



xtract o|n|e

Management's Discussion and Analysis
For the year ended July 31, 2025



Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") is prepared as of October 23, 2025, and is intended to assist in understanding the results of operations and the financial condition of Xtract 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 audited consolidated financial statements for the year ended July 31, 2025, which are prepared under International Financial Reporting Standards ("IFRS"). The policies applied in the audited consolidated financial statements are based on IFRS policies effective as of October 23, 2025, the date the Board of Directors approved the audited consolidated financial statements. All amounts in this MD&A are expressed in Canadian Dollars unless otherwise indicated. The business of the Company is subject to several risks and uncertainties. Please refer to the Company's annual information form (the "AIF") for the fiscal year ended July 31, 2025 ("Fiscal 2025"), which is available under the Company's SEDAR+ profile at www.sedarplus.ca, for more information about the Company and these risks and uncertainties, including those set forth under the heading "Risk Factors".

Forward-Looking Information

This MD&A contains forward-looking information that involves material assumptions and known and unknown risks and uncertainties, 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, 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 (the "Common Shares") are listed for trading under the trading symbol "XTRA" on the Toronto Stock Exchange in Canada (the "TSX"), under the trading symbol "XTRAF" on the OTCQX Best Market in the United States, and under the trading symbol "OPL" on the Frankfurt Stock Exchange in Germany. Certain Common Share purchase warrants ("Warrants") issued by the Company as part of a public offerings that were completed on April 24, 2024 (the "2024 Prospectus Offering") and May 1, 2024 (as to the full exercise of the remaining overallotment option granted to the agents under the 2024 Prospectus Offering) are listed for trading on the TSX under the trading symbol "XTRA.WT". The Company is a reporting issuer in all provinces and territories of Canada, except Québec. The principal regulator of the Company is the Ontario Securities Commission.

As at July 31, 2025, the Company had five wholly-owned subsidiaries, Xtract One Detection Ltd. ("Xtract Detection"), a limited company incorporated under the laws of the province of British Columbia, Canada, Patriot One (UK) Limited ("Patriot UK"), a limited company incorporated under the laws of England and Wales, United Kingdom, Xtract One (US) Technologies Inc. ("Xtract US"), a limited company incorporated





Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

under the laws of the state of Colorado, United States of America, EhEye Inc. ("EhEye"), a limited company incorporated under the laws of the province of New Brunswick, Canada, and Xtract Technologies Inc. ("Xtract Technologies"), a limited company incorporated under the laws of the province of British Columbia, Canada.

The Company, through Xtract US, has a 49% interest in Sotech Secure, LLC, a limited liability corporation formed under the laws of the State of Delaware.

Business Highlights for the year ended July 31, 2025

The following is a summary of the Company's key financial highlights for the year ended July 31, 2025:

- Total contract value of new bookings¹ was \$38.5 million for the year ended July 31, 2025, as compared to \$29.8 million for the same year ended July 31, 2024, representing an increase of 29%. Total contract value of new bookings¹ was \$16.5 million for the fourth quarter of Fiscal 2025 compared to \$5.6 million for the same period in fiscal 2024 representing an increase of 195%.
- Contractual backlog was \$15.5 million as of July 31, 2025, as compared to \$13.8 million as of July 31, 2024, representing an increase of 12%. The contractual backlog as of July 31, 2025, excludes an additional \$34.0 million in signed agreements pending installation¹ representing an increase of 163% over the previous year, when the signed agreements pending installation balance was \$13 million.
- Recorded annual revenue of \$13.9 million for the year ended July 31, 2025, compared to \$16.4 million for the year ended July 31, 2024, reflecting a 15% decrease in topline growth.
- Gross margin of 66% for the year ended July 31, 2025, as compared to 63% for the same year ended July 31, 2024.

The following is a summary of the Company's key business highlights for the year ended July 31, 2025:

- Launched Xtract One Gateway, the Company's latest AI-driven security solution, which is purpose built for locations where visitors regularly enter carrying numerous larger personal items, otherwise categorized in the security screening field as medium-clutter environments, eliminating the need for separate bag searches.
- Continued expansion into the automotive manufacturing vertical, with the announcement that the Company had been selected by a global auto manufacturer to secure five of its North American facilities, commencing with locations in Tennessee and Ohio.
- Announced that Xtract One Gateway and SmartGateway solutions were selected by Tift County Schools in Georgia and Bowie State University in Maryland, respectively, to enhance safety across school and campus environments. These deployments mark the Company's growing presence in the U.S. education sector, showcasing its AI-powered solutions' ability to improve security while maintaining welcoming and non-intrusive experiences.

¹ This is a non-IFRS measure and is not defined or standardized under IFRS. Refer to section *Non-IFRS and Supplementary Financial Measures*.



Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

- Announced that the Company's SmartGateway solutions were selected for deployment at the San Mateo Medical Center in California to comply with AB 2975 mandating hospital weapons detection, and at key hospital locations in Manitoba, Canada. These deployments expand the Company's presence in the healthcare sector, providing AI-powered, non-intrusive weapons detection that enhances safety while maintaining a welcoming experience for patients, staff, and visitors.
- Announced that the Company had entered into a master supply agreement with a leading global media and entertainment organization to supply its SmartGateway screening technology solution. The initial deployment is at a venue in Asia with the potential of ongoing expansion at any of the brand's growing portfolio of hundreds of entertainment venues, retail stores and production facilities worldwide.
- Announced that the Company has signed an agreement with the [Colorado Rockies](#) of Major League Baseball (MLB) to use [SmartGateway](#) at their home ballpark, [Coors Field](#) as a joint development project to introduce frictionless, streamlined screening and entry to fans and patrons this baseball season.
- Completed a public offering on June 18, 2025 (the "2025 Prospectus Offering") for total combined gross proceeds of \$8.07 million (including the full exercise of the over-allotment option granted to the underwriter under the 2025 Prospectus Offering), providing further capital in support of the Company's operations.
- Announced that Xtract One Gateway and SmartGateway solutions were selected by Mecklenburg County Public Schools in Virginia and Meridian Public School District in Mississippi, respectively, to enhance safety across campuses. The AI-powered systems detect weapons while allowing students to carry personal items, providing effective protection, minimizing disruptions, and maintaining a welcoming school environment for students, staff, and visitors.

Business Highlights subsequent to the year ended July 31, 2025

- Subsequent to the year ended July 31, 2025, the Company entered into an agreement with Volusia County Schools in Florida to provide Xtract One Gateway systems to enhance school security. This consists of a phased deployment of 48 systems which will provide efficient, accurate weapons detection without bag removal, ensuring safe, seamless, and welcoming campuses for students, staff, and visitors.
- Subsequent to the year ended July 31, 2025, the Company entered into a contract to provide SmartGateway screening solutions to a leading, global performing arts company following a trial period for a single show. The initial deployment will support a number of touring performances across dozens of venues throughout 2025 and 2026.
- Subsequent to the year ended July 31, 2025, the Company announced a US\$2.6 million contract to expand a SmartGateway deployment at a major international entertainment venue. This three-year expansion contract, building on a 2023 contract worth US\$5.1 million, will continue to enhance guest safety for over 25 million annual visitors and highlights growing global demand for Xtract One's advanced security solutions.



Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

- Subsequent to the year ended July 31, 2025, Xtract One announced that Temple University selected its SmartGateway system to enhance security at The Liacouras Center in Philadelphia. In partnership with Oak View Group, the AI-powered deployment replaces metal detectors, streamlines entry, ensures safety, and improves the overall patron experience at the 10,000-seat arena.
- Subsequent to the year ended July 31, 2025, Xtract One announced that Delmar School District selected its SmartGateway system to enhance security at their middle and high school entrances in Delmar, Delaware. This deployment will help the school district prioritize an educational experience where safety comes first.

Business of the Company

The principal business of the Company is to develop and commercialize integrated, layered, artificial intelligence ("AI") powered threat detection gateway solutions, with the aim of enhancing public safety. The product portfolio includes the SmartGateway, the newly announced Xtract One Gateway (together, the "Gateways") and Xtract One View. The Company's mission is to create transformative technology solutions that deliver exceptional experiences, safer environments, and informed operational insights for our customers, their patrons and staff.

Outlook and Overall Performance

During the year, continued progress was made in the development and commercialization of the Company's Gateway solutions. Revenue related to the SmartGateway product amounted to \$13.9 million for the fiscal year 2025. As at July 31, 2025, the backlog of sales commitments was approximately \$15.5 million and continues to grow. This excludes an additional \$34.2 million in signed agreements for the Gateway solutions that are pending installation. The Company sells its Gateway solutions through an upfront purchase model, with recurring support services and through a subscription model, both of which contribute to monthly recurring revenue and increasing sales backlog, providing predictable long-term cash flow.

During Fiscal 2025, the Company maintained its focus on accelerating customer sales and sales-related activities through continued customer wins and further development with channel resellers, resulting in a sizeable number of year to date bookings. The partnerships with Madison Square Garden Sports Corp. ("MSG Sports") and the Oak View Group ("OVG"), continue to support the Company in the sports and entertainment markets. Various targeted sales and marketing initiatives have also strengthened the Company's market position in the education and healthcare markets as evidenced through substantial new customers wins such as San Mateo Medical Center in California, Shared Health in Manitoba, Volusia County Schools in Florida, and Bowie State University in Maryland, demonstrating the Company's ability to further penetrate these markets, resulting in increased signed contracts and backlog. Additionally, the Company continues to penetrate the entertainment market with its recent announcement of the \$2.8 million USD expansion of an existing contract with a major international entertainment venue as well as entering into a master supply agreement with a global entertainment organization.

The Company continues to invest in the research and development of its suite of technologies and to advance the functionality of its product offerings in response to the growing market opportunities and feedback from customers, resellers, and partnership organizations. The Company continues to accelerate





Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

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.

Significant progress was achieved on the Company's innovative security platform, Xtract One Gateway, with shipments commencing in the final quarter of Fiscal 2025. The product has already been certified in all key markets, including the U.S., Canada, UK and the European Union. The Company has also and continues to, hosted numerous demonstrations and product trials with customers of all types including education, healthcare, corporate organizations, manufacturing and distribution companies. During Fiscal 2025, the Company signed contracts with nine new customers worth over \$13.1 million for its Xtract One Gateway, serving a variety of markets including education, healthcare and manufacturing and commercial enterprises.

Management is encouraged by the ongoing and accelerating interest in its solutions and sees the recent growth in successful deployments, customer commitments, and the continued sales pipeline growth, as validation of its product performance and the addressable market. Management sees these factors as positive leading indicators of the expected future performance of the Company.

During Fiscal 2025, the Company reassessed its segment reporting in accordance with IFRS 8 Operating Segments. Management determined that the previously disclosed operating segments of "Platform" and "Xtract" no longer meet the quantitative thresholds for separate disclosure. As a result, the Company now reports as a single operating and reportable segment, with comparative information adjusted to conform to the current year's presentation. Accordingly, no additional segment disclosures are required or presented.

Investing in Research and Development

During Fiscal 2025, the Company continued to invest in research and development activities focused on its primary product offerings to advance functionality in response to the expanding addressable market and global opportunities.

AI-Powered Threat Detection Gateway

The first AI-powered threat detection gateway was initially released to the market in August 2020, followed by numerous enhanced versions. The most recent version of the SmartGateway was deployed in December 2023, which featured a ruggedized version to ensure its durability and performance in various environments, therefore, creating a single product offering and deployment model for all customers.

The SmartGateway is currently the primary weapon detection product within the Company's technology portfolio due to the significant market demand for AI threat detection screening solutions. Accordingly, the Company has invested in the continued development, testing, and enhancement of the SmartGateway product, with the primary objective being to meet the growing market demands of its current and future customers, further maintaining the Company's status as a market leader in advanced patron screening solutions.

In addition, these investments in technology research have also facilitated product development to support increasingly complex environments such as, workplaces, schools, manufacturing and healthcare organizations, as evidenced by the Company's recent launch of the Xtract One Gateway product. These product developments are expected to increase the capabilities which suit the Company's customers' requirements and specifically advance threat detection technology in medium clutter environments, thereby expanding the market for the Gateways beyond the current primary target markets.





Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

In preparation for market segmentation expansions, the Company has diligently worked on the regulatory requirements for different geographic markets, while continuing to optimize the solutions' functionality for customer configurability, accuracy, and supportability.

Technology Update

During Fiscal 2025, the Company continued to focus its efforts to actively improve on its technological solutions. The Company's commitment to innovation and meeting the ever-changing needs of customers remains unwavering. In direct response to feedback from field engineers and customers in the live entertainment and sports venue markets, changes to the SmartGateway were focused on improved durability and system diagnostics. The Company has also invested significant development effort in Xtract One View, a software as a service (SaaS) platform that seamlessly integrates with a customer's fleet of Gateways. Xtract One View provides a combination of fleet management functionality, real time analytics, and post event reporting capabilities. The cloud platform provides facilities with a single, simplified dashboard view to oversee an entire fleet of SmartGateway and Xtract One Gateway settings along with central statistical information from a single logon. The Company continues to look for ways to further improve its technology suite with planned software updates and new value-added functionality to deliver exceptional customer service and improved patron experience as additional insights in the field and features are identified by customers following successful deployments.

On September 17, 2024, the Company announced the launch of Xtract One Gateway, the Company's latest AI-driven security solution with advanced bi-directional screening and proprietary sensors designed for precise weapons detection and identification. Xtract One Gateway is purpose-built for locations where visitors regularly enter carrying numerous larger personal items, eliminating the need for ancillary x-ray machines or separate bag searches, and unobtrusively scan individuals, their pockets, and bags for mass casualty items while distinguishing against non-threatening objects like laptops, 3-ring binders, phones, water bottles, and other personal belongings. The Company believes that this technology is uniquely positioned to address environments needing superior threat detection and object identification with medium volume of personal belongings such as schools, higher education, workplaces, conference centers and certain healthcare facilities. The Company started shipping its first Xtract One Gateways in July 2025.

The Company continues to build out new functionality and advance scalability to support the growing set of clients adopting the Company's Gateways. The Company's unified AI-powered security solutions remain unique in the marketplace and are being bolstered with enterprise features to support high traffic venues and facilities implementing Gateways at scale. The Company continues to develop and expand its capabilities through development partnerships and strategic integrations.

Market Opportunity

The total addressable market available to the Company in the physical security space is approximately \$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 individual experience. These organizations are looking for creative solutions to address these competing priorities, which is driving demand for unique and innovative physical security solutions. The Company believes its patron screening solutions help address both problems far better than anything else in the market today.





Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

The Company continues to focus on markets where its solution operates effectively in the customer's physical environment, and where the timing of the sales cycle is reasonable. This strategy has been adopted to deliver near-term revenue. The Company currently addresses the following primary market segments that are well-suited for the Company's SmartGateway threat detection solution:

- stadiums, arenas, theatres, entertainment venues, and outdoor event spaces;
- casinos;
- manufacturing and distribution facilities; and
- certain healthcare and educational facilities.

These primary target market segments have been the Company's priority in the short term, in which the SmartGateway solution is best positioned to meet the needs of these facilities which have high traffic and low personal belongings on entrance. SmartGateway streamlines the experiences for entrance to these types of facilities, reducing the impact of divestments and gets people in quicker to maximize their time within the facility.

The Company has been using marketing campaigns targeted at these industry groups which have led to promising opportunities and have helped secure a growing backlog and pipeline of commitments. In addition, the Company has secured key strategic partnerships with two prominent industry leaders, OVG and MSG Sports, to further solidify its position as a market leader in the sports and entertainment market.

Further, during fiscal 2024, the Company announced that the SmartGateway had been awarded the DHS SAFETY Act Designation as a Qualified Anti-Terrorism Technology (QATT). This award solidifies the Company's standing as a trusted partner for major professional sports leagues and stadiums and recognizes Xtract One's efficacy in safeguarding public spaces against advanced modern threats.

During Fiscal 2025, the Company announced the launch of Xtract One Gateway as its latest AI-driven security solution. Xtract One Gateway is purpose-built for locations where visitors regularly enter carrying numerous larger personal items, otherwise categorized in the security screening field as medium-clutter environments, eliminating the need for separate bag searches. The Company has selectively engaged customers in certain key market verticals where there is a strong product fit and a solid demand for our solutions such as:

- schools and higher education;
- workplaces and conference centers; and
- certain healthcare facilities.

We believe Xtract One Gateway's superior threat and object detection best meets the needs of these environments where there is a medium volume of personal belongings on entrance, including laptops. The Company started shipping its first Xtract One Gateways in July 2025.

During Fiscal 2025, the Company continued to make meaningful progress with many customers and built up its backlog of contracts. Some of the Company's initial sales begin as smaller purchases from large enterprise customers, after which these existing customers have expanded their commitments by increasing the number of deployments of the Gateway to additional sites. Many customers prefer a phased approach with a rollout of the Gateway to a few entrances to ensure they are comfortable with their related security protocols before using it throughout their venues. The Company's focused success in these deployments have started to lead to much larger customer commitments.

The Company continues to make significant enhancements to its products to improve capabilities and address customer needs. As products continue to develop, we will continue to expand our target market to





Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

new market verticals and geographies. To support this, the Company has placed an emphasis on third party testing and validation of its products as well as obtaining various regulatory certifications. These certifications increase credibility in the marketplace and assist in the pursuit of new market opportunities.

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 also uses a direct-to-end-user sales model that more precisely addresses our target industry groups. This gives greater visibility into opportunities enabling the Company 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 customers for further enhancements to the product offering. The effect of this approach has already been seen with a substantial increase in sales, sales pipeline, and the number of well-qualified opportunities where we have intimate knowledge of the customer and their processes.

The Company has also instituted competitive sales programs and pricing schemes in close coordination with resellers and end-user customers to ensure that the go to market strategy is competitive and directly addresses market needs. In parallel, the Company continues to build 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 also provide us with access to a larger installation base to promote direct sales.

The Company continues to engage in selected opportunities for collaboration, innovation, and business development relationships to accelerate growth and expand its presence globally. The Company is actively pursuing international opportunities, as appropriate, to leverage new technologies, build brand awareness, execute new business, and grow our client base.



Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

Annual Financial Performance

Selected Financial Data - Summary of Financial Results

	For the year ended July 31,		
	2025	2024	% Change
Revenue	\$ 13,853,553	\$ 16,358,007	(15%)
Cost of revenue	4,774,300	6,099,988	(22%)
Gross profit	\$ 9,079,253	\$ 10,258,019	-11%
Operating expenses			
Selling and marketing	\$ 6,208,637	5,593,432	11%
General and administration	7,610,758	7,479,609	2%
Research and development	6,971,625	8,265,043	(16%)
Loss on inventory write-down	321,003	175,042	83%
Loss on retirement of assets	24,199	95,066	(75%)
Total operating expenses	21,136,222	21,608,192	(2%)
Loss from operations	\$ (12,056,969)	(11,350,173)	6%
Interest and other income	179,873	285,318	(37%)
Net loss for the period	\$ (11,877,096)	(11,064,855)	7%
Other comprehensive income (loss) for the period			
Currency translation differences for foreign operations	353,618	-	0%
Comprehensive loss for the period	\$ (11,523,478)	\$ (11,064,855)	4%
Weighted average number of shares	220,864,106	203,820,258	
Basic and diluted loss per share	\$ (0.05)	\$ (0.05)	0%

Selected Annual Information (in \$000s except loss per share amounts)

	For the year ended July 31,		
	2025	2024	2023
Total revenue	\$ 13,854	\$ 16,358	\$ 4,111
Comprehensive loss for the year	(11,523)	(11,065)	(16,336)
Basic and diluted loss per share	\$ (0.05)	\$ (0.05)	\$ (0.09)
Total assets	\$ 23,413	\$ 24,942	\$ 18,998
Non-current liabilities	\$ 3,305	\$ 3,346	\$ 124



Xtract One Technologies Inc.

Management’s Discussion and Analysis
For the year ended July 31, 2025

Overall Annual Results

Overall loss and comprehensive loss for the year ended July 31, 2025, was \$11.5 million compared with \$11.1 million for the year ended July 31, 2024, representing an increase of \$0.4 million or 4%. The increase in loss for the year ended July 31, 2025 was mainly attributable to the decrease in revenue and gross profit.

Revenue

The Company reported total revenue of \$13.9 million during the year ended July 31, 2025, compared with \$16.4 million, for the same year ended July 31, 2024, representing a decrease of \$2.5 million or 15%. The Company believes that revenue will grow in the upcoming periods due to the extensive backlog it has built up from upfront purchase contracts as well as maintenance and subscription contracts, which add to the growth in monthly recurring revenue. The Company has also experienced a notable increase in customer site surveys, trials, and deployment activities currently underway, particularly for the Xtract One Gateway which we expect to be ramping up production in the first quarter of Fiscal 2026. A meaningful portion of our backlog pertains to the Xtract One Gateway product which commenced shipments at the end of fiscal year 2025.

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

	Less than one year	Greater than one year	As of July 31,		% Change
			2025	2024	
Total backlog	\$ 7,431,696	\$ 8,041,791	\$ 15,473,487	\$ 13,787,836	12%

The Company recorded a backlog of \$15.5 million as of July 31, 2025, as compared with \$13.8 million as of July 31, 2024, representing an increase of \$1.7 million or 12%. The increase is mainly attributable to several new contracts that the Company secured and deployed throughout the year ended July 31, 2025. The backlog as of July 31, 2025, excludes an additional \$34.0 million in signed agreements that are pending installation, which is an increase from the \$13.0 million of signed contracts that existed as of July 31, 2024. As the Company continues to sell its Gateway solutions using a subscription model, management expects a continued increase in sales backlog, providing predictable long term cash flow.

Cost of revenue

The cost of revenue was \$4.8 million for the year ended July 31, 2025, as compared with \$6.1 million for the same year ended July 31, 2024, representing a decrease of 22% or \$1.3 million. The decrease in these costs during Fiscal 2025 was primarily attributable to a concurrent decrease in related revenues.



Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

Gross profit

The following table provides a breakdown of gross profit and gross margin for the reported periods:

For the year ended July 31,			
Gross Profit (\$000s)		Gross Margin	
2025	2024	2025	2024
\$ 9,079	\$ 10,258	66%	63%

Total gross profit for the year ended July 31, 2025, decreased compared with the prior year, however, the gross profit margin improved to 66% for the year ended July 31, 2025, from 63% for the year ended July 31, 2024. The increase in margin demonstrates the Company's effective management of cost of revenue combined with strong pricing for its Gateways. Gross margins are expected to be impacted in the near term by costs related to the initial production and installation of the Xtract One Gateway; however, they are anticipated to improve with broader commercial deployment in fiscal 2026.

Sales and marketing

Sales and marketing costs were \$6.2 million for the year ended July 31, 2025, as compared with \$5.6 million for the same year ended July 31, 2024, representing an increase of 11% or \$0.6 million. The relative increase in these costs was primarily attributable to the Company's continued investment in our initial and expanded target markets through campaigns, trade shows and customer demonstrations. We expect these expenses will remain steady or increase slightly as sales and marketing activity expands to new market verticals in the upcoming periods.

General and administration

General and administrative costs were \$7.6 million for the year ended July 31, 2025, as compared with \$7.5 million for the same year ended July 31, 2024, representing an increase of 1% or \$0.1 million. Overall general and administrative costs were relatively consistent, which is due to management's efforts in managing operating expenses and continually looking for opportunities to reduce non-strategic expenses. We expect general and administrative expenses will remain steady in the upcoming periods.

Research and development

Research and development ("R&D") costs were \$7.0 million for the year ended July 31, 2025, as compared with \$8.3 million for the same year ended July 31, 2024, representing a decrease of 16% or \$1.3 million. The decrease in R&D costs is due to one time Xtract One Gateway development costs incurred in fiscal 2024. We expect R&D expenses to remain steady or increase slightly in upcoming periods as we continue to invest in the continued enhancement and development of our technology product portfolio.

Loss on inventory

During the year ended July 31, 2025, the Company wrote down \$0.3 million of inventory as compared to \$0.2 million during the year ended July 31, 2024, representing an increase of 83% or \$0.1 million. Management continuously reviews the inventory it holds for signs of impairment or obsolescence.



Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

Loss on retirement of assets

During the year ended July 31, 2025, the Company wrote down \$24,199 of obsolete fixed assets as compared with \$95,066 for the year ended July 31, 2024, representing a decrease of 75% or \$70,867. Management continuously reviews fixed assets for indications of impairment or obsolescence.

Interest and other income

Interest and other income was \$179,873 for the year ended July 31, 2025, as compared with \$285,318 for the same year ended July 31, 2024, representing a decrease of 37% or \$105,445. The lower cash balances throughout the duration of the fiscal year, contributed to the overall decrease in interest income.

Net loss per share

On a weighted average share basis, net loss per share remained consistent at \$0.05 for both the years ended July 31, 2025 and 2024. The stability in net loss per share for Fiscal 2025 was mainly driven by lower comprehensive loss for the year, partially offset by the increase in outstanding shares from the 2025 Prospectus Offering completed in the fourth quarter of Fiscal 2025.



Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

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

	Quarter Ended							
	Jul 31, 2025	Apr 30, 2025	Jan 31, 2025	Oct 31, 2024	Jul 31, 2024	Apr 30, 2024	Jan 31, 2024	Oct 31, 2023
Revenue	\$ 3,347	\$ 3,466	\$ 3,412	\$ 3,627	\$ 5,638	\$ 4,683	\$ 2,920	\$ 3,116
Cost of Revenue	963	1,489	1,008	1,313	1,954	1,977	1,136	1,032
Gross profit	\$ 2,384	\$ 1,977	\$ 2,404	\$ 2,314	\$ 3,684	\$ 2,706	\$ 1,784	\$ 2,084
Operating expenses								
Selling and marketing	\$ 1,757	\$ 1,563	\$ 1,225	\$ 1,663	\$ 1,527	\$ 1,259	\$ 1,300	\$ 1,508
General and administration	2,243	1,855	1,649	1,864	2,202	1,937	1,693	1,648
Research and development	1,893	1,639	1,640	1,800	2,297	2,183	2,059	1,726
Loss on inventory write-down	13	27	281	-	64	4	107	-
Loss on retirement of assets	1	2	22	-	55	40	-	-
Total operating expenses	\$ 5,906	\$ 5,086	\$ 4,816	\$ 5,327	\$ 6,145	\$ 5,423	\$ 5,158	\$ 4,882
Other income								
Unrealized gain (loss) on investment	-	-	-	-	-	-	-	-
Interest and other income	10	28	67	75	88	45	57	96
Net loss for the period	\$ (3,513)	\$ (3,081)	\$ (2,346)	\$ (2,938)	\$ (2,373)	\$ (2,672)	\$ (3,317)	\$ (2,702)
Other comprehensive income for the period								
Currency translation differences for foreign operations	5	(197)	263	283	-	-	-	-
Comprehensive loss for the period	\$ (3,508)	\$ (3,278)	\$ (2,082)	\$ (2,655)	\$ (2,373)	\$ (2,672)	\$ (3,317)	\$ (2,702)
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)
Working capital	\$ 5,990	\$ 2,330	\$ 5,575	\$ 7,100	\$ 9,874	\$ 10,395	\$ 1,865	\$ 5,113
Total assets	\$ 23,413	\$ 17,773	\$ 21,291	\$ 23,696	\$ 24,942	\$ 25,262	\$ 16,498	\$ 16,468
Non-current liabilities	\$ 3,305	\$ 3,765	\$ 4,490	\$ 3,925	\$ 3,346	\$ 3,128	\$ 63	\$ 94

Quarterly Results Trend Analysis

The quarterly expenditure trend across the eight fiscal quarters ending July 31, 2025 above reflects lower revenue which is expected to grow in the upcoming periods due to the build up of the extensive backlog of maintenance and subscription contracts and pending installations, as well as efficiencies in operating expenditures. The Company's strategy continues to focus on revenue growth while driving efficiencies in operating expenditures. The Company's primary objective has been the further development and commercialization of integrated, layered, AI-powered threat detection solutions. In Fiscal 2025, the Company's strategic partnerships and customer relationships continued to grow revenue and the sales pipeline and contributed towards scaling the Company's operations. In fiscal 2026, we expect the Company's continued investment in new products and technological capabilities, planned customer deployments, combined with the entrance into secondary market verticals and new geographies will support the continued expansion of the business with the anticipation of long-term recurring revenue.

The Company has no discontinued operations.



Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

Fourth Quarter Results

Revenue

During the three months ended July 31, 2025, the Company recognized total revenue of \$3.3 million, as compared to \$5.6 million for the three month period ended July 31, 2024, representing a decrease of \$2.3 million or 41%. The decrease in Fiscal 2025 compared to the previous year is mainly attributable to a delay in the deployment of sales contracts from the backlog pending installation during Fiscal 2025 which is expected to improve in the future.

Adjusted loss and comprehensive loss

During the three months ended July 31, 2025, the Company recognized a total adjusted loss and comprehensive loss of \$3.5 million as compared to \$2.4 million for the three month period ended July 31, 2024, representing an increase of \$1.1 million or 46%. The increase was mainly attributable to a decrease in revenue during the three months ended July 31, 2025, driving lower gross profit contribution.

Liquidity and Capital Resources

As at July 31, 2025, the Company had a working capital of \$6.0 million (July 31, 2024 - \$9.9 million) which includes current assets of \$15.4 million (July 31, 2024 - \$17.5 million) to meet current liabilities of \$9.4 million (July 31, 2024 - \$7.6 million). The majority of 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 \$3.3 million, related to deferred revenue and the long-term portion of the capitalized lease liabilities in accordance with IFRS 16.

Selected Cash Flow Information – Summary of results for the years ended July 31,

	2025	2024	% Change
Cash and cash equivalents beginning of year	\$ 8,628,521	\$ 8,327,449	4%
Cash used in operating activities	(6,540,487)	(8,143,808)	(20%)
Cash used in investing activities	(756,714)	(429,755)	100%
Cash generated in financing activities	6,902,337	8,874,635	(22%)
Effect of foreign exchange rate changes	(13,568)	-	100%
Change in cash for the year	(408,432)	301,072	(236%)
Cash and cash equivalents end of year	\$ 8,220,089	\$ 8,628,521	(5%)

During the year ended July 31, 2025, the Company had a net decrease in cash flow of \$0.4 million, compared with \$0.3 million increase for the year ended July 31, 2024. The decrease in cashflow was from cash used in operating and investing activities, partially offset by increase in cash from financing activities.

The cash flow used in operating activities was \$6.5 million for the year ended July 31, 2025, as compared with \$8.1 million for the year ended July 31, 2024, representing a decrease of \$1.6 million or 20%. The



Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

decrease in negative cash flow from operating activities can be primarily attributed to improved working capital management in the year ended July 31, 2025.

Cash flow used in investing activities was \$0.8 million for the year ended July 31, 2025, as compared with \$0.4 million of cash used during the year ended July 31, 2024, representing an increase of \$0.4M or 100%. The increase in negative cash flow from investing activities can be attributed to one-time development costs for intangible assets associated with the Xtract One Gateway product during the year ended July 31, 2025.

Cash flow generated in financing activities was \$6.9 million for the year ended July 31, 2025, as compared to \$8.9 million for the year ended July 31, 2024, representing a decrease of \$2 million or 22%. This decrease is primarily attributed to the proceeds on issuance of share capital during the years ended July 31, 2025 and 2024.

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 the future development of the business. The Company's 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 the Company's capital structure, the Company may issue shares, such as through private placements or other possible debt or equity 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.

Financing activities during the fiscal year ended July 31, 2025

On June 18, 2025, the Company issued a total of 20,700,000 units (each a "Unit") for gross proceeds of \$8.07 million pursuant to the 2025 Prospectus Offering, including the full exercise of the underwriter's over-allotment option. Each Unit consisted of one Common Share and one Warrant (each, a "Prospectus Warrant"). Each Prospectus Warrant is exercisable into one Common Share until June 18, 2028, at an exercise price of \$0.49.

Cash commissions paid in connection with the 2025 Prospectus Offering and over-allotment exercise were \$0.56 million. Additional cash transaction costs associated with the 2025 Prospectus Offering totaled \$0.33 million. The proceeds from the 2025 Prospectus Offering will provide additional capital in support of the Company's operations.

Commitments

Purchase Commitments

The Company continues to invest in its supply chain and has outstanding purchase obligations of \$2.0 million (July 31, 2024 - \$2.9 million) related to the assembly of future finished goods, that will be drawn down within the next fiscal year.

Lease Commitments

The following table summarizes the Company's future lease commitments:



Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

Fiscal year	Amount
2026	\$ 290,638
2027	313,901
2028	249,089
2029	235,277
2030	137,248
Effects of discounting	(95,755)
Right of use liabilities	\$ 1,130,398
Current portion of right of use liabilities	(252,104)
Non-current portion of right of use liabilities	\$ 878,294

Use of proceeds from 2024 Prospectus Offering and Private Placement completed April 24, 2024 and May 1, 2024

On February 6, 2024, the Company filed a final short form base shelf prospectus allowing the Company to raise up to \$50 million of securities over a 25-month period. On April 24, 2024 and May 1, 2024, the Company completed the 2024 Prospectus Offering and full exercise of the over-allotment option granted to the agents, respectively, and issued a total of 16,100,000 Units and received net proceeds of \$7.1 million, of which \$1.1 million were allocated to general working capital. Net proceeds in the amount of \$1.6 million raised in connection with a concurrent private placement to MSG Sports (the "Private Placement") were added to general working capital for a total of \$2.7 million when combined with the proceeds from the 2024 Prospectus Offering. The intended uses of the 2024 Prospectus Offering and Private Placement net proceeds (\$8.7 million) are outlined below:

Business Objective	Estimated Use of Net Proceeds	Approximate Use of Proceeds as at July 31, 2025	Proceeds Unutilized as at July 31, 2025
Product Development	\$2,500,000	\$2,500,000	\$nil
Sales and Marketing	\$2,000,000	\$2,000,000	\$nil
Production and Operations	\$1,500,000	\$1,345,000	\$155,000
General Working Capital	\$2,700,000	\$2,700,000	\$nil
Total	\$8,700,000	\$8,700,000	\$155,000

On June 18, 2025, the Company further completed the 2025 Prospectus Offering and exercise of the over-allotment option, and issued a total of 20,700,000 Units and received net proceeds of \$7.3 million, of which \$2.0 million were allocated to general working capital. The intended uses of the 2025 Prospectus Offering net proceeds are outlined below:



Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

Business Objective	Estimated Use of Net Proceeds	Approximate Use of Proceeds as at July 31, 2025	Proceeds Unutilized as at July 31, 2025
Product Development	\$1,800,000	\$365,000	\$1,435,000
Sales and Marketing	\$2,000,000	\$430,000	\$1,570,000
Production and Operations	\$1,900,000	\$Nil	\$1,900,000
General Working Capital	\$1,600,000	\$120,000	\$1,480,000
Total	\$7,300,000	\$915,000	\$6,385,000

The Company's intention to spend the net proceeds of the Prospectus Offerings and the Private Placement as set forth above is based on the expectations of management at the time of the financing raise. 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.

Non-IFRS and Supplementary Financial Measures

This MD&A refers to historical non-IFRS performance measures and supplementary financial measures. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other reporting issuers.

Supplementary financial measures included in this MD&A are 'Agreements pending installation' and 'Total contract value of new bookings'. Agreements pending installation reflect the total value of signed contracts awarded to the Company that have not been installed at the customer site. 'Total contract value of new bookings' is comprised of all new contracts signed and awarded to the Company, regardless of the performance obligations outstanding as at the reporting period. Total contract value is the aggregate value of sales commitments from customers as at the reporting period without consideration of the Company's completion of the associated performance obligations outlined in each contract. Management believes that these supplementary financial measures provide a better evaluation of the operating performance of the Company's business and facilitates meaningful comparison of results in the current period with those in prior periods and future periods.

Financial Instruments and Other Instruments

The Company's only material financial instruments are cash and cash equivalents, receivables, and accounts payable and accrued liabilities. The carrying values of receivables, accounts payable and accrued liabilities approximate fair value due to the short-term nature of the instruments. The Company's cash and cash equivalents are carried at amortized cost.

The Company's risk exposures and the impact on 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 manages its liquidity risk in order to meet its contractual obligations by ensuring there is appropriate capital to meet short-term business requirements and obtaining other opportunities for financing. The Company identifies when funds are required through the planning and budgeting process to





Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

support the Company's normal operations. The Company's ability to continue as a going concern involves significant judgments and estimates while determining forecasted cashflows and is dependent on the Company's ability to obtain financing.

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 cash equivalents 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. The Company's receivables primarily consist of trade receivables that the Company continues to collect and refundable sales tax from the Canada Revenue Agency, which are not subject to significant credit risk. The Company's maximum exposure to credit risk is limited to the carrying amount of cash and cash equivalents and receivables.

Market risk

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

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 and cash equivalents, and consequentially 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. The Company's financial assets and liabilities that are denominated in foreign currencies are impacted by changes in the exchange rate between the Canadian dollar and the U.S. dollar. This primarily includes cash and cash equivalents, trade and other receivables, and trade and other payables. During the year ended July 31, 2025, the Company generated a portion of revenue in U.S. dollars, along with corresponding expenses in U.S. dollars, which acted as a natural foreign exchange hedge. Management continues to evaluate its foreign currency risk as the business grows internationally.

Price risk

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 did not hold material equity investments during the year, and therefore, exposure to price risk is insignificant.

Material Accounting Policies and Estimates

For a complete description of the Company's significant accounting policies, please see the accompanying notes to the audited consolidated financial statements for the year ended July 31, 2025.

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. Significant areas requiring the use of management estimates and judgments include:





Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

Share-based compensation

The fair value of stock options granted is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the option, expected volatility, expected life of the options, expected dividends, and the risk-free interest rate. These estimates will impact the valuation of share-based compensation.

Deferred income tax assets and liabilities

The measurement of deferred income tax provision is subject to the uncertainty associated with the timing of future events and changes in legislation, tax rates, and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to the expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

Treatment of development costs

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 technologically and economically feasible, which management assesses 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, when assets are available for use and are depreciated and meets the criteria.

Estimated useful lives, depreciation, and amortization of property and equipment and intangible assets

Depreciation and amortization of property and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of the assets.

Right of use lease assets and liabilities

The right of use assets and liabilities are measured at the present value of future lease payments discounted using the rate implicit in the lease or incremental borrowing rate for the Company estimated based on comparable companies' borrowing rates if the rate implicit in the lease is not readily determined. These assumptions will impact the valuation of right-of-use assets and liabilities and finance costs.



Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

Assessment of a subsidiary's functional currency

As per IAS 21 *The Effects of Changes in Foreign Exchange Rates*, an entity's functional currency is the currency of the primary economic environment in which it operates. Management exercises judgment when assessing the primary and secondary indicators to determine an entity's functional currency.

Revenue recognition

Revenue arising from the sale of or subscription to use the Company's products is recognized as the Company fulfills its performance obligations. There are significant estimates made in determining and measuring performance obligations that could impact the timing of revenue recognition.

Going concern

The preparation of the Company's consolidated financial statements requires management to identify whether the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. A different basis of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. To assess this, the Company must identify events and conditions that may indicate significant doubt about the Company's ability to continue as a going concern. The Company considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

The ability of the Company to continue as a going concern is dependent on either a single or a combination of events occurring - obtaining additional financing through the issuance of debt or equity, and/or generating profit through its operations. There is a risk that additional financing will not be available on a timely basis or terms acceptable to the Company or that profitable operations are not achieved. These matters result in material uncertainties which may cast significant doubt on whether the Company will continue as a going concern.

The Company manages its liquidity risk in order to meet its contractual obligations by ensuring there is appropriate cash on hand and obtaining other opportunities for financing. The Company identifies when funds are required through the planning and budgeting process to support the Company's normal operations. The Company's ability to continue as a going concern involves significant judgments and estimates while determining forecasted cashflows and is dependent on the Company's ability to obtain financing.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for the consolidated financial statements, then adjustments would be necessary for the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.



Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

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:

Presentation and Disclosure in Financial Statement (IFRS 18)

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* ("IFRS 18") which replaces IAS 1 *Presentation of Financial Statements*.

IFRS 18 introduces:

- i. New requirements on presentation within the statement of profit or loss;
- ii. Disclosure standards regarding management defined performance measures; and
- iii. Principles for aggregation and disaggregation of financial information in the financial statements and the notes.

IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027. IFRS 18 is to be applied retrospectively. The Company is currently assessing the impact that IFRS 18 will have on its 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. During the year ended July 31, 2025, one additional employee was added as a key executive officer. Key management compensation earned by officers and directors of the Company during the year ended July 31, 2025, was \$2,414,650 (2024 - \$2,055,732). In addition, share-based compensation expense relating to key management for the year ended July 31, 2025, was \$667,532 (2024 - \$668,840).

As at July 31, 2025, there was \$487,995 (July 31, 2024 - \$482,000) 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 years ended July 31, 2025 and 2024.

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 – [Certification of Disclosure in Issuers' Annual and Interim Filings](#). As at July 31, 2025, 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.





Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

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 year ended July 31, 2025, 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 several 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.sedarplus.ca.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.



Xtract One Technologies Inc.

Management's Discussion and Analysis
For the year ended July 31, 2025

Proposed Transactions

There are no undisclosed proposed transactions that will materially affect the performance of the Company.

Subsequent Events

- i. Subsequent to the year ended July 31, 2025, a total of 4,128,000 warrants were exercised at an exercise price of \$0.49 per warrant, generating gross proceeds of \$2,022,720.
- ii. On September 29, 2025, the Company granted 3,582,770 employee stock options with an exercise price of \$0.74 per option. The options were granted with a term of five years and a vesting period over three years.

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 243,254,987 Common Shares issued and outstanding. In addition, there are 70,259,509 Warrants which may be exercised to acquire one Common Share each at prices ranging from \$0.39 to \$0.64. The Company also has stock options outstanding to purchase an additional 17,436,974 Common Shares with exercise prices ranging from \$0.38 to \$0.95 per share.