



Management's Discussion and Analysis
Three and nine months ended April 30, 2022

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") is prepared as of June 9, 2022 and is intended to assist in understanding the results of operations and the financial condition of Patriot One Technologies Inc. (the "Company"). Throughout the MD&A, reference to the Company is on a consolidated basis. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine month periods ended April 30, 2022, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). The policies applied in the unaudited condensed consolidated interim financial statements are based on IFRS policies effective as of June 9, 2022, the date the Board of Directors approved the condensed consolidated interim financial statements. All amounts in this MD&A are expressed in Canadian Dollars unless otherwise indicated. The business of the Company is subject to a number of risks and uncertainties. Please refer to the Company's annual information form (the "AIF") for the year ended July 31, 2021, available under the Company's profile at www.sedar.com, for more information about these risks and uncertainties.

Forward Looking Information

This MD&A contains forward-looking information that involves material assumptions and known and unknown risks and uncertainties, of which are beyond the Company's control. Such assumptions, risks and uncertainties include, without limitation, those associated with loss of markets, expected sales, future revenue recognition, currency fluctuations, the effect of global and regional economic conditions, industry conditions, changes in laws and regulations and how they are interpreted and enforced, the lack of qualified personnel or management, fluctuations in foreign exchange or interest rates, demand for the Company's products, and availability of funding. The Company's performance could differ materially from that expressed in, or implied by, this forward-looking information and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if they do so, what benefits the Company will derive therefrom. The forward-looking information is made as of the date of this MD&A, and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. Actual events or results could differ materially from the Company's expectations and projections.

Corporate Structure and Profile

The Company's common shares are listed for trading on the TSX under the trading symbol "PAT", "PTOTF" on the OTCQX in the United States, and "OPL" on the Frankfurt Stock Exchange in Germany. The Company is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario. The principal regulator of the Company is the Ontario Securities Commission.

As of April 30, 2022, the Company had five wholly-owned subsidiaries, Patriot One Detection Ltd., a limited company incorporated under the laws of British Columbia, Canada, Patriot One (UK) Limited, a limited company incorporated under the laws of England and Wales, United Kingdom, Patriot One Detection Technologies Inc., a limited company incorporated under the laws of the state of Colorado, United States of America, EhEye Inc. ("Eh-Eye"), a limited company incorporated under the laws of the province of New Brunswick, Canada and Xtract Technologies Inc. ("Xtract"), a limited company

incorporated under the laws of British Columbia, Canada.

The Company, through Patriot One Detection Technologies Inc., has a 49% interest in Sotech Secure, LLC ("Sotech"), an incorporated entity formed under the laws of the State of Delaware.

Business Highlights for the three months ended April 30, 2022

The following is a summary of the key business highlights for the Company for three month period ended April 30, 2022:

- Accelerated topline growth with approximately \$2.8 million of revenue recognized during the first nine months of the fiscal year, of which \$0.9 million was generated in the current quarter;
- Continued to build backlog to over \$2.6 million, with an additional \$1.6 million pending successful trials that will be recognized as revenues in future periods;
- Secured and completed a \$1.0 million contract with Canada's Department of National Defense (DND), to further develop an artificial intelligence ("AI")-enabled full-motion video analytics application;
- Signed a contract with Kia Georgia to provide patron screening solutions for the entire manufacturing facility to enhance the existing guard service;
- Selected by Oak View Group to protect all entrances at Austin's new world-class live entertainment venue, Moody Center, the new home of the University of Texas basketball team;
- Commercially released the next phase of the Company's threat detection multi-sensor gateway (SmartGateway) with technology enhancements for increased accuracy, flexibility, ease of deployment, and practicality for sports and entertainment venues;
- Raised \$6.9 million of gross proceeds through the completion of a public offering, providing further capital in support of Company's operations;
- Subsequent to the period, selected by the Central Bank Center to secure the entrances at the Rupp Arena and Lexington Opera House located in Lexington, Kentucky; and
- Subsequent to the period, secured a \$1.0 million contract with Innovation Solutions Canada to provide AI-based solutions to improve situational awareness for first responders and firefighters.

Business of the Company

The principal business of the Company is to commercialize an integrated, layered, multi-sensor platform of technologies, referred to as the "Platform" (previously referred to as the "PATSCAN" or "PATSCAN platform"), with the aim of enhancing public safety. The Company's mission is to be one of the foremost global proponents and providers of commercial threat countermeasures for community safety. The

Company has two distinct operating segments being its Platform and Xtract business units. The Platform business unit develops and commercializes a platform of multi-sensor threat detection technologies, while Xtract develops and commercializes advanced AI solutions for customers.

COVID-19 Impact on Operations

The COVID-19 global pandemic, with its discrete economic, political, and social challenges, necessitated the Company to take a comprehensive and holistic assessment of the impact such a profoundly impactful development has made on its planned strategic initiatives. The Company, not alone in its challenge, experienced delays in its ability to fully satiate reseller, customer, and other end-user performance obligations according to originally planned timeframes. Over the past year, the United States lifted many of its lockdown restrictions and began returning to a degree of normalcy. This has helped generate strong interest for our Platform solutions and allowed us to commence many delayed pilots and deployments. The Company is hopeful that the conditions related to the pandemic will continue to improve which will continue to drive sales momentum. Although the recent steps towards reopening are encouraging, the Company continues to experience uncertainty in near-term planning as it relates to sales, supply chain management, and implementation activities as a result of the ongoing pandemic.

Outlook and Overall Performance

Platform Operating Segment

During the quarter, substantial progress has been made in the commercialization of the Company's Platform solutions. In recent months, the Company has secured multiple contracts for its gateway products and is currently in negotiation for a number of additional agreements. Some of these smaller contracts are for single locations with the potential to grow to dozens of locations. Revenue related to Platform subscription arrangements or upfront sales amounted to \$506,040 during the last three quarters. The backlog of sales commitments related to the Platform is now over \$1.2 million and continues to grow. This excludes an additional \$1.6 million in signed agreements that are pending successful pilots. As the Company continues to sell its platform using a subscription model, management expects monthly recurring revenue and sales backlog to increase providing predictable long-term cash flow.

Over the past few months, the Company completed multiple third-party evaluations and certifications on behalf of assorted commercial organizations, along with the Pro-Sports leagues and specific sports teams. These evaluations were conducted as part of multi-phased programs to validate the solution, develop league best practices, and prepare the leagues and teams for deployment. The most notable of these being the operational exercise completed last quarter by NCS4 which has generated immense inbound interest. In the last three months, the Company has seen an increase in market activity for patron screening solutions in the Company's primary markets. The Company attributes this to the ending of regular professional sports seasons where the Company has completed numerous customer demonstrations at multiple locations for assorted National Football League, National Hockey League, National Basketball Association, and live entertainment organizations. We expect that these successful league events and phased activities will be a key factor in the positive decision process by multiple sports and commercial organizations for the delivery of their security screening solution.

The Company continued to invest in the research and development of its suite of technologies that form the Platform and to advance the functionality of its product offerings in response to the growing market opportunities and feedback from early-adopter customers, resellers and partnership organizations. The Company continues to accelerate its product development roadmaps in response to market opportunities and customer needs, focusing on the industry-specific utility of the various solutions and capabilities under development.

Management is encouraged by the ongoing level of interest in its Platform solution and sees the recent growth in successful deployments, customer commitments, and sales pipeline as validation of its product performance and the addressable market.

Xtract Operating Segment

In September 2019, the Company acquired AI company Xtract, a highly talented and award-winning team of AI experts, as part of an ongoing strategic initiative to bring together leading-edge technologies and services to enhance the Company's Platform. Xtract's development and deployment of AI solutions is built upon an understanding of deep neural networks. Xtract has developed novel neural network architecture and fusion techniques that are more robust, efficient, and require lower memory than comparable standards. Xtract's video solutions use proprietary algorithms to apply human understanding to video and its analysis and have been successfully deployed for the military, health and emergency services, and environmental applications. Xtract's text solutions automate the digitization, parsing, and understanding of large collections of text data, allowing users to address complex real-world challenges.

The Xtract team continues to dually focus on supporting the internal Platform development efforts and the associated machine learning complexities of the various solutions under development in close coordination with the product development and data science teams, while also developing the AI-based solutions contracted through public sector agencies and entities along with a growing number of private sector parties.

In addition to \$2.3 million of revenue recognized during the first three quarters of fiscal 2022 related to professional service contracts, Xtract had a backlog of signed or awarded contracts of \$1.4 million as of April 30, 2022. This innovative AI team continues to build a robust pipeline of opportunities and an ever-expanding set of capabilities, which continue to inform and advance the strategic aims of the Company. Critical strategic decisions for Xtract are made in close consultation and coordination with the Company's leadership to ensure maximum synergies are achieved.

Investing in Research and Development

During the first three quarters of the fiscal year, the Company continued to invest in research and development activities focused around two specific project focus areas to advance the functionality of its product offerings in response to the growing market opportunities and feedback from early-adopter customers.

In October 2021, the Company entered into an agreement with Raytheon Technologies Corporation ("Raytheon") and received US\$2 million in non-dilutive cash funding as a part of Canada's Industrial and Technological Benefits ("ITB") program for the further development of these product offerings.

Multi-Sensor Gateway

The first multi-sensor gateway (“MSG” or the “Gateway”) was initially released to the market in August 2020, followed by enhanced versions of the Gateway in September 2021 and March 2022 which incorporated technology and functionality enhancements that made the patron screening product increasingly accurate, flexible and practical for sports and live entertainment venues.

The Gateway product is a crucial product within the Company’s technology portfolio due to the significant market demand for digital threat detection screening solutions. Accordingly, the Company intends to continue to make certain development modifications and enhancements to the Gateway product throughout the remainder of fiscal 2022, to further align the solution to meet the demands of its current and future customers and to maintain its status as a market leader for patron screening solutions. These enhancements are expected to continue to improve the capabilities of the gateway, thereby expanding the addressable market for the Gateway beyond the current target markets.

Video Recognition Software Platform

The Company released its first commercial version of its video recognition software (“VRS”) to the market in fiscal 2020. During the quarter, the Company continued to invest in the VRS solution to integrate the AI-powered Platform with its Gateway product. This work was substantially completed in October 2021, resulting in new software capabilities and giving security venue operators a new way to make data-driven, intelligent decisions about overall security requirements and vulnerabilities and thereby enhancing the overall patron experience.

With the successful integration of the VRS platform with our Gateway product, the product is well-positioned to address our current target markets. The Company intends to make certain modifications and enhancements to the VRS Platform throughout the remainder of fiscal 2022 to further align the solution to meet the demands of our customers.

Technology Update

Over the past year, the Company has made great strides with its AI-powered security offering and announced the launch of several new and innovative product enhancements. Following a very busy second quarter where the Company achieved substantial advancement in the development of SmartGateway, the current quarter was focused on preparing the supply chain and manufacturing partners for volume production. During this quarter an emphasis was also placed on enhancing the available in-field diagnostics capabilities of the gateway system and on improving system performance in high noise environments.

This leading-edge AI-powered security platform is unique in the marketplace and has the flexibility to address varying market needs and was bolstered with enterprise gateway features to support high traffic sports and live entertainment facilities. All of this provides interesting considerations for both the near-term and long-term and the Company continually assesses ways to expand its capabilities through development partnerships and strategic integrations.

Market Opportunity

In the short term, the Company is focusing on markets where its solution operates effectively in the customer’s physical environment, where the customer has a specific stated need that fits the Company’s

solution, and where sales cycles are reasonable. This strategy has been adopted to deliver near-term revenue. The Company has identified the following key market segments that are well suited for the Company's threat detection solutions:

- Stadiums, arenas, theatres, and outdoor event spaces
- Casinos
- Manufacturing and distribution facilities

The Company has been using marketing campaigns targeted at these industry groups which have led to promising opportunities and helped secure early commitments. During the quarter, the Company made meaningful progress with many customers and was able to build up its backlog. Some of the Company's initial sales are smaller commitments from large enterprise customers which will potentially lead to much larger installations. These customers prefer to roll out the Platform to a few entrances to ensure they are comfortable with their related security protocols before using it throughout their venues. The Company is focused on the success of these initial deployments which are anticipated to lead to much larger commitments.

Although the Company is focusing on these target markets in the short term, we intend to expand into additional markets with future releases of the product. The Company has also selectively engaged with customers in other market verticals such as manufacturing or healthcare where there is a strong product fit. The Company continues to make significant enhancements to its products to improve their capabilities and address customer needs. As our products continue to develop, we will expand our focus to other market verticals.

The total addressable market available to the company in the physical security space is \$135 billion and is expected to experience rapid growth and transformation. Organizations are becoming increasingly concerned about employee and patron safety while being unwilling to sacrifice the patron experience. These organizations are looking for creative solutions to these competing priorities which is driving demand for unique and innovative physical security solutions. The Company believes its patron screening solutions help address both of these problems far better than anything else on the market today.

The Company is currently expanding its reseller base, covering larger geographical territories and their respective end-user clientele. In furtherance of these initiatives, the Company is also commencing, in parallel, a direct to end-user sales model which will more precisely address our target industry groups. This will give more visibility into opportunities allowing us to forecast more accurately, control the sales process, remain competitive, increase sales margins, maintain the relationship with the end-user and learn directly from these early customers for further enhancements to the platform. The effect of this approach has already been seen with an increase in the sales pipeline and well-qualified opportunities where we have intimate knowledge of the customer and their processes. In parallel, we are building a program to support the recruitment of strategic alliance partners that offer complementary technologies where we can develop integrations and connect our products to offer more complete solutions together. This will provide us with access to a larger install base and promote direct sales.

Throughout the quarter, the Company was engaged in selected opportunities for collaboration, innovation, and business development relationships to accelerate growth and expand its presence globally. The Company is actively pursuing opportunities to leverage new technologies, execute on new business opportunities and grow our client base while providing business value to our clients.

The Company has recently instituted competitive sales programs and pricing schemes in close coordination with early-adopter resellers and end-user customers to ensure that our solutions directly address customer needs.

Financial Performance

Selected Financial Data – Summary of Results

	Three months ended April 30,			Nine months ended April 30,		
	2022	2021	% Change	2022	2021	% Change
Revenue	\$ 938,684	\$ 152,723	515%	\$ 2,825,363	\$ 815,540	246%
Expenses						
Sales and marketing	497,792	284,389	75%	1,424,502	1,135,896	25%
Research and development	1,944,283	984,988	97%	2,377,958	1,793,079	33%
General and administration	368,728	23,659	1459%	1,262,609	1,029,860	23%
Personnel costs	1,393,957	1,247,678	12%	3,535,599	3,510,995	1%
Professional fees	94,101	86,739	8%	637,989	674,890	(5%)
Hardware	5,245	28,054	(81%)	206,748	28,054	637%
Amortization	201,475	201,475	0%	604,425	631,342	(4%)
Depreciation	198,405	250,611	(21%)	585,961	736,406	(20%)
Share-based compensation	533,166	266,211	100%	738,680	971,793	(24%)
Loss on inventory write-down	89,661	-	100%	168,574	-	100%
Loss on retirement of assets	36,352	-	100%	36,352	-	100%
	5,363,165	3,373,804	59%	11,579,397	10,512,315	10%
Loss from operations	4,424,481	3,221,081	37%	8,754,034	9,696,775	(10%)
Unrealized loss (gain) on investments	(14,583)	148,500	110%	(160,417)	291,950	(155%)
Interest income	(1,582)	(55,722)	(97%)	(14,298)	(148,734)	(90%)
Loss before income taxes	\$ 4,408,316	\$ 3,313,859	33%	\$ 8,579,319	\$ 9,839,991	(13%)
Current tax recovery	-	(110,278)	(100%)	-	(169,886)	(100%)
Loss and comprehensive loss	\$ 4,408,316	\$ 3,203,581	38%	\$ 8,579,319	\$ 9,670,105	(11%)
Weighted average number of shares	157,311,819	150,728,622		153,229,620	150,728,622	
Basic and diluted loss per share	\$ 0.03	\$ 0.02	50%	\$ 0.06	\$ 0.06	0%

Overall Quarterly Results

Overall loss and comprehensive loss for the three month period ended April 30, 2022 was \$4.4 million compared with \$3.2 million for the same period ended April 30, 2021, representing an increase of \$1.2 million or 38%. Overall loss and comprehensive loss for the nine month period ended April 30, 2022 was \$8.6 million compared with \$9.7 million for the same period ended April 30, 2021, representing a decrease of \$1.1 million or 11%. The decrease in net loss for the nine month period ending April 30, 2022, was mainly attributable to the \$2.6 million non-dilutive funding from Raytheon and the increase in revenue for the nine month period ended April 30, 2022.

Revenue

The Company earned revenue of \$938,684 during the three month period ended April 30, 2022, as compared with \$152,723 for the same period ended April 30, 2021, representing an increase of \$785,961 or 515%. The Company earned revenue of \$2,825,363 during the nine month period ended April 30, 2022, as compared with \$815,540 for the same period ended April 30, 2021, representing an increase of \$2,009,823 or 246%.

The Company recognized \$506,040 in revenue related to the sale of the Platform during the nine month period ended April 30, 2022, as compared to \$67,528 during the same period ended April 30, 2021. The Company believes that revenue from this operating segment will grow further in the upcoming quarters due to the extensive backlog it has built up as well as the increase in customer site surveys, trials, and deployment activities currently underway.

The Company recognized revenue of \$2,319,323 in revenue related to work completed on contracts from the Xtract operating segment for the nine month period ended April 30, 2022, as compared to \$748,012 for the same period ended April 30, 2021. The increase was attributable to an increased number of contracts being won and worked on.

The Company's backlog of contracted commitments is broken down as follows:

	Less than one year	Greater than one year	As of April 30,		% Change
			2022	2021	
Platform revenue	\$ 578,956	\$ 625,017	\$ 1,203,973	\$ 821,634	47%
Xtract revenue	935,540	499,700	1,435,240	215,116	567%
Total backlog	\$ 1,514,496	\$ 1,124,717	\$ 2,639,213	\$ 1,036,750	155%

The Company recorded Platform backlog of \$1,203,973 as of April 30, 2022, as compared with \$821,634 as of April 30, 2021, representing an increase of 47% or \$382,339. The increase is mainly attributable to several new subscription contracts the Company has secured. As the Company continues to sell its Platform using a subscription model, management expects a continued increase in sales backlog, providing predictable long-term cash flow. The Platform backlog as of April 30, 2022, excludes an additional \$1.6 million in signed agreements that are pending successful pilots.

The Company recorded Xtract backlog of \$1,435,240 as of April 30, 2022, as compared with \$215,116 as of April 30, 2021, representing an increase of 567% or \$1,220,124. The increase was mainly attributable to an increased number of large contracts being won.

Sales and marketing

Sales and marketing costs were \$497,792 for the three month period ended April 30, 2022, as compared with \$284,389 for the same period ended April 30, 2021, representing an increase of 75% or \$213,403. Sales and marketing costs were \$1,424,502 for the nine month period ended April 30, 2022, as compared with \$1,135,896 for the same period ended April 30, 2021, representing an increase of 25% or \$288,606. The increase in these costs during the period was primarily attributable to the Company's growing investment in sales and marketing activities and a higher number of marketing campaigns. We expect sales and marketing expenses will remain steady or increase slightly as sales activity continues to grow in the upcoming periods.

Research and development

Research and development (“R&D”) costs were \$1,944,283 for the three month period ended April 30, 2022, as compared with \$984,988 for the same period ended April 30, 2021, representing an increase of 97% or \$959,295. R&D costs were \$2,377,958 for the nine month period ended April 30, 2022, as compared with \$1,793,079 for the same period ended April 30, 2021, representing an increase of 33% or \$584,879. The increase in R&D expenses was primarily attributable to the cessation of non-dilutive funding received from COVID-19 and Supercluster programs.

R&D costs are presented net of related non-dilutive funding provided to reimburse research and development costs. This includes COVID-19 relief funding from the Canadian Government and non-dilutive funding from Raytheon, as well as Supercluster funding for the development of COVID-19 response solutions.

The following table details the Company's gross R&D costs and related non-dilutive funding:

	Three months ended April 30,			Nine months ended April 30,		
	2022	2021	% Change	2022	2021	% Change
R&D costs before grants	\$ 1,944,283	\$ 1,851,948	5%	\$ 5,529,813	\$ 5,611,117	(1%)
Raytheon ITB program funding	-	-	0%	(2,553,000)	(478,700)	433%
Supercluster funding	-	(518,591)	(100%)	(410,530)	(1,940,453)	(79%)
R&D allocation of Covid-19 relief funding	-	(348,369)	(100%)	(188,326)	(1,398,885)	(87%)
	-	(866,960)	(100%)	(3,151,855)	(3,818,038)	(17%)
R&D costs net of grants	\$ 1,944,283	\$ 984,988	97%	\$ 2,377,958	\$ 1,793,079	33%

R&D costs before grants remained fairly consistent during the three month period ending April 30, 2022, compared to the same period ending April 30, 2021, increasing by 5% or \$92,335. R&D costs before grants also remained flat during the nine months period ending April 30, 2022, as compared with the same period ending April 30, 2021, decreasing by 1% or \$81,304. The Company continues to invest in R&D activities to refine and improve our Platform solutions.

COVID-19 relief, Supercluster, and Raytheon non-dilutive funding of \$3,151,855 was recorded as an offset to R&D costs during the nine month period ended April 30, 2022, as compared with \$3,818,038 for the nine month period ending April 30, 2021. The decrease was primarily attributable to a decrease in the COVID-19 relief and Supercluster fundings, as these programs have officially concluded as of October 31, 2021. The Company will continue to pursue non-dilutive funding opportunities.

General and administration

General and administrative costs were \$368,728 for the three month period ended April 30, 2022, as compared with \$23,659 for the same period ended April 30, 2021, representing an increase of 1459% or \$345,069. General and administrative costs were \$1,262,609 for the nine month period ended April 30, 2022, as compared with \$1,029,860 for the same period ended April 30, 2021, representing an increase of \$232,749 or 23%. The increase was primarily attributable to the cessation of COVID-19 relief funding on October 31, 2021.

General and administrative costs are presented net of COVID-19 relief funding from the Canadian government. When general and administrative costs are normalized by removing this offsetting funding, they remained flat during the nine month period ending April 30, 2022, as compared with the same period ending April 30, 2021, increasing by 3% or \$43,517. We expect general and administrative expenses will remain consistent in the upcoming periods.

Personnel costs

Personnel costs, excluding those costs associated with research and development activities, were \$1,393,957 for the three month period ended April 30, 2022, as compared with \$1,247,678 for the same period ended April 30, 2021, representing an increase of 12% or \$146,279. Personnel costs, excluding those costs associated with research and development activities, were \$3,535,599 for the nine month period ended April 30, 2022, as compared with \$3,510,995 for the same period ended April 30, 2021, representing an increase of 1% or \$24,604.

Personnel costs are presented net of COVID-19 relief funding from the Canadian government. When personnel costs are normalized by removing this offsetting funding, they decreased by 4% and 20% for the three and nine month periods ending April 30, 2022, respectively, as compared with the same periods ended April 30, 2021. This decrease was primarily due to the termination of a number of consultants and contractors as part of the Company's ongoing efforts to reduce non-strategic expenditures.

COVID-19 relief funding of \$nil and \$86,355 was recorded as an offset to personnel costs during the three and nine month periods ending April 30, 2022, respectively, as compared with \$201,095 and \$1,007,572 for the same three and nine month periods ending April 30, 2021. The COVID-19 relief funding concluded on October 31, 2021. The Company will continue to pursue non-dilutive funding opportunities in the future.

Professional fees

Professional fees were \$94,101 for the three month period ended April 30, 2022, as compared with \$86,739 for the same period ended April 30, 2021, representing a slight increase of 8% or \$7,362. Professional fees were \$637,989 for the nine month period ended April 30, 2022, as compared with \$674,890 for the same period ended April 30, 2021, representing a decrease of 5% or \$36,901. The decrease was primarily due to the Company's ongoing efforts to reduce non-strategic expenditures, which was partially offset by costs incurred for the prospectus supplement completed during the second quarter of fiscal 2022.

Hardware

Hardware expenses were \$5,245 and \$206,748 for the three and nine month periods ended April 30, 2022, as compared to \$28,054 for the same periods ended April 30, 2021. The increase in hardware expense was attributable to the associated costs of our Platform sales during the three and nine month periods ended April 30, 2022.

Amortization

Amortization costs were \$201,475 for the three month period ended April 30, 2022, unchanged from the same period in 2021. Amortization costs were \$604,425 for the nine month period ended April 30, 2022, as compared with \$631,342 for the same period ended April 30, 2021, representing a slight decrease of \$26,917 or 4%. The decrease in amortization expense relates to the amortization of specific government contracts obtained in the Xtract acquisition in fiscal 2021.

Depreciation

Depreciation expense was \$198,405 for the three month period ended April 30, 2022, as compared with \$250,611 for the same period ended April 30, 2021, representing a decrease of 21% or \$52,206. Depreciation expense was \$585,961 for the nine month period ended April 30, 2022, as compared with \$736,406 for the same period ended April 30, 2021, representing a decrease of 20% or \$150,445. The decrease is attributable to certain research and development assets and office leases recorded under IFRS 16 that are no longer in use.

Share-based compensation

Share-based compensation was \$533,166 for the three month period ended April 30, 2022, as compared with \$266,211 for the same period ended April 30, 2021, representing an increase of 100% or \$266,955. The increase is mainly attributable to the issuance of 2.65 million employee stock options during the three month period ended April 30, 2022. Share-based compensation was \$738,680 for the nine month period ended April 30, 2022, as compared with \$971,793 for the same period ended April 30, 2021, representing a decrease of 24% or \$233,113. The decrease was attributable to a decrease in the number of and fair value of stock options issued outstanding during the nine months period ended April 30, 2022.

Loss on inventory write-down

During the three and nine month periods ended April 30, 2022, the Company wrote down \$89,661 and \$168,574 worth of obsolete inventory respectively, that it no longer has the ability to sell. No inventory was written down during the three and nine month periods ended April 30, 2021. Management continuously reviews the inventory it holds for signs of impairment or obsolescence.

Loss on retirement of fixed assets

During the three and nine month periods ended April 30, 2022, the Company wrote down \$36,352 worth of obsolete fixed assets that were disposed during the quarter. No fixed assets were written down during the three and nine month periods ended April 30, 2021. Management continuously reviews the fixed assets it holds for indications of impairment or obsolescence.

Unrealized loss (gain) on investments

Unrealized gain on investment was \$14,583 for the three month period ended April 30, 2022, as compared with the unrealized loss of \$148,500 for the same period ended April 30, 2021, representing an increase of 110% or \$163,083. Unrealized gain on investment was \$160,417 for the nine month period ended April 30, 2022, as compared with the unrealized loss of \$291,950 for the same period ended April 30, 2021, representing an increase of 155% or \$452,367. The increase is mainly attributable to the increase in fair value of the Company's investment in Gemina Labs during the three and nine month periods ended April 30, 2022.

Interest income

Interest income was \$1,582 for the three month period ended April 30, 2022, as compared with \$55,722 for the same period ended April 30, 2021, representing a decrease of 97% or \$54,140. Interest income was \$14,298 for the nine month period ended April 30, 2022, as compared with \$148,734 for the same period ended April 30, 2021, representing a decrease of 90% or \$134,436. The decrease was due to a reduction in the Company's cash balance and a decrease in interest rates.

Net loss per share

On a per weighted average share bases, net loss per share was \$0.03 and \$0.06 for the three and nine month periods ended April 31, 2022, respectively, as compared with \$0.02 and \$0.06 for the comparative periods in 2021, respectively. The increase of \$0.01 or 50% in net loss per share for the three month period ended April 30, 2022 was primarily attributable to the cessation of COVID-19 relief and Supercluster fundings in October 2021. There were no changes in the net loss per share for the nine month period ended April 30, 2022, as compared with the same period ended April 30, 2021.

Financial Data - Summary of Quarterly Results (in \$000s)

	Quarter Ended							
	Apr 30, 2022	Jan 31, 2022	Oct 31, 2021	Jul 31, 2021	Apr 30, 2021	Jan 31, 2021	Oct 31, 2020	Jul 31, 2020
Revenue	\$ 939	\$ 1,177	\$ 709	\$ 266	\$ 153	\$ 287	\$ 376	\$ 385
Expenses								
Sales and marketing	498	606	320	336	284	399	452	571
Research and development	1,944	880	(446)	964	985	589	219	802
General and administration	369	543	351	357	24	374	633	733
Personnel costs	1,394	1,137	1,004	851	1,248	1,100	1,163	2,005
Professional fees	94	349	195	186	87	211	377	558
Hardware	5	177	24	-	28	-	-	-
Amortization	202	202	201	202	201	202	228	283
Depreciation	198	193	194	244	251	241	245	359
Share-based compensation	533	148	58	208	266	311	394	268
Loss on inventory write-down	90	79	-	-	-	-	-	246
Loss on retirement of assets	36	-	-	-	-	-	-	171
Loss from operations	4,424	3,137	1,192	3,082	3,221	3,140	3,335	5,611
Proportionate share of loss on investment		-	-	-	-	-	-	151
Unrealized loss (gain) on fair value investment	(15)	(44)	(102)	3,686	149	118	26	1,018
Other income - Interest	(1)	(11)	(2)	124	(56)	(57)	(36)	(35)
Loss before income taxes	4,408	3,083	1,088	6,892	3,314	3,201	3,325	6,745
Current tax recovery	-	-	-	-	(110)	(60)	-	(333)
Loss and comprehensive loss	\$ 4,408	\$ 3,083	\$ 1,088	\$ 6,892	\$ 3,204	\$ 3,141	\$ 3,325	\$ 6,412
Basic and diluted loss per share	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.05)	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.05)
Working capital	\$ 11,991	\$ 9,473	\$ 12,129	\$ 12,841	\$ 19,175	\$ 21,745	\$ 24,523	\$ 27,335
Total assets	\$ 48,744	\$ 45,146	\$ 48,087	\$ 49,398	\$ 56,234	\$ 59,708	\$ 63,188	\$ 66,010
Non-current liabilities	\$ 432	\$ 515	\$ 597	\$ 677	\$ 740	\$ 855	\$ 947	\$ 595

Quarterly Results Trend Analysis

The quarterly expenditure trend across the previous eight fiscal quarters above reflects the evolution of the Company's newly revamped strategy to accelerate revenue growth. The Company's primary objective remains the further development and commercialization of an integrated platform-based technology solution, using various sensor technologies. In fiscal 2020, the Company invested extensively in research and development to enhance our Platform solutions. Beginning in fiscal 2021, the Company refined its strategy and began cutting non-strategic expenses to focus its spending on activities leading to near-term revenue or setting the foundation for mid to long-term revenue growth. Throughout fiscal 2021, the Company continued to enhance its Platform solutions and began growing the sales pipeline despite the challenges posed by the COVID-19 global pandemic. In the first three quarters of fiscal 2022, the Company began to see the results of its enhanced marketing and sales efforts through increased revenue and sales commitments.

The Company has no discontinued operations.

Liquidity and Capital Resources

As of April 30, 2022, the Company had a working capital of \$11,990,849 which included cash of \$10,610,731 available to meet current liabilities of \$2,935,431. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has non-current liabilities of \$431,864 related to the long-term portion of the capitalized lease liabilities in accordance with IFRS 16.

Selected Financial Data – Summary of Results for the nine month periods ended April 30

	2022	2021	% Change
Cash beginning of period	\$ 9,652,493	\$ 22,407,251	(57%)
Cash used in operating activities	(5,006,460)	(8,997,593)	(44%)
Cash used in investing activities	(119,954)	(535,645)	(78%)
Cash from (used in) financing activities	6,084,652	(416,579)	1561%
Change in cash for the period	958,238	(9,949,817)	(110%)
Cash end of period	\$ 10,610,731	\$ 12,457,434	(15%)

During the nine month period ended April 30, 2022, the Company had positive cash flow from operations, investing, and financing activities of \$1.0 million, compared with negative cash flow from operations, investing, and financing activities of \$9.9 million for the same period ended April 30, 2021.

The cash flow used in operating activities was \$5.0 million for the nine month period ended April 30, 2022, as compared with \$9.0 million for the same period ended April 30, 2021, representing a decrease of \$4.0 million or 44%. The decrease in negative cash flow from operating activities can be attributed primarily to a reduction in the loss for the nine month period of \$1.1 million and a decrease in non-cash operating working capital of \$3.6 million. This was partially offset by an increase of \$0.7 million in non-cash operating expenses.

Cash flow used in investing activities was \$0.1 million for the nine month period ended April 30, 2022, as compared with \$0.5 million for the same period ended April 30, 2021, representing a decrease of \$0.4 million or 78%. The decrease in negative cash flow from investing activities can be attributed primarily to reduced fixed asset purchases during the nine month period ended April 30, 2022.

Cash flow from financing activities was \$6.1 million for the nine month period ended April 30, 2022, as compared to cash flow used in financing activities of \$0.4 million for the same period ended April 30, 2021, representing a change of \$6.5 million or 1561%. Cash received from financing activities for the current period mainly relates to the proceeds on the issuance of share capital upon prospectus financing net of issuance costs.

On March 17, 2022, the Company issued 10,743,450 units (the "Units") for gross proceeds of \$6,446,070 pursuant to a prospectus financing. On March 25, 2022, the Company issued an additional 41,700 Units for gross proceeds of \$25,020. On March 31, 2022, the Company further issued an additional 686,700 Units for gross proceeds of \$412,020 pursuant to the partial exercise of the over-allotment option. Each Unit consisted of one common share and one common share purchase warrant (the "Warrants"). These 11,471,850 Warrants allow the holders to acquire an additional common share at \$0.75 per share until March 17, 2025. The Company paid cash commissions of \$468,150 and \$300,743 for other share issue costs. The Company issued 781,711 broker warrants exercisable at \$0.60 per share until March 17, 2024. The fair value of these broker warrants was \$144,460, which along with the other costs of the financing was deducted from the value of the common shares issued.

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to safeguard its ability to continue as a going concern and to sustain future development of the business. Our objective is met by retaining adequate cash reserves to provide for the possibility that cash flows from operations will not be sufficient to meet future cash flow requirements. To maintain or adjust our capital structure, we may issue shares, such as through private placements or other possible arrangements. The Board of Directors does not establish a quantitative return on capital criteria for management. The Company is not subject to any externally imposed capital requirements.

Use of Proceeds from Bought Deal Financings

Use of Proceeds Category	Net Proceeds from October 2017, February 2018 and November 2018 Bought Deal Financings	Approximate spending allocation for the period October 25, 2017 - April 30, 2022	Proceeds unspent as at April 30, 2022
Product Development	\$29,108,000	\$18,161,000	\$10,947,000
Reserved for Potential Acquisitions of Complementary Technology	\$6,900,000	\$14,000,000	(\$7,100,000)
Sales and Marketing	\$8,786,000	\$10,212,000	(\$1,426,000)
Production and Operations	\$8,795,000	\$17,159,000	(\$8,364,000)
General and Administration	\$9,770,000	\$13,093,000	(\$3,323,000)
International Business Development	\$6,344,000	\$3,445,000	\$2,899,000
Working Capital	\$7,322,000	N/A	\$7,322,000
Total	\$77,025,000	\$76,070,000	\$955,000

In addition to the above-noted expenditures, certain expenditures have been capitalized in accordance with the Company's stated accounting policies. This would include items such as the purchase of property and equipment and changes in working capital, such as capitalized prepaid expenses and the procurement of inventory.

The Company's intention to spend the net proceeds of the offering as set forth above was based on the expectations of management at the time of the financing raises. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. At the current time, there are no significant changes to the business objectives and milestones and the Company believes the current objectives and milestones are achievable with the current spending trajectory.

Use of Proceeds from Public Offering dated January 5, 2022

On January 5, 2022, the Company filed a short form prospectus allowing the company to raise up to \$50 million. In March 2022, the Company completed a public offering and issued 11,471,850 Units and received net proceeds of \$6,114,217. The intended and actual use of these funds is outlined below.

Use of Proceeds Category	Net Proceeds from Prospectus Supplement	Approximate Spending for the period March 17, 2022 - April 30, 2022	Proceeds unspent as at April 30, 2022
Product Development	\$ 1,900,000	\$ 0	\$ 1,900,000
Sales and Marketing	\$ 2,030,000	\$ 0	\$ 2,030,000
Production and Operations	\$ 860,000	\$ 0	\$ 860,000
General Working Capital	\$ 1, 324,000	\$ 0	\$ 1, 324,000
Total	\$ 6,114,000	\$ 0	\$ 6,114,000

In addition to the above-noted expenditures, certain expenditures have been capitalized in accordance with the Company's stated accounting policies. This would include items such as the purchase of property and equipment and changes in working capital, such as capitalized prepaid expenses and the procurement of inventory.

The Company's intention to spend the net proceeds of the offering as set forth above was based on the expectations of management at the time of the financing raises. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. At the current time, there are no significant changes to the business objectives and milestones and the Company believes the current objectives and milestones are achievable with the current spending trajectory.

Financial Instruments and Other Instruments

The Company's only material financial instruments are cash, receivables, and its investment in Gemina Laboratories Ltd. ("Gemina Labs").

The Company's risk exposures and the impact on our financial instruments are summarized below:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company believes that these sources are sufficient to cover the likely short-term cash requirements over the next twelve months, but that further funding or net income from operating activities will be required to meet long-term requirements. As of April 30, 2022, the Company had cash of \$10,610,731 to settle current liabilities of \$2,935,431. Most of the Company's financial liabilities have contractual maturities of 30 days or less and are subject to normal trade terms.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and receivables. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset-backed commercial paper. Most of the Company's receivables primarily consist of sales tax refundable from the Canada Revenue Agency, trade receivable and grant funding from the Canadian Government, and accounts receivable under the Canadian ITB program and are not subject to significant credit risk.

Market risk

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

Interest rate risk

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risk is insignificant.

Foreign currency risk

Foreign currency risk is the risk that is related to the fluctuation of foreign exchange rates. Most of the Company's assets and liabilities are denominated in Canadian dollars. As of April 30, 2022, the Company did not have any material monetary assets or liabilities denominated in a foreign currency and consequently is not exposed to significant foreign currency risk.

Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Critical Accounting Policies and Estimates

For a complete description of the Company's significant accounting policies, please see the accompanying notes to the condensed consolidated interim financial statements for the period ended April 30, 2022, and the audited consolidated financial statements for the year ended July 31, 2021.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results may differ from these estimates.

Recent Accounting Pronouncements

The International Accounting Standards Board (IASB) has published new standards and amendments or interpretations to existing standards which are outlined below.

New accounting standards issued but not yet in effect

Provisions, Contingent Liabilities and Contingent Assets (Amendments to IAS 37)

The IASB has published Provisions, Contingent Liabilities and Contingent Assets (Amendments to IAS 37) which clarified the definition of the “cost of fulfilling” a contract. The amendments:

- i. Clarify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”;
- ii. Clarify that the costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The Company does not expect the adoption of this new amendment to have a significant impact on the consolidated financial statements.

Classification of liabilities as current or non-current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarified the guidance on whether a liability should be classified as either current or non-current. The amendments:

- i. Clarify that the classification of liabilities as current or non-current should only be based on rights that are in place “at the end of the reporting period”;
- ii. Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- iii. Make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The Company does not expect the adoption of this new amendment to have a significant impact on the consolidated financial statements.

Related Party Balances and Transactions

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. Key management compensation paid to officers and directors of the Company during the nine month period ended April 30, 2022, was \$883,547 (2021 - \$1,425,088). In addition, share-based compensation expense relating to key management for the nine month period ended April 30, 2022, was \$183,027 (2021 - \$523,320).

As of April 30, 2022, there is no outstanding amount (2021 - \$38,056) in accounts payable and accrued liabilities due to officers and directors of the Company or to companies controlled by directors and officers of the Company. There were no other related party transactions during the nine month period ended April 30, 2022.

Controls and Procedures

Evaluation of disclosure controls and procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At April 30, 2022, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

The Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures which provide reasonable assurance that material information regarding the Company is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer in a timely manner.

In addition, the Chief Executive Officer and Chief Financial Officer have designed or caused it to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements.

The Chief Executive Officer and Chief Financial Officer have been advised that the control framework used to design the Company's ICFR is recognized by the Committee of Sponsoring Organizations of the Treadway Commission.

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether there were changes to its ICFR during the nine month period ended April 30, 2022, that have materially affected or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

A control system, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures and our internal controls over financial reporting are effective in providing reasonable, not absolute, assurance that the objectives of our control systems have been met.

Risk and Uncertainties

The Company's business is subject to a number of risk factors which are described in our most recently filed AIF. Additional risks and uncertainties not presently known to us or that we currently consider

immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks occur, business plans may be impacted and the financial condition and results of operation may suffer, potentially significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

Additional information and other publicly filed documents relating to the Company are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at www.sedar.com.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Disclosure of Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. As of the date of this MD&A, the Company has 163,179,222 common shares issued and outstanding. In addition, there are 12,253,561 warrants which may be converted to one common share each at prices ranging from \$0.60 to \$0.75. The Company also has stock options outstanding to purchase an additional 10,354,829 common shares with exercise prices ranging from \$0.43 to \$2.48 per share.