increased the number of forfeitures during the period and resulted in a decrease in stock-based compensation.

4.4 Related Party Disclosure

	2020				2019				2020	2019
Table 13: Related party transactions ($)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**YTD**	**YTD**
Short-term employee benefits	65,859	54,630	228,250	135,777	185,678	200,659	342,923	201,110	484,516	930,370
Share-base payments	13,423	17,701	34,304	43,869	73,300	137,946	433,735	-	109,297	644,981
Total	**79,281**	**72,331**	**262,554**	**179,646**	**258,978**	**338,605**	**776,658**	**201,110**	**593,812**	**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. The decrease in related party expenditures in Q1 2020 and Q3 2020 is the result of the change in management where both the CEO and CFO of Liberty stepped down from their management roles and Board positions. Q2 2020 includes severance payments made to these two individuals.

In 2018, the services of the Chief Financial Officer were billed through Makena Management Group Ltd. ("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, 2020, the Company's financial instruments comprise cash and cash equivalents, receivables, accounts payable and accrued liabilities, DrawDown loan and government loans none of which are valued at fair value. The fair values of these instruments approximate their carrying values due to their short-term maturity.

5 OFF-BALANCE SHEET ARRANGEMENTS

The Company does not utilize off-balance sheet arrangements.

6 RISKS FACTORS

6.1 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.

(expressed in U.S. Dollars)

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.

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.

6.2 Nature of Operations

Please refer to Section 1 – Overview.

6.3 Other Risk Factors

Limited operating history
Liberty was incorporated on April 30, 2018 and has yet to generate revenue in connection to its main busines objective which is the commercialization of an active 3D imaging technology system, HEXWAVE, to detect concealed threats. 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 materialize to offset 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 some time. 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 effective 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 on 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 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 could be potential conflicts of interest within the directors and officers of the Company in connection with the operations of the Company as they 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.

COVID 19 pandemic
Pandemics such as COVID-19 can disrupt large social gatherings therefore adversely affecting the requirement for capital investment in threat detection and could directly impact the health of key personnel and suppliers of the Company.

7 SUBSEQUENT EVENTS

a. On January 27, 2020, the Company and DrawDown entered in a letter of intent ("LOI") to acquire a 100% interest in DrawDown via a transaction that would constitute a reverse take-over of Liberty. Subsequently, on April 2, 2020 both entities entered into a binding amalgamation agreement which superseded and replaced the LOI (the "Definitive Agreement") pursuant to which Liberty acquired all of the issued and outstanding securities of DrawDown (the "Transaction") on a post-DrawDown Consolidation basis (as defined below) in exchange for common shares of Liberty on a one to one basis post-Liberty Consolidation (as defined below). In addition, each outstanding option and/or purchase warrant to acquire DrawDown's common shares became exercisable for one common share of Liberty in the same post-consolidation basis.

   Liberty completed a consolidation of all its issued and outstanding common shares on a 6.2 old for one new basis (the "Liberty Consolidation"). Furthermore, DrawDown also completed a share consolidation of two old for one new basis (the "DrawDown Consolidation") in connection to the completion of the Transaction. As a result of the share exchange described, the former shareholders of DrawDown acquired control of Liberty. Accordingly, the acquisition constitutes a capital restructuring of Liberty and is accounted with the net assets of Liberty recorded at fair value at the date of acquisition.

   On March 17, 2020, the Company and DrawDown completed the Transaction as all material conditions of the Transaction were satisfied.

b. On September 30, 2020, Liberty and DrawDown entered into an engagement letter with Canaccord Genuity Corp. (the "Agent"), who has agreed to act as Agent for and on behalf of Liberty to compete a financing on a commercially reasonable "best efforts" agency basis, in connection with an offering of subscription receipts of the Company (each, a "Subscription Receipt") to raise gross proceeds of up to CAD$6,000,000 (the "Offering"). The Offering was conducted as a closing condition of the Transaction.

   On March 12, 2021, the Company closed the financing with a total of 17,250,000 Subscription Receipts for one Unit (the "Unit") at a price of $0.30 (CAD$0.40) per Unit. Each Unit is comprised of one common share and one-half of one purchase warrant. Each whole purchase warrant entitles the holder thereof to purchase one share at $0.45 (CAD$0.60) per share for a period of two years. Gross proceeds of the financing were CAD$6,900,000, which includes the exercise of the Agent's over-allotment option in full representing 2,250,000 Subscription Receipts.

c. Early in 2021, the Company submitted to the Small Business Administration the application to request for forgiveness on the Company's PPP Loan, which was fully approved. Additionally, on March 17, 2021, the Company obtained confirmation from the PPP Loan subscriber, Bank of America, that its PPP Loan is now considered paid in full, including applicable interest.

d. On April 7, 2021, pursuant to the Company's omnibus long-term incentive plan, the Company granted a total of 2,195,000 stock options and 1,000,000 restricted share units ("RSU") to directors, officers, employees, and consultants of the Company. an exercise price of CAD$0.50 per share. Stock options vest at 25% after six months from the grant date, and 25% every six months thereafter, expiring on April 7, 2026. 750,000 RSUs vest at 100% after 36 months from the date of grant, expiring on April 7, 2026. 250,000 RSUs vest at 100% after 24 months from the date of grant, expiring on April 7, 2026. All stock options and RSUs are subject to the terms of the Company's omnibus long-term incentive plan and applicable securities law hold periods.

e. On April 19, 2021, the Company gave notice of termination of the license agreement between DKL International, Inc. ("DKL"), and DrawDown Technologies Inc. ("DDT"), a wholly owned subsidiary of the Company since completion of the Transaction March 17, 2021. On October 11, 2018, DDT entered into a license agreement ("Licensing Agreement") with DKL, as amended on February 6, 2020, for the commercial development of DKL's passive detection techniques and products that detect smokeless gunpowder from a standoff distance. Such notice of termination served as formal notice that the Licensing Agreement was terminated in full effective six months following the date of this notice. Upon the effective date of the termination, the parties to the Licensing Agreement will have no further rights and/or obligations pursuant thereto. In order to settle any and all outstanding amounts owed to DKL under the Licensing Agreement the Company offered to pay up to $77,025 subject to DKL's delivery of valid invoices and/or receipts for such amounts to the Company and the Company's written approval of such invoices and/or receipts.

   On April 28, 2020, the Company received confirmation from DKL that an amount of $631,570 was owing from the Company to DKL as at December 31, 2020, however management believes this claim is without merit and is in the process of disputing this amount. As at December 31, 2020, the Company has accrued $56,500.

8 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, 2020, 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, cash and cash equivalents, amounts receivables, property and equipment, intangible assets, accounts payable and accrued liabilities, share capital, stock-based payments, financial assets, impairment of financial assets, derivative instruments, loss per share, income taxes, investment tax credits and leases.**

Basis of presentation

The consolidated financial statements associated with the MD&A have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved by the Board of Directors on April 30, 2021.

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.

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.

Critical accounting judgements

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, 2020.

Application of new and revised accounting standards

Accounting standards adopted during the year

There was no new standards effective January 1, 2020 that impacted the Company's consolidated financial statements.

Accounting standards and amendments issued but not yet adopted

The following standards and interpretations, which may be applicable to the Company, have been issued but are not yet effective as of December 31, 2020.

(i) Amendment to IAS 16, Property, Plant and Equipment ("IAS 16")

On May 14, 2020, the IASB amended IAS 16 "Property, Plant and Equipment" to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The Company does not expect the amendments to IAS 16 to have a significant impact on its accounting policies.

9 DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the audited consolidated financial statements for the year ended December 31, 2020 and 2019, and this accompanying MD&A (together, the "Annual Filings").

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