

Annual Information Form

For the year ended July 31, 2026

Dated October 21, 2026

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EXPLANATORY NOTES

Unless otherwise stated, the information in this annual information form (the "**Annual Information Form**") is stated as of July 31, 2026.

The information presented herein reflects the details of the financial year ended July 31, 2026, of Xtract One Technologies Inc. on a consolidated basis. Unless otherwise noted or the context otherwise indicates, "Xtract One", the "Company", "we", "us" and "our" refer to Xtract One Technologies Inc.

For an explanation of the bolded capitalized terms and expressions and certain defined terms, please refer to the "Glossary of Terms" in Appendix "A" of this Annual Information Form.

Forward-Looking Statements

Certain statements in this Annual Information Form about our current and future expectations and intentions, results, levels of activity, performance, goals or achievements, or any other future events or developments constitute forward-looking information and/or forward-looking statements within the meaning of applicable securities laws (collectively, "**forward-looking statements**"). The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indicates", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements, although not all forward-looking statements contain these words.

Discussions containing forward-looking statements include, among other places, those under "Business of the Company" and "Risk Factors". Forward-looking statements are based on certain assumptions and estimates made by us considering the experience and perception of historical trends, current conditions, expected future developments including projected growth in the security and related industries, and other factors we believe are appropriate and reasonable in the circumstances; however, there can be no assurance that such assumptions and estimates will prove to be correct.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the factors, which are discussed in greater detail in the "Risk Factors" section of this Annual Information Form.

The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's financial and operational performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. Actual results and developments are likely to differ and may differ materially from those expressed or implied by forward-looking statements contained in this Annual Information Form. Furthermore, unless otherwise stated, the forward-looking statements contained in this Annual Information Form are made as of the date of this Annual Information Form, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise, except as required by law. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement.

Presentation of Financial Information

Unless otherwise stated, all references in this Annual Information Form to "fiscal 2026" are to the Company's fiscal year ended July 31, 2026.

The Company presents its financial statements in Canadian dollars. All dollar figures in this Annual Information Form are in Canadian dollars unless otherwise indicated. All the financial data contained in this Annual Information Form relating to the Company have been prepared using International Financial Reporting Standards.

BACKGROUND AND CORPORATE STRUCTURE

Name, Address, and Incorporation

The Company was incorporated on May 11, 2010 under the *Business Corporations Act* (British Columbia) under the name "Clear Mountain Resources Corp." The Company completed its initial public offering on May 10, 2012, and on May 15, 2012, the Company's common shares ("**Common Shares**") were listed for trading on the TSX Venture Exchange (the "**TSXV**") under the trading symbol "CY". The Company changed its name to "Patriot One Technologies Inc." and changed its trading symbol to "PAT" on August 24, 2016. The Company was delisted from the TSXV on April 9, 2019 and was uplisted to the Toronto Stock Exchange (the "**TSX**"). On December 1, 2022, the Company changed its name from "Patriot One Technologies Inc." to "Xtract One Technologies Inc." and changed its trading symbol to "XTRA" on the TSX. Certain Warrants issued by the Company are listed for trading on the TSX under the trading symbol "XTRA.WT".

The Company is also listed on the OTCQX Best Market ("**OTCQX**") in the United States under the symbol "XTRAF", and on the Frankfurt Stock Exchange in Germany under the symbol "0PL". 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. The head office of the Company is located at 55 York Street, Suite 1100, Toronto, Ontario, Canada, M5J 1R7, and the registered and records office of the Company is located at Suite 2501 – 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 2B5.

As of the date hereof, the authorized capital of the Company consists of an unlimited number of Common Shares with no par value, of which 260,103,320 Common Shares are issued and outstanding.

Intercorporate Relationships

The Company has five wholly owned subsidiaries: (i) Xtract One Detection Ltd. ("**Xtract Detection**"), (ii) Patriot One (UK) Limited ("**Patriot UK**"), (iii) Xtract One (US) Technologies Inc. ("**Xtract US**"), (iv) EhEye Inc. ("**EhEye**"), and (v) Xtract Technologies Inc. ("**Xtract Technologies**"). Xtract Detection was incorporated under the name Patriot One Technologies Inc. on March 7, 2016, under the *Business Corporations Act* (British Columbia) and on August 15, 2016, changed its name to Patriot One Detection Ltd. On December 1, 2022, the entity changed its name to Xtract One Detection Ltd. The registered and records office of Xtract Detection is located at Suite 2501 – 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 2B5.

Patriot UK was incorporated as a private limited company on November 7, 2017, under the laws of England and Wales, United Kingdom. The registered and records office of Patriot UK is located at 41 Lothbury, London, United Kingdom, EC2R 7HF.

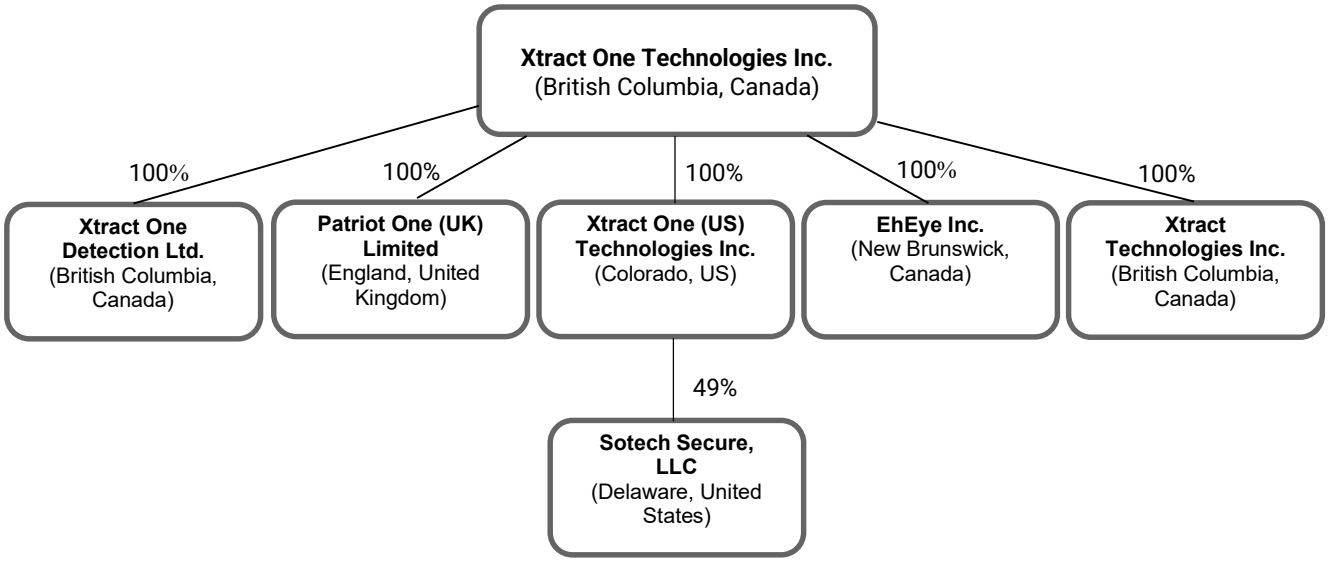
Xtract US was incorporated as a private corporation on October 15, 2018, under the laws of the state of Colorado, United States of America under the name Patriot One Detection Technologies Inc. On December 1, 2022, the entity changed its name to Xtract One (US) Technologies Inc. The registered and records office of Xtract US is located at 1400 Wewatta Street, Suite 550, Denver, Colorado, United States, 80202.

EhEye was incorporated as a private corporation on November 1, 2016, under the laws of the province of New Brunswick. The registered and records office of EhEye is located at 412 Queen St., Unit 100, Fredericton, New Brunswick, Canada, E3B 1B6.

Xtract Technologies was incorporated as a private corporation on October 3, 2016, under the laws of the province of British Columbia. The registered and records office of Xtract Technologies is located at Suite 2501 – 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 2B5.

In addition, effective January 18, 2019, Xtract US acquired a 50% interest in Sotech Secure, LLC ("**Sotech**"), a limited liability corporation formed under the laws of the State of Delaware. After the acquisition of Sotech, the Company's interest was diluted to a 49% equity interest.

The organization chart below indicates the intercorporate relationships of the Company, together with the jurisdiction of incorporation or constitution of each such entity.



Three-Year History

The following key highlights were achieved by the Company over the past three completed financial years:

- On August 2, 2023, the Company announced that it had been chosen by the U.S. Department of Veterans Affairs Medical Centers in Virginia to secure all entrances at selected hospitals within the network in order to provide a more secure and efficient healthcare environment.

- On October 3, 2023, the Company partnered with the American Association of Professional Baseball as the exclusive preferred supplier to enhance venue security and guest experiences at games.

- On October 16, 2023, the Company announced the next phase of growth through selective international expansion with three multinational companies, one of which is a global entertainment organization that entered into a three year contract totaling over $5.1 million USD.

- On January 30, 2024, the Company announced a partnership with the Wisconsin Center District to secure all entrances of the Baird Center, Wisconsin's largest convention center, serving as the Company's first contract with a convention center.

- On February 8, 2024, the Company announced that it had filed a final short form base shelf prospectus allowing the Company to offer and issue up to $50 million of securities over a 25-month period.

- On April 10, 2024, the Company announced it had partnered with Oak View Group ("**OVG**") to secure all entrances of Co-Op Live in Manchester, England, which opened to the public on April 23, 2024. Co-Op Live is a 23,500-capacity venue, making it the largest arena in the UK, and represented Xtract One's first OVG customer partnership in Europe.

- On April 24, 2024, the Company announced the closing of a public offering (the "**2024 Prospectus Offering**"), pursuant to which the Company issued 14,057,500 units at a price of $0.51 per unit for aggregate gross proceeds of $7,169,325, which included the partial exercise of the over-allotment option granted to the agents. Each unit consisted of one Common Share and one Warrant. Each Warrant is exercisable into one Common Share until April 24, 2027, at an exercise price of $0.64 subject to adjustment in certain events. In connection with the 2024 Prospectus Offering, the agents received an aggregate cash fee of $500,800 and 981,960 non-transferable Warrants, each exercisable into one Common Share at an exercise price of $0.51 until April 24, 2026. The Company also announced the closing of a concurrent private placement, pursuant to which the Company issued 2,696,228 units to Madison Square Garden Sports Corp. ("**MSG Sports**") for aggregate gross proceeds of $1,375,076.

- On April 29, 2024, the Company announced that the Company's Multi-Sensor-Gateway portfolio, including the SmartGateway and SafeGateway, had been awarded the U.S. Department of Homeland Security ("**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.

- On May 1, 2024, and in connection with the 2024 Prospectus Offering, the Company announced the closing of the full agents' over-allotment option for an additional 2,042,500 units at a price of $0.51 per unit for aggregate gross proceeds of $1,041,575. Each unit consisted of one Common Share and one Warrant. The Company also announced the closing of a concurrent private placement, pursuant to which the Company issued 391,751 units to MSG Sports for aggregate gross proceeds of $199,793.

- On June 6, 2024, the Company announced sales contracts with teams representing Major League Baseball (MLB), the National Hockey League (NHL), and the National Basketball Association (NBA). These contracts were awarded following the Company's announcement that SmartGateway received its DHS SAFETY Act Designation as a QATT.

- On June 27, 2024, the Company announced the selection by the NHL's Stanley Cup winning Florida Panthers to secure entrances at Amerant Bank Arena, Baptist Health Complex and the FTL War Memorial, venues which attract upwards of 30 million visitors annually.

- On July 2, 2024, the Company announced that the Company's SmartGateway system had completed an operational test and evaluation by National Safe Skies Alliance Inc., verifying the system's capabilities as a potential security solution for airport operations, and further solidifying the Company's commitment to third-party testing as a pillar of its transparent approach.

- Throughout the fiscal year ended July 31, 2024, the Company continued expansion within the sports and entertainment venue industry, announcing the selection to protect all entrances of the H-E-B Centre at Cedar Park, home of the Texas Stars and Austin Spurs, CPKC Stadium, home of the Kansas City Current of the National Women's Soccer League and the world's first and only purpose-built stadium for a women's professional sports team, and the American Bank Center in Texas, a 10,000-seat arena and 138,000 square-foot convention center.

- On September 17, 2024, the Company announced the launch of Xtract One Gateway (the **"Xtract One Gateway"**, and together with the SmartGateway, the "**Gateways**"), 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, otherwise categorized in the security screening field as "medium-clutter environments".

- On September 26, 2024, the Company announced, through its partnership with OVG, that the Company had been selected to secure the 18,000-seat capacity UBS Arena, home to the NHL's New York Islanders.

- On October 3, 2024, the Company announced that it had been selected to protect all entrances at Rocket Mortgage FieldHouse, home to the NBA's Cleveland Cavaliers.

- On October 22, 2024, the Company secured a contract with a global automotive manufacturer to enhance security at select North American facilities.

- On October 30, 2024, the Company secured a contract with Tift County Schools to provide Xtract One Gateways weapons screening solutions at the entrances of its high school and middle schools.

- On December 12, 2024, the Company entered into a SmartGateway contract with Bowie State University in Bowie, Maryland to strengthen campus security.

- On February 7, 2025, the Company entered into a contract for hospital weapons detection at key hospital locations in Manitoba.

- On March 15, 2025, the Company entered into a master supply agreement with a Global Entertainment Organization for SmartGateway security screening with an initial deployment at a venue in Asia and the potential of ongoing expansion at the brand's growing portfolio of hundreds of venues.

- On June 3, 2025, the Company announced that its new innovative security platform, Xtract One Gateway, was on track to start shipping on schedule in July 2025.

- On June 18, 2025, the Company announced the closing of a public offering (the "**June 2025 Prospectus Offering**"), pursuant to which the Company issued 20,700,000 units at a price of $0.39 per unit for aggregate gross proceeds of $8,073,000, which included the full exercise of the over-allotment option granted to the underwriter. Each unit consisted of one Common Share and one Warrant. Each Warrant is exercisable into one Common Share until June 18, 2028, at an exercise price of $0.49 subject to adjustment in certain events. In connection with the June 2025 Prospectus Offering, Ventum Capital Markets, as underwriter, received a cash fee of $565,110 and 1,449,000 non-transferable Warrants, each exercisable into one Common Share at an exercise price of $0.39 per Common Share until June 18, 2028.

- On June 24, 2025, the Company was selected for deployment of its SmartGateway solution at the San Mateo Medical Center in California to comply with California's Assembly Bill 2975 (AB 2975) mandating hospital weapons detection.

- During July 2025, the Company announced two key K-12 education selections for its physical security solutions: a selection on July 8, 2025, by Mecklenburg County Public Schools in Virginia to deploy the Xtract One Gateway across its campuses, followed by an announcement on July 17, 2025, that the Meridian Public School District in Mississippi selected the SmartGateway solution to bolster campus safety throughout its district.

- On July 24, 2025, the Company secured a SmartGateway contract with a global performing arts company for multi-venue and touring deployments worldwide. The initial deployment will support a number of the organization's touring performances across dozens of venues.

- On August 5, 2025, the Company announced 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 weapons detection without bag removal, providing safe, seamless, and welcoming campuses for students, staff, and visitors.

- On August 14, 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.

- During September 2025, the Company announced two significant K-12 education deployments for its Xtract One Gateway system: a selection by Delmar School District in Delaware to secure its middle and high school building (announced September 8, 2025), and a district-wide security rollout with Manor Independent School District in Texas, starting with four high schools with plans to expand across all 15 campuses (announced September 22, 2025).

- On November 10, 2025, the Company announced the closing of a public offering (the "**November 2025 Prospectus Offering**"), pursuant to which the Company issued 15,334,100 units at a price of $0.75 per unit for aggregate gross proceeds of $11,500,575, which included the full exercise of the over-allotment option granted to the underwriter. Each unit consisted of one Common Share and one-half of one Warrant. Each whole Warrant is exercisable into one Common Share until November 10, 2028, at an exercise price of $0.95 subject to adjustment in certain events. In connection with the November 2025 Prospectus Offering, Stifel Nicolaus Canada Inc., as underwriter, received a cash fee of $690,035 and 920,046 non-transferable Warrants, each exercisable into one Common Share at an exercise price of $0.75 per Common Share until November 10, 2028.

- During December 2025, the Company announced two healthcare contract wins for its SmartGateway solution: a province-wide deployment selection by Nova Scotia Health in Canada involving an initial order of 25 systems (announced December 2, 2025), and a selection by a major U.S. healthcare provider with nearly 600 clinics, starting with five Minneapolis–St. Paul locations and planned expansion across the Midwest (announced December 10, 2025).

- On February 26, 2026, the Company announced that its SmartGateway system was selected by the British Museum to protect all venue entrances following extensive on-site testing and evaluation. The British Museum chose SmartGateway to meet rigorous protection standards while providing seamless ingress and flexible operations.

- On March 26, 2026, the Company secured a deployment with University of Michigan Health-West for its SmartGateway system to enhance security screening at the organization's emergency department entrance.

- On April 15, 2026, the Company announced that it filed a final short form base shelf prospectus dated April 13, 2026 (the "**Shelf Prospectus**") with the securities commissions in each of the provinces and territories of Canada, with the exception of Québec, allowing the Company to offer and issue up to $70 million of Common Shares, Warrants, subscription receipts, units, debt securities or any combination of such securities (collectively, "**Securities**") for a period of 25 months.

- On April 20, 2026, the Company announced that Health PEI selected its SmartGateway system for phased deployment across its healthcare facilities, marking the Company's fourth Canadian provincial health authority customer and further strengthening its presence in the Canadian healthcare market.

- During the spring of 2026, the Company announced its continued expansion in the education market with two Xtract One Gateway selections: Morgan County Schools in Alabama for deployment across multiple high school campuses (announced March 17, 2026), and Granville County Public Schools in North Carolina for deployment at two high schools (announced April 30, 2026).

- On June 17, 2026, the Company announced that its SmartGateway system was selected to enhance security operations at the Pacific National Exhibition, a large-scale fan festival event taking place in Vancouver which required intelligent, high-throughput screening solutions capable of delivering world-class security and an optimized entry experience.

- On June 26, 2026, the Company announced that Peterborough Regional Health Centre in Ontario selected its SmartGateway system for deployment at its Emergency Department entrance following a successful pilot and evaluation period. This selection in Ontario follows previous Canadian healthcare deployments across Prince Edward Island, Manitoba, and Nova Scotia.

- On July 17, 2026, the Company announced it expanded into the pharmaceutical manufacturing and distribution sector, with the Xtract One Gateway system being selected for a multi-site deployment across facilities in California, Arizona, and Ohio. The deployment is enabled by the Company's partnership with Integrated Protection Services (IPS), an organization that provides systems and services for security and fire protection.

- On July 30, 2026, the Company announced it increased its presence in the California healthcare market through multiple SmartGateway deployments at Hazel Hawkins Memorial Hospital and Contra Costa Health, building on the previously announced San Mateo Health deployment. The installations reflect accelerating adoption of the Company's AI-powered weapons detection technology by California health systems ahead of the March 2027 compliance deadline under Assembly Bill 2975.

- On August 19, 2026, subsequent to the year ended July 31, 2026, the Company announced an expanded deployment with a leading U.S. airline, adding five Xtract One Gateway systems across three airport locations. The subscription-based deployment builds on the Company's existing relationship, reflecting growing demand for AI-powered, TSA-level employee screening solutions and continued expansion within the aviation sector.

- On August 27, 2026, subsequent to the year ended July 31, 2026, the Company announced that the Metro Toronto Convention Centre selected Xtract One Gateway for deployment across both of its downtown Toronto buildings under a five-year contract, with 16 systems to be installed across more than a dozen entry points.

- On October 19, 2026, subsequent to the year ended July 31, 2026, the Company announced that Willis Independent School District in Willis, Texas had approved a contract for the deployment of 11 Xtract One Gateways and four SmartGateway systems across its campuses and district facilities. This deployment builds on the Company's growing number of Texas school districts deploying Gateways under the state's HB 2 school safety funding framework.

Significant Acquisitions

The Company has not completed any significant acquisitions during its most recently completed financial year ended July 31, 2026, for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

BUSINESS OF THE COMPANY

For this "Business of the Company" section, Xtract One, Xtract Detection, Patriot UK, Xtract US, EhEye, and

Xtract Technologies shall collectively be referred to as "**Xtract One**" or the "**Company**". The principal business of the Company is to develop and commercialize an integrated, layered, AI-powered threat detection gateway solutions with the aim of enhancing public safety. This includes the SmartGateway, Xtract One Gateway and Xtract One View (**"Xtract One View"**). The Company's mission is to create transformative technology solutions that deliver exceptional experiences, safer environments, and informed operational insights for customers and their patrons and staff.

Outlook and Overall Performance

During fiscal 2026, the Company focused on continued commercialization of its solutions by accelerating customer sales and sales-related activities. These efforts resulted in a record year of total revenue earned by the Company, with several additional contracts currently in negotiation. Some of these contracts are for single locations with the potential to grow to dozens of locations. Revenue related to subscription arrangements or upfront sales amounted to $28.8 million for the fiscal year ended July 31, 2026 ($13.9 million for the fiscal year ended July 31, 2025). As at July 31, 2026, the backlog of sales commitments was approximately $25.6 million ($15.5 million for the fiscal year ended July 31, 2025) and continues to grow. This excludes an additional $18.4 million in signed agreements that were pending installation ($34.0 million for the fiscal year ended July 31, 2025). 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.

The strategic investments from MSG Sports in the prior fiscal years help position the Company for future success, through their ongoing feedback, insights, and key introductions, with their immense influence and brand name in the sports industry.

The strategic partnership with OVG has allowed the Company to continue to develop key customer relationships in the sports and entertainment industry through their network of OVG360-managed venues and OVG Arena Alliance members.

Various targeted sales and marketing initiatives have also strengthened the Company's market position in the education and healthcare markets as evidenced through new customer wins such as Volusia County Schools in Florida and Nova Scotia Health in Nova Scotia, demonstrating the Company's ability to further penetrate these markets, resulting in increased signed contracts and backlog.

The Company continues to invest in the research and development of its suite of technologies 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 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. Most notably, significant progress was made on the Company's new innovative security platform, Xtract One Gateway, which started shipping to customers in July 2025 in 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 qualified sales pipeline, as validation of the product's performance and the addressable market. Management sees these factors as positive leading indicators of the expected future performance of the Company.

Technology Update

During fiscal 2026, 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, detection efficiency 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 SaaS 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.

During fiscal 2026, the Company continued to advance the commercialization of Xtract One Gateway, its AI-driven security solution designed with advanced bi-directional screening and proprietary sensors to provide precise weapons detection and identification. Purpose-built for environments where individuals enter with larger personal belongings, Xtract One Gateway enables unobtrusive screening of individuals, pockets, and bags while distinguishing potential threats from personal belongings such as laptops, binders, phones, water bottles, and other day-to-day items. The solution is designed to address security needs across various markets, including education, healthcare, workplaces, conference centers, and commercial facilities. Commercial shipments of Xtract One Gateway continued to progress during the fiscal year following initial shipments beginning in July 2025, with the product certified across key markets, including the United States, Canada, the United Kingdom, and the European Union. During fiscal 2026, the Company continued to secure new customer contracts and expand Xtract One Gateway deployments across education, healthcare, manufacturing, and commercial enterprise markets, reflecting continued momentum in the adoption of the Company's innovative security platform.

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 Company operates within a large and rapidly evolving physical security market that is expected to experience significant expansion and transformation, driven by continued technological advancement, legislative mandates, and the increasing adoption of modern security solutions across key end markets. Organizations are placing greater emphasis on safeguarding employees and patrons while maintaining a seamless user experience, resulting in growing demand for innovative solutions that effectively balance these priorities. Legislative developments, such as Martyn's Law in the UK, which imposes mandatory preparedness and security standards on public venues, and the California Assembly Bill 2975 requiring mandatory weapons screening at hospitals, are further accelerating regulatory pressure and adoption across these sectors. The Company believes its patron screening solutions are well positioned to address these evolving requirements effectively, for a variety of reasons including detection capabilities, support and certain physical attributes of the Gateways. For more information, please see "*Competitive Conditions*".

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 target 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 upon entry. SmartGateway is designed to streamline entry into these facilities by reducing the need for patrons to remove personal items and enabling faster throughput.

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.

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.

Further, after testing was completed in fiscal 2024, the SmartGateway was added to the National Protective Security Authority's (NPSA) Catalogue of Security Equipment, the UK government's official listing of tested and approved security products for use across public and private sector facilities. The NPSA listing confirms SmartGateway's classification as a Discriminative Metal Detection system, tested against the DMD Systems Test Method October 2020.

During fiscal 2025, the Company announced the launch of Xtract One Gateway. 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 expansion 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 threat and object detection 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 and has continued active commercial deployment during fiscal 2026.

During the fiscal year, the Company continued to make meaningful progress with many new and existing customers and continues to build up its backlog of contracts. Some of the Company's initial sales begin as smaller purchases, after which these existing customers have expanded their commitments by increasing the number of deployments 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 deploying throughout their venues. The Company's focused success in these deployments has 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 new market verticals and geographies. To support this, the Company has placed an emphasis on third-party testing and validation of its Gateways 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, the 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.

Production

The Company employs an on-shore North American manufacturing strategy for its hardware products to ensure quality control and to facilitate proximity to its customers. External third-party manufacturing partners have been selected on the basis of several core competencies to augment and support the Company's internal engineering and development teams. These manufacturing partner qualifications include quality certifications such as ISO 9001:2015, environmental certification ISO 14001:2015, adherence to sound labour health and safety practices, as well as business optimization techniques such as a rigorous Lean Six Sigma program. In fiscal 2026, the Company continued to experience a few supply chain challenges, which have been addressed through a range of initiatives including redesigning certain components, maintaining safety stock and other techniques. The Company's products are assembled in accordance with detailed work instructions and must pass functional testing and final quality-assurance review before leaving the factory. During fiscal 2026, the assembly capacity of the SmartGateway continued to grow and included many designs for manufacturability (DFM) improvements. The Company also continued to advance its partnership with a North American manufacturer to support the commercial production and deployment of Xtract One Gateway. The Company continues collaborating with global supply chain partners for expanding plastic mold tooling capabilities, boosting production output and shortening lead times for North American manufacturers.

Support Services

The Company provides a comprehensive range of post-sale customer support services for its Gateway products, including, but not limited to, installation and training, ongoing maintenance, and repair services. These services are offered via the Company's network of technicians and third-party service providers. The Company's internal customer support department is staffed with a number of trained support representatives who are certified to handle technical inquiries, product troubleshooting, and service requests. When applicable, the Company relies on strategic contracts with several third-party service providers. These partnerships enable the Company to deliver high-quality, timely support to customers globally, ensuring minimal downtime and operational disruptions.

Specialized Skill and Knowledge

The Company believes our collective technical expertise, together with the following competitive strengths, will allow us to maintain and extend a leadership position in next-generation security screening and expand our market opportunity.

Based on feedback from our customers, we believe that the solutions provide superior results in real-world screening environments based on our detection of weapon based threats, with fewer false positive results than similar screening operations of our competitors. Our solution uses proprietary sensors and purpose built AI to differentiate between real threats and personal belongings, like phones and keys. The Company has curated these data sets over several years in model training, quality tests and real-world environments. This intellectual property, along with underlying industry best practices in machine learning processes, is developed by the Company's strong team of professionals with deep core knowledge including several which hold advanced degrees in related fields of study. This proprietary data is used in our machine learning processes to train our software to be able to accurately classify a diverse set of threats and non-threats in real-world conditions where every location is unique. We expect that this data set will continue to grow as our products are deployed in more venues and facilities, and accordingly, we expect that our performance in detecting threats accurately will continue to improve. This will also benefit existing and future customers as we regularly provide software updates.

Additionally, we continue to invest in developing and enhancing proprietary technologies for both of our AI software as well as the technology hardware. Crucial to this process is the feedback which we collect from customers. This feedback forms the basis of the Company's product roadmap and is used to continuously enhance the technology to provide existing and future customers with the necessary features and functionality.

Our key innovations include:

- advanced AI that processes electromagnetic signals to detect size, composition, and shape of conductive objects while in motion;
- advanced AI that classifies and differentiates the electromagnetic signatures of weapons from personal belongings such as laptops, smartphones, keys and other items that are conductive;
- advanced AI that can sequence and process the detection of threats in sub-second times.
- advanced AI that isolates relevant electromagnetic signals in the presence of external interference and noise generated by environmental factors such as structural metal, wind, and other factors;
- technology to process collected data points for each individual passing through security screening system while walking at a normal pace to enhance AI modeling;
- technology that isolates the spatial location of detected threats and presents the location to

security guards to provide a clear visual indicator of where a threat was detected on an individual's body;
- technology to provide security personnel with an alert when a weapon is detected to provide a way to allow for preemptive action to prevent a risk event from occurring;
- technology that is able to classify a variety of object classes to detect different types of threats and provide greater flexibility to different types of customers, including but not limited to a wider selection of weapons;
- technology to classify, differentiate, and monitor various types of threats recorded through a video camera while in motion; and
- technology that integrates multiple Gateways to manage real-time data and reporting capabilities from one central location for more efficient operations, alerts, and venue analytics.

These technologies are proprietary to the Company and protected by multiple patents or pending patent applications and require specialized knowledge and time to develop. Therefore, companies would be heavily disadvantaged in their ability to meet the advanced technologies developed by the Company should future competitors attempt to enter the market.

Competitive Conditions

The Company has developed an innovative weapon detection solution that is disruptive to the existing physical security market which predominantly uses traditional walk-through metal detectors. We believe the Company's SmartGateway solution, certified by the DHS SAFETY Act as a QATT, provides superior detection results in the detection of concealed handguns, assault rifles, knives (large and small) and other prohibited items in the Company's target markets being stadiums, arenas, and other event and live entertainment venues, as well as casinos and manufacturing and distribution facilities, when compared to similar screening operations of our competitors.

With the development and rollout of the technology for Xtract One Gateway, the Company is well positioned to meet the needs of its secondary target markets, being schools, hospitals and commercial spaces where the product's advanced bi-directional configurable screening and proprietary sensors unobtrusively scan individuals, their pockets, bags and backpacks for potential mass casualty weapons while distinguishing harmless personal items like laptops, tablets, three-ring binders, eyeglass cases, keys, and phones, streamlining access into and out of facilities while eliminating the need for separate bag searches.

There are a number of companies in the North American security screening market that are developing, or have developed next generation digital screening solutions, which use passive or active weapon screening systems based on magnetic field sensing, millimeter wave or other advanced technologies. These companies, individually and between them, have been designed for and address a number of market segments and are constantly developing and improving their respective technologies. To the best of the Company's knowledge at the time of this Annual Information Form, none of these competitors are fully able to address all of the key performance indicators that the Company believes it currently addresses.

The Company provides touchless security screening products which address crucial customer requirements around enhanced security, throughput, patron experience, and cost effectiveness, which it believes is superior to similar screening products offered by its competitors. We are well-positioned to compete in our industry based on these core competencies and on the following competitive strengths:

- third-party validation and certification of threat detection performance against security standards including the National Institute of Justice in the United States of America, DHS, National Protective

Security Authority (NPSA) in the United Kingdom, and National Safe Skies Alliance;
- high throughput of patron entry resulting in a superior visitor experience;
- lower operating costs for venue operators who require fewer staff and additional equipment to monitor entry points;
- expandable digital platform able to provide analytics and insight to support customer operations and re-deploy skilled security staff where they are needed most; and
- ability to enhance and update software over time to provide additional value-add features to customers.

New Products

During fiscal 2026, the Company continued to advance the commercialization of its recently launched Xtract One Gateway, its AI-driven security solution designed with advanced bi-directional screening capabilities and proprietary sensors to enable precise weapons detection and identification. Xtract One Gateway is purpose-built for environments where individuals enter carrying larger personal belongings, commonly referred to within the security screening industry as “medium-clutter environments,” such as schools, healthcare facilities, workplaces, and other high-throughput venues. The solution is designed to provide accurate threat detection while maintaining efficient movement through entry points by distinguishing potential threats from everyday personal items, supporting a safer and more seamless experience for visitors and facility operators.

Intangible Properties

The Company’s many intangible assets are primarily focused in two areas: patents and data to support the development of its AI models. The data includes millions of records of data which has been collected from our various systems, and from images and videos used in the creation of our computer vision products.

The Company has a multi-layered strategy in place to generate and protect its intellectual property. As of July 31, 2026, the Company has a portfolio that consists of nearly 115 patented or patent-pending innovations across various jurisdictions, a multitude of trade secrets related to our underlying AI models and data, and several registered trademarks. The portfolio is heavily weighted towards inventions that are, or soon will be, embodied within our products. The Company’s intangible properties form the basis of our existing and future products. Protecting existing intellectual property rights and continuing to create new intangible properties is crucial to the long-term success of the Company.

The Company employs industry best practices to protect intellectual property rights using non-disclosure agreements with all employees, partners, and customers, and regularly holds internal intellectual property awareness training for all employees. However, these agreements may not always be effective at preventing all unauthorized parties from obtaining or misusing our intangible property. The Company has an internal council that meets regularly to review the Company’s technology roadmaps for patentable content, identify trade secrets and review the status of the patent portfolio.

Environmental Protection

There are no financial and operational implications of environmental requirements regarding the capital expenditures, profit or loss, and competitive position of the Company in the current financial year, and none is expected in future years.

Foreign Operations

The Company is dependent on the operations of its subsidiary in the United States, Xtract US, as a key driver of the Company's overall business performance. Xtract US represents approximately 75% of the Company's consolidated revenue for the fiscal year ended July 31, 2026 (July 31, 2025 – 79%).

The Company is exposed to risks related to its reliance on Xtract US, including regulatory and political changes, economic conditions including a changing tariff regime, and currency fluctuations. The Company expects continued growth in its Xtract US operations, driven by strong market demand. Xtract US remains critical to the Company's long-term strategy, and management is focused on monitoring potential risks while enhancing its operating efficiency and market reach.

Employees

As of July 31, 2026, the Company had 71 employees.

RISK FACTORS

An investment in our Securities, such as the Common Shares or certain Warrants which are currently publicly listed for trading as of the date of this Annual Information Form, involves significant risks. Investors should carefully consider the risks described below and the other information elsewhere in this Annual Information Form, including the Company's Financial Statements and related management's discussion and analysis ("**MD&A**"), which are incorporated herein by reference and are available under the Company's SEDAR+ profile at www.sedarplus.ca. We operate in rapidly changing political, economic and technological environments that present numerous risks, many of which are driven by factors that we cannot control or predict. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business and operations and cause the trading price of our Securities to decline. If any of the following risks or other risks occur, our business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of our Securities could decline, and investors may lose all or part of their investment in our Securities. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks. See "Forward-Looking Statements" at the beginning of this Annual Information Form for additional risks.

Risks Related to Our Business

Limited operating history

The limited operating history of the Company as a public company and its dependence on a market characterized by rapid political, economic and technological change makes the prediction of future results of operations difficult or impossible. There can be no assurance that the Company can generate substantial revenue growth on a quarterly or annual basis, or that any revenue growth that is achieved can be sustained. Revenue growth that the Company has achieved or may achieve may not be indicative of future operating results. Also, the Company may increase its operating expenses to fund higher levels of research and development, increase its sales and marketing efforts, develop new distribution channels, broaden its customer support capabilities, and expand its administrative resources in anticipation of future growth. To the extent that increases in such expenses precede or are not subsequently followed by increased

revenues, the Company's business, results of operations, and financial condition would be materially adversely affected.

The Company has incurred net losses in the past and may incur losses in the future

The Company has a limited history of earnings and cash flow from operations, and historically the Company has had negative cash flow. The Company may not generate material revenue or achieve self-sustaining operations in the next year. To the extent that the Company has negative operating cash flow in future periods, it will need to allocate a portion of its cash reserves to fund such negative cash flow. If the Company experiences future negative cash flow, the Company may also be required to raise additional funds through the issuance of equity or debt Securities. There can be no assurance that the Company will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed, or that these financings will be on terms favourable to the Company.

The Company has incurred losses since its inception and has an accumulated deficit of $165,431,460 as of July 31, 2026. The Company does not know if business operations will become profitable, and if so, when, or if the Company will continue to incur net losses beyond fiscal 2026. The Company is therefore subject to many of the risks common to early and development-stage enterprises, including under-capitalization, cash shortages, limitations concerning personnel, financial and other resources, and lack of revenues. The Company expects to incur significant expenses as it develops and expands its business, which will make it harder for the Company to achieve and maintain future profitability. The Company may incur significant losses in the future for several reasons, including the other risks described in this Annual Information Form, and the Company may encounter unforeseen expenses, difficulties, complications, delays, and other unknown events. Accordingly, the Company may not be able to achieve or maintain profitability.

The Company has limited products and changes in customer preferences may have a disproportionately greater impact on the Company than if it derived revenues from multiple lines of products

There can be no assurance that the Company's products and services will attain or maintain long-term customer appeal. If customer interest declines, or if there is increased competition in the market for threat detection technology, the Company may experience a significant loss of sales, cancellation of orders from customers, loss of customers, excess inventories, inventory markdown and deterioration of our brand image, and lower revenues and gross and operating margins as a result of price reductions and may be forced to liquidate excess inventories at a discount, any or all of which would have a material adverse impact on the Company's operating results and growth prospects.

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

The Company's existing contractual relationships give it confidence in its ability to achieve sales and maintain a customer base within its target industries, notwithstanding the risks outlined above. The Company has, and will continue to, invest in new product development to expand its business within

existing markets. The Company also plans to prioritize its research and development efforts on technologies that offer attractive long-term growth opportunities by improving its product performance and expanding its product portfolio. Failure to grow and advance the Company's business can have a material adverse effect on the Company's operating results and growth prospects.

The Company's business relies on technology development

The Company's ability to generate future revenue or achieve or sustain profitable operations is largely dependent on its ability to attract experienced management with the requisite know-how to develop new devices and technologies and to partner with larger, more established companies in the industry to successfully commercialize its products. Successfully developing prototypes and technologies into commercially viable endeavors may take several years and significant financial resources, and the Company may not achieve this objective. In order to commercialize any product, the Company needs to conduct trials, which may not succeed, and to obtain regulatory approvals, which it may fail to do. The Company's products and technologies must comply with guidelines prescribed by authorities and related international standards, regulations and test certifications. The Company does not know and is unable to predict the nature and frequency of any trials that authorities will require the Company to conduct before granting any necessary approvals. The development programs may not lead to a commercial product, either because of the failure to demonstrate that product candidates are safe and effective in trials or the failure to obtain necessary approvals from applicable authorities or regulatory agencies or due to inadequate financial or other resources to advance product candidates through the trial process for successful commercialization.

The Company's business is subject to rapid changes in technology development

The threat detection industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other companies may have greater financial, technical and personnel resources that allow them to benefit from technological advantages and may in the future allow them to implement new technologies before the Company. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Company or implemented in the future may become obsolete. If the Company is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could also be adversely affected in a material way.

Concealed weapons detection through novel technological approaches is a relatively new market and the rate of adoption and the Company's associated growth in anticipated markets may not be representative of rates of adoption or future growth in other markets

The Company is expected to derive a significant portion of its revenues in subsequent years from the commercial sale and implementation of its various current and future developed and/or acquired products and technology in the threat detection sector, a relatively new and rapidly evolving market. If this market fails to grow or grows slower than the Company currently anticipates, the Company's business would be negatively affected. To date, the Company has targeted markets that we believe are the most likely to adopt its technology. However, there is no assurance that the Company will be successful in these markets or

will be able to expand beyond these markets.

Risks pertaining to any future public health crisis

The Company's business, operations and financial condition could be materially and adversely affected by the potential impacts of future pandemics, epidemics or other health crises, which may include, among other things, delays in fulfilling customer and end-user obligations, changes in sales activity, delays in hardware installations or service implementations, supply chain disruptions, and challenges related to employee health and safety. The Company continues to monitor global conditions and believes that the improvement in operating environments has supported increased customer engagement, the resumption of delayed pilots and deployments, and continued momentum for its security solutions.

Fluctuations in quarterly results may fail to meet the expectations of investors or security analysts which could cause the price of the Company's Securities to decline

The Company's quarterly operating results have in the past, and will in the future, fluctuate significantly, depending on factors such as the demand for the Company's products, the size, and timing of orders, the number, timing, and significance of new product announcements by the Company and its competitors, the ability of the Company to develop, introduce and market new and enhanced versions of its products on a timely basis, the level of product and price competition, changes in operating expenses, changes in average selling prices and product mix, sales personnel changes, the mix of direct and indirect sales, product returns and general economic factors, among others. Fluctuations in our operating results may be due to several factors, including, but not limited to, those listed below:

- demand for and market acceptance of our products;
- the product mix, services, hardware, and delivery method of our solution sold during a period;
- the quantum of professional services purchased by our customers;
- our ability to retain and increase sales to existing customers and attract new customers;
- the timing of product releases which determines when we can recognize the associated revenue;
- the timing and success of introductions of new solutions or upgrades by us or our competitors;
- the strength of the economy;
- changes in our pricing policies or those of our competitors;
- competition, including entry into the industry by new competitors and new offerings by existing and unforeseen competitors;
- the amount and timing of expenditures related to expanding our operations, research and development, or launch of new solutions; and
- changes in the payment terms for our solutions.

Due to the foregoing factors, and the other risks discussed in this Annual Information Form, you should not rely on quarter-to-quarter comparisons of our results of operations as an indication of our future performance.

A prolonged decline in the price of Securities could result in a reduction in the liquidity of Securities and a reduction in the Company's ability to raise capital. A decline in the price of our Securities could be detrimental to their liquidity and our operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on its business plan and operations, including its ability to continue its current operations. If the price of Common Shares declines, the Company can offer no assurance that the Company will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital

in the future, the Company may not be able to have the resources to continue its normal operations. The market price for Common Shares may also be affected by its ability to meet or exceed the expectations of analysts or investors. Any failure to meet these expectations, even if minor, may have a material adverse effect on the market price of Securities.

The price of the Company's publicly traded Securities may be influenced by analyst coverage

The trading market for our Securities will, to some extent, depend on the research and reports that securities or industry analysts publish about the Company or its business. The Company will not have any control over these analysts. If one or more of the analysts who covers the Company should downgrade the Common Shares or change their opinion of the Company's business prospects, the price of our Securities would likely decline. If one or more of these analysts ceases coverage of the Company or fails to regularly publish reports on the Company, the Company could lose visibility in the financial markets, which could cause the price or trading volume of our Securities to decline.

If the Company is unable to attract new customers or sell additional products to our existing customers, our revenue growth and profitability will be adversely affected

To increase our revenue and achieve profitability, we must continually add new customers or sell additional solutions to our existing customers, which we plan to do. Numerous factors, however, may impede our ability to add new customers and sell additional solutions to our existing customers, including our inability to convert qualified leads generated by our existing network into paying customers, failure to attract and effectively train new sales and marketing personnel, failure to retain and motivate our current sales and marketing personnel, failure to develop relationships with partners or resellers and/or failure to ensure the effectiveness of our marketing programs. Further, if prospective customers do not perceive our solutions to be of sufficiently high value and quality, we will not be able to attract the number and types of new customers that we are seeking.

A decline in the growth of demand for the Company's products would have a material adverse effect on our operating results and growth prospects

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

The Company's existing contractual relationships give it confidence in its ability to achieve sales and maintain a customer base within its target industries, notwithstanding the risks outlined above. The Company has and will continue to invest in new product development to expand its business within existing markets. The Company plans to utilize available funds to build on existing, and develop new, relationships in the industry. The Company also plans to prioritize its research and development efforts on technologies that offer attractive long-term growth opportunities and expanding its product portfolio.

The Company faces certain significant risk exposures and potential liabilities that may not be adequately covered by indemnity or insurance

A significant portion of the Company's business relates to providing weapon detection solutions to customers using innovative technology. These systems may fail to detect a weapon and fail to prevent a mass casualty event opening the Company up to significant liability. In some, but not all, circumstances, the Company may be entitled to indemnification from customers, either through contractual provisions, qualification of the Company's products and services by the DHS under the SAFETY Act provisions of the Homeland Security Act of 2002, or otherwise. Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all risks and the Company may become subject to liability for risks which are uninsurable or against which it may opt out of insuring due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on its financial position and operations. The amount of the Company's insurance coverage maintained or indemnification to which the Company may be contractually or otherwise entitled may not be adequate to cover all claims or liabilities, and it is not possible to obtain insurance or indemnification coverage to protect against all operational risks and liabilities. Accordingly, the Company may be forced to bear substantial costs resulting from risks and uncertainties of our business which would negatively impact the Company's results of operations, financial condition, or liquidity.

Because many of Xtract One's expenses will be fixed, the Company may not be able to limit its losses if the Company fails to achieve forecasted revenue

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

Reliance on management

The success of the Company is dependent upon the ability, expertise, judgment, discretion, and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results, or financial condition. The success of the Company further depends on the ability to attract, retain, and motivate highly qualified management and scientific personnel.

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

The Company expects to experience substantial growth in its business. This growth has placed and may continue to place significant demands on the Company's management and the Company's operational and financial resources. The Company may not be able to provide the scale of operation necessary to meet the

demands associated with its growth. As the Company grows, it will need to implement new systems to help run the Company's operations. As the Company's operations grow in scope and complexity, the Company will need to continue to improve and upgrade the Company's systems and infrastructure to offer an increasing number of customers with enhanced services, solutions, and features. The Company may choose to commit significant financial, operational, and technical resources in advance of an expected increase in the volume of business, with no assurance that the volume of business will increase. Continued growth could also strain the Company's ability to maintain reliable service levels for existing and new customers, which could adversely affect the Company's reputation and business.

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

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

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

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

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

Any of these risks could harm the Company's business and operating results.

The impact of worldwide economic conditions, including the effect on target market spending, may adversely affect the Company's business, operating results, and financial condition

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

several external factors to cause the Company's operating results to fluctuate from quarter to quarter, which may make it difficult to predict the Company's future performance.

The Company's revenues, if any, and operating results could vary significantly from quarter to quarter due to a variety of factors, many of which are outside of the Company's control. As a result, comparing the Company's operating results on a period-to-period basis may not be meaningful. In addition to other risk factors discussed in this section, factors that may contribute to the variability of the Company's quarterly results include:

- the impact of worldwide economic conditions and their impact on levels of security and defense spending;
- global supply chain management issues which may impede the Company's ability to obtain the necessary materials required to produce our solutions;
- system interruptions that impair access to the Company's customers, key vendors or communication with the Company's technology and any related impact on the Company's reputation;
- changes in market demand for the Company's products and services hindering the Company's ability to forecast revenues accurately and appropriately plan the Company's expenses; and
- the impact of fluctuations in currency exchange rates, to the extent that the Company sources material or labor from outside of Canada, sells its products outside of Canada, or operates outside of Canada.

Risks Related to Tariffs, Trade Policy, and Supply Chain Uncertainty

As of the date of this Annual Information Form, the Company is not currently subject to any tariffs in connection with importing or exporting of products and services into the United States.

However, amendments and modifications to tariff regimes, including those imposed by the United States on Canada and the retaliatory tariffs imposed by Canada, have already been, and may continue to be, implemented on an irregular and ad-hoc basis, which makes the determination of the impact of tariff regimes on the Company's business difficult to predict. Notwithstanding the current uncertainty, the Company considers that the imposition of tariffs may negatively impact the Company's sales in the United States, where it derives a substantial portion of its revenue.

Changes in trade policy, particularly by the United States and China, may result in a broader global trade war, increased costs, supply chain disruptions, and reduced competitiveness by the Company in target markets. The unpredictability of such measures makes it difficult to plan and manage our operations, and we may not be able to mitigate these risks by shifting suppliers or passing increased costs on to customers. These factors could have a material adverse effect on our business, financial condition, and results of operations.

If the security of customers' confidential information stored in the Company's systems is breached or otherwise subjected to unauthorized access, the Company's reputation or brand may be harmed and the Company may be exposed to liability and a loss of customers

It is expected that the Company's system will store, process, and transmit certain confidential information of its customers, including personal information. It is expected that the Company will rely on encryption, authentication, and other technologies licensed from third parties, as well as administrative and physical safeguards, to secure such confidential information. Any compromise of the Company's security or the

security of its third-party service providers could damage the Company's reputation and brand and expose the Company to the risk of loss, costly litigation, and liability that would substantially harm the Company's business and operating results. The Company and the Company's third-party data center facilities may not adequately assess the internal and external risks posed to the security of the Company's systems and information and may not implement adequate preventative safeguards or take adequate reactionary measures in the event of a security incident.

Also, many jurisdictions have enacted laws requiring companies to notify individuals and often government authorities of data security breaches involving their data. These mandatory disclosures regarding a security breach often lead to widespread negative publicity, which may cause the Company's prospective customers to lose confidence in the effectiveness of the Company's data security measures. Any security breach, whether successful or not, would harm the Company's reputation and brand and may result in the loss of customers and expose the Company to liability.

Failure to comply with various applicable laws, including the collection of sales or related taxes, could harm the Company's results of operations and financial condition

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

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

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

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

As the Company's business depends substantially on the Company's intellectual property, the Company could be adversely affected if it does not adequately protect its intellectual property rights. The Company

regards its marks, rights, and trade secrets, and other intellectual property rights as critical to the success of the Company's business. To protect its investments and the Company's rights in these various intellectual properties, it may rely on a combination of patents, trademark and copyright law, trade secret protection and confidentiality agreements, and other contractual arrangements with its employees, customers, strategic partners, acquisition targets and others to protect proprietary rights. These measures afford only limited protection for the Company. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Company's technology's features, software, and functionality or obtain and use information that the Company considers proprietary. There can be no assurance that the steps taken by the Company to protect proprietary rights will be adequate or that third parties will not infringe or misappropriate the Company's copyrights, trademarks, and similar proprietary rights, or that the Company will be able to detect unauthorized use and take appropriate steps to enforce rights.

Moreover, policing the Company's proprietary rights is difficult and may not always be effective. In particular, the Company may need to enforce the Company's rights under the laws of countries that do not protect proprietary rights to as great an extent as do the laws of Canada and the United States of America. Further, although the Company believes that its proprietary rights do not infringe on the intellectual property rights of others, there can be no assurance that other parties will not assert infringement claims against the Company. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

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

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

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

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

The Company's failure to raise additional capital necessary to expand the Company's operations and invest in the Company's business could reduce the Company's ability to compete successfully

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

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

The Company will depend on key and highly skilled personnel to operate its business and if the Company is unable to retain its current personnel or hire additional personnel, the Company's ability to develop and successfully market its business could be harmed

The Company believes its future success will depend in large part upon the Company's ability to attract and retain highly skilled managerial, technical, finance, and sales and marketing personnel. The Company plans to expand its workforce domestically and, if applicable, internationally as the Company grows its business. The Company expects to compete in the market for personnel against numerous companies, including larger, more established competitors that have significantly greater financial resources than the Company and which may be in a better financial position to offer higher compensation packages to attract and retain human capital. The Company cannot be certain that it will be successful in attracting and retaining the skilled personnel necessary to operate its business effectively in the future.

Moreover, the Company believes that its future success is highly dependent on the contributions of Xtract One's executive team. Xtract One's key employees possess specialized knowledge of the Company's business and industry and would be extremely difficult to replace. Also, the loss of any key employee or the inability to attract or retain qualified personnel could harm the market's perception of the Company and the Company's brand. Qualified individuals are in high demand, and the Company may incur significant costs to attract them. The Company may be unable to attract and retain suitably qualified individuals who can meet its growing operational and managerial requirements or may be required to pay increased compensation to do so. While employment agreements will be used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. If

the Company is unable to attract and retain the qualified personnel it will need to succeed, its business will suffer. Any loss of the services of such individuals or relationships could have a material adverse effect on the Company's business, operating results, or financial condition.

The Company's business is subject to the risks of human error

Despite efforts to attract and retain qualified personnel, as well as the retention of qualified consultants, to manage the Company's interests and even when those efforts are successful, people are fallible and human error could result in significant uninsured losses to the Company. These could include loss of business or other assets for non-payment of fees or taxes, significant tax liabilities in connection with any tax planning effort the Company might undertake and legal claims for errors or mistakes by the Company's personnel.

The Company's business may require permits and licenses

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

The Company may rely on third parties

The Company may from time to time rely on third parties for licensing of technologies used in the Company's products and services. If these third parties do not properly and successfully carry out their obligations to the Company, it may not be able to develop, obtain regulatory approval for, or commercialize its products and services.

The Company's business is subject to regulatory changes

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

High competition in the industry

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

Risks associated with brand development of the Company

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

The Company's business is subject to rapid technological change

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

The Company's business is subject to the risks of earthquakes, fires, floods, and other natural catastrophic events and interruption by man-made problems such as computer viruses and terrorism

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

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

Future Securities issuances may affect the market price of our publicly traded Securities

To finance future operations, the Company may raise funds through the issuance of additional Common

Shares or the issuance of debt instruments or other Securities convertible into Common Shares, including Warrants, subscription receipts, units or any combination of such Securities. Xtract One cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other Securities convertible into Common Shares or the dilutive effect if any, that future issuances and sales of the Company's Securities will have on the market price of the Common Shares.

Risks associated with international operations of the Company

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

Issuance of debt

From time to time, the Company may finance acquisitions, expansions, or operations partially or wholly with debt, which may increase the Company's debt levels above industry standards. The Company's constating documents do not limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise, or at all. The Company's ability to service its debt obligations will depend on the Company's future operations, which are subject to prevailing industry conditions and other factors, many of which are beyond the control of the Company.

Dividends

The Company does not expect to pay any cash dividends in the future in favor of utilizing cash to support the development of its business. Any future determination relating to the Company's dividend policy will be made at the discretion of the Company's Board of Directors (the "**Board**") and will depend on several factors, including future operating results, capital requirements, financial condition, and the terms of any credit facility or other financing arrangements the Company may obtain or enter into, prospects and other factors the Company's Board may deem relevant at the time such payment is considered. As a result, Shareholders will have to rely on capital appreciation, if any, to earn a return on their investment in the Common Shares in the foreseeable future.

The Company's publicly traded Securities are subject to market volatility

The market price of a publicly traded security, especially those of a technology issuer such as the Company, is affected by many variables in addition to those directly related to successes or failures, some of which will be outside of the Company's control. Such factors include the general condition of markets, the strength of the economy generally, the availability and attractiveness of alternative investments, analysts' recommendations and their estimates of financial performance, investor perception and reactions to disclosure made by the Company and by the Company's competitors, and the breadth of the public markets for the Securities. Therefore, investors could suffer significant losses if the market prices of the Common Shares or Warrants are depressed or if those Securities are illiquid when an investor seeks to sell.

Difficulty in forecasting

The Company must rely largely on its market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize because of competition, technological change, or other factors could have a material adverse effect on the business, results of operations, and financial condition of the Company.

Global economy risk

Access to financing has been negatively impacted by the ongoing global economic risks and geopolitical instability. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where its cash position is unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans or other credit facilities in the future and on terms favorable to the Company. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could harm the Company's operations and the trading price of the Company's Securities.

Inflation risk

Global economies recently experienced elevated inflation, which curtailed levels of economic activity, including in the Company's primary markets. The general rate of inflation impacts the general economic and business environment, which in turn impacts the Company. Inflationary pressures relating to global financial support measures, as well as any economic conditions resulting from governmental attempts to reduce inflation, such as the imposition of higher interest rates, could negatively impact the Company's business, financial condition and results of operations. There can be no assurance that any governmental action will be taken to control inflationary or deflationary cycles, that any governmental action taken will be effective or whether any governmental action may contribute to economic uncertainty. Governmental action to address inflation or deflation may also affect currency values. Higher interest rates as a result of inflation could negatively impact future borrowing costs or make debt financing less attractive to the Company, which could, in turn, have a material adverse effect on the Company's business and results of operation.

Litigation

The Company operates in the weapon detection and physical security industry, which is subject to heightened litigation risk compared to many other sectors. The nature of our products, designed to detect and prevent the entry of weapons and other threats into public and private venues, means that any alleged failure of our systems could result in significant legal claims, including product liability, negligence, or

breach of contract. In the event of a security incident where a weapon is not detected, the Company may be exposed to lawsuits from affected parties, including venue operators, patrons, or other stakeholders. Additionally, the weapon detection industry is subject to evolving regulatory standards and increased scrutiny from governmental authorities. Changes in regulations or the introduction of new compliance requirements may result in additional legal challenges or enforcement actions.

Litigation in this industry can be complex, costly, and time-consuming, and may result in substantial damages, injunctive relief, reputational harm, or increased insurance costs. Even if the Company prevails in such proceedings, the defense of these claims may divert management attention and resources. There can be no assurance that the Company's insurance coverage or contractual indemnities, if any, will be sufficient to cover all potential liabilities arising from litigation against the Company.

The Company may also face intellectual property disputes as competitors seek to protect or challenge proprietary technologies in a rapidly innovating field. The commercial success of the Company will depend in part on not infringing upon the patents and proprietary rights of other parties and enforcing its patents and proprietary rights against others. The Company's research and development programs will be in highly competitive fields in which numerous third parties have issued patents and pending patent applications with claims closely related to the subject matter of the Company's programs. The Company is not currently aware of any litigation or other proceedings or claims by third parties that its technologies or methods infringe on its intellectual property.

Should any litigation in which the Company becomes involved be determined against the Company, such a decision could have a material adverse effect on the Company's business, operations and capital, including its ability to continue operating and the market price for the Company's Securities.

Risks associated with acquisitions

If appropriate opportunities present themselves, the Company intends to acquire businesses, technologies, services, or products that the Company believes are strategic. The Company currently has no understandings, commitments, or agreements concerning any other material acquisition and no other material acquisition is currently being pursued.

There can be no assurance that the Company will be able to identify, negotiate, or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service, or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for the ongoing development of the Company's business.

Future acquisitions could result in potentially dilutive issuances of Securities, the incurrence of debt, contingent liabilities, and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations, and financial condition. Any such future acquisitions of other businesses, technologies, services, or products might require the Company to obtain additional equity or debt financing, which might not be available on terms favorable to the Company, or at all, and such financing, if available, might be dilutive.

Economic environment

The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently impact the

Company's future sales and profitability.

Financial risk exposures

The Company may have financial risk exposure to varying degrees relating to the currency of each of the countries where it operates with potential financial risk exposure towards digital currencies. The level of the financial risk exposure related to currency and exchange rate fluctuations will depend on the Company's ability to hedge such risk or use another protection mechanism.

The Company may alter its proposed use of current and future available funds

The Company has used and intends to use its available capital to further advance its business and for general working capital. Although these allocations are based on the current expectations of management, there may be circumstances where, for business reasons, a reallocation of funds may be necessary at the discretion of the Company, and there can be no assurance as of the date hereof as to how those funds may be reallocated.

Going concern risk

The Company's consolidated financial statements have been prepared on a going concern basis, which assumes that the Company 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. Management applies significant accounting judgment in evaluating the Company's going concern assumption, taking into account current liquidity, cash flow forecasts, and available capital resources.

The Company's long-term growth and operational plans depend on the continued commercial expansion of its threat-detection platform and achieving sustained profitability. If operational cash flows deviate significantly from management forecasts, the Company may seek additional funding through debt or equity issuances in future periods. There can be no assurance that such financing will be available on terms acceptable to the Company if and when required.

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud

Although the Company has and will continue to undertake certain procedures in order to help ensure the reliability of its financial reports, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its independent auditor discovers a material weakness in such controls, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and have a material adverse effect on the market price of the Securities.

The Company is dependent upon certain information technology and cybersecurity

The Company is dependent on the availability, capacity, reliability and security of information technology infrastructure and its ability to expand and continually update this infrastructure, to conduct daily operations. The Company will be subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud,

security breach, and destruction or interruption of the Company's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to the business activities or the Company's competitive position. Further, disruption of critical information technology services, or breaches of information security, could have a negative effect on the performance and earnings, as well as the reputation of the Company. The Company will apply technical and process controls in line with industry-accepted standards to protect information assets and systems; however, these controls may not adequately prevent cybersecurity breaches. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

The directors of the Company are involved in other business activities

The Company's directors are involved in other business activities. As a result of their other business endeavors, the directors may not always be able to devote sufficient time to the Company's business affairs, which may negatively affect its ability to conduct its ongoing operations and its ability to generate revenues.

Certain of the Company's directors and officers may experience a conflict of interest

Certain directors and officers of the Company are, and may continue to be, involved in the threat detection industry through their direct and indirect participation in corporations, partnerships or joint ventures, which are potential competitors of the Company. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of the Company. Directors and officers of the Company with conflicts of interest will be subject to the procedures set out in the *Business Corporations Act* (British Columbia).

DIVIDENDS AND DISTRIBUTIONS

The Company has not paid dividends to its Shareholders to date and does not anticipate paying cash dividends on the Common Shares in the foreseeable future. The Company's current policy is to retain cash flows to finance the development and enhancement of its products and to otherwise invest in the Company's business.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

As of the date hereof, the authorized capital of the Company consists of an unlimited number of Common Shares, of which 260,103,320 Common Shares are issued and outstanding. Shareholders are entitled to receive notice of, attend, and vote at any meeting of the Shareholders, and to cast one vote for each Common Share held on the applicable record date in respect of any matter put to vote at such a meeting. Shareholders are entitled to receive dividends if, as, and when declared by the Board. Shareholders are entitled to share equally in the remaining property of the Company upon the liquidation, dissolution, or winding-up of the Company.

Omnibus Equity Incentive Plan

The Company has an omnibus equity incentive plan (the "**Omnibus Equity Incentive Plan**") under which up to a maximum of 10% of the issued and outstanding Common Shares may be reserved for issuance in connection with incentive awards. The current Omnibus Equity Incentive Plan was approved by Shareholders during the Annual General and Special Meeting of the Shareholders held on November 12, 2025. As of the date hereof, the maximum number of Common Shares that may be reserved for issuance under the Omnibus Equity Incentive Plan is 26,010,332.

As of the date hereof, there are a total of 20,029,599 stock options ("**Stock Options**") issued and outstanding. Stock Options are exercisable by the holders thereof to acquire Common Shares at a future date. The terms and conditions attached to the Stock Option grants are determined by the Board, at its sole discretion. The Board has the power and discretionary authority to determine the terms and conditions of the Stock Option grants, including the individuals who will receive the Stock Option grants, the number of Stock Options subject to each grant, the exercise price of the Stock Options, the limitations, or restrictions on vesting of Stock Options, acceleration of vesting of Stock Options, the form of consideration payable on settlement of Stock Options and the timing of the Stock Options grants. The Board also has the power to establish procedures for payment of withholding tax obligations with cash.

During the year ended July 31, 2026, the Company granted Stock Options as follows:

Date of Grant	Number of Options	Exercise Price	Expiry Date
Sep-29-2025	3,582,770	$0.74	Sep-29-2030
Feb-7-2026	550,000	$0.55	Feb-07-2031
Mar-16-2026	75,000	$0.46	Mar-16-2031
TOTAL	**4,207,770**	-	-

The Omnibus Equity Incentive Plan allows the Board to grant deferred share units ("**DSUs**") to directors or any other individual at its sole discretion. As of the date herein, there are no DSUs issued and outstanding. DSUs are redeemable for one fully paid Common Share at a specified future date. The terms and conditions attached to the DSU grants are determined by the Board, at its sole discretion. The Board has the power and discretionary authority to determine the terms and conditions of the DSU grants, including the individuals who will receive the DSU grants, the number of DSUs subject to each grant, the redemption date of the grant and the timing of the DSU grants. The Board also has the power to establish procedures for payment of withholding tax obligations with cash. During the year ended July 31, 2026, the Company did not grant any DSUs.

The Omnibus Equity Incentive Plan allows the Board to grant restricted share units ("**RSUs**") to directors or any other individual at its sole discretion. As of the date herein, there are no RSUs issued and outstanding. RSUs are redeemable for one fully paid Common Share but subject to certain restrictions. The terms and conditions attached to the RSU grants are determined by the Board, at its sole discretion. The Board has the power and discretionary authority to determine the terms and conditions of the RSU grants, including the individuals who will receive the RSU grants, the number of RSUs subject to each grant, the restrictions placed on the RSUs, the vesting terms applicable to the grant of the RSU and the timing of the RSU grants. The Board also has the power to establish procedures for payment of withholding tax obligations with cash. During the year ended July 31, 2026, the Company did not grant any RSUs.

The Omnibus Equity Incentive Plan allows the Board to grant performance share units ("**PSUs**") to directors or any other individual at its sole discretion. As of the date herein, there are no PSUs issued and outstanding. PSUs are redeemable for one fully paid Common Share on a future date upon the achievement of certain performance goals. The terms and conditions attached to the PSU grants are determined by the Board, at its sole discretion. The Board has the power and discretionary authority to determine the terms and conditions of the PSU grants, including the individuals who will receive the PSU grants, the number of PSUs subject to each grant, the restrictions placed on the PSUs, the performance goals applicable to the vesting of the PSU and the timing of the PSU grants. The Board also has the power to establish procedures for payment of withholding tax obligations with cash. During the year ended July 31, 2026, the Company did not grant any PSUs.

More information regarding the Omnibus Equity Incentive Plan is available under the heading "*Terms of the Omnibus Equity Incentive Plan*" (pages 28-34) in the Company's management information circular dated October 1, 2026 (the "**Information Circular**"), which information is incorporated herein by reference and available under the Company's SEDAR+ profile at www.sedarplus.ca.

Warrants

As of the date hereof, there are 76,599,670 warrants to purchase Common Shares ("**Warrants**") issued and outstanding as outlined below.

Outstanding #	Weighted Average Exercise Price	Expiry Date
19,185,979	$0.64	April 24, 2027
20,000,000	$0.60	February 10, 2028
11,925,595	$0.60	April 12, 2028
16,901,000	$0.48	June 18, 2028
8,587,096	$0.93	November 10, 2028
76,599,670	**$0.62**	

MARKET FOR SECURITIES

Trading Price and Volume

The Company's Common Shares are listed and posted for trading on the TSX under the symbol "XTRA", on the OTCQX in the United States under the symbol "XTRAF", and on the Frankfurt Stock Exchange in Germany under the symbol "0PL". On October 21, 2026, the closing price of the Common Shares on the TSX was $0.54. The following table sets out the high and low closing share prices and the aggregate volume of trading of the Company's Common Shares on the TSX for the most recently completed financial year.

Period	High ($)	Low ($)	Volume
Aug-25	0.59	0.34	8,593,400
Sep-25	0.79	0.51	8,492,100
Oct-25	0.98	0.63	11,994,500
Nov-25	0.91	0.62	11,387,900

Period	High ($)	Low ($)	Volume
Dec-25	0.72	0.58	7,891,600
Jan-26	0.70	0.57	5,041,200
Feb-26	0.62	0.48	3,787,600
Mar-26	0.56	0.41	4,771,200
Apr-26	0.49	0.43	3,003,800
May-26	0.51	0.43	2,087,200
Jun-26	0.76	0.47	4,909,800
Jul-26	0.61	0.54	2,509,200

Certain of the Company's Warrants are listed and posted for trading on the TSX under the symbol "XTRA.WT". On October 21, 2026, the closing price of the Warrants on the TSX was $0.08. The following table sets out the high and low closing Warrant prices and the aggregate volume of trading of the Company's Warrants on the TSX for the most recently completed financial year.

Period	High ($)	Low ($)	Volume
Aug-25	0.20	0.09	316,670
Sep-25	0.28	0.19	193,500
Oct-25	0.40	0.16	547,707
Nov-25	0.30	0.13	479,115
Dec-25	0.18	0.12	147,500
Jan-26	0.22	0.12	77,529
Feb-26	0.12	0.10	66,050
Mar-26	0.12	0.07	77,000
Apr-26	0.11	0.09	55,500
May-26	0.11	0.04	86,280
Jun-26	0.19	0.07	72,000
Jul-26	0.14	0.08	5,000

Prior Sales

The following table summarizes securities of the Company that are not listed or quoted on a marketplace and that have been issued by the Company during the most recently completed financial year ended July 31, 2026:

Date of Issuance	Number and Type of Securities Issued	Issue Price / Exercise Price per Security	Reason for Issuance
Sep-29-2025	3,582,770 Options	$0.74	Incentive Award
Feb-7-2026	550,000 Options	$0.55	Incentive Award
Mar-16-2026	75,000 Options	$0.46	Incentive Award
Nov-10-2025	7,667,050 Warrants	$0.95	November 2025 Prospectus Offering

Date of Issuance	Number and Type of Securities Issued	Issue Price / Exercise Price per Security	Reason for Issuance
Nov-10-2025	920,046 Warrants	$0.75	Issued to the underwriter as compensation in connection with the November 2025 Prospectus Offering

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the Company's knowledge, no securities were held in escrow, or were subject to a contractual restriction on transfer as of July 31, 2026.

DIRECTORS AND OFFICERS

Directors

The following table sets out, as at the date hereof, for each of our directors, the person's name, province or state, and country of residence, position(s) with us, the date on which they became a director, their principal occupation and previously held positions for the last five years. Our directors are expected to hold office until our next annual meeting of Shareholders. Our directors are elected annually and, unless re-elected, retire from office at the end of the next Annual General Meeting of Shareholders.

Name and province or state and country of residence	Positions with the Company	Director since	Principal occupation for the past five years (1)	Number and % of Common Shares held in the Company(2)
Peter van der Gracht(3) British Columbia, Canada	Independent Director and Chair of Board	July 10, 2018	See the detailed description below.	82,000 (0.03%)
John Gillies (4)(5)(6) British Columbia, Canada	Independent Director	May 30, 2017	See the detailed description below.	160,000 (0.06%)
Bill Maginas(4)(5)(6) Ontario, Canada	Independent Director	January 1, 2020	See the detailed description below.	10,000 (0.004%)
Lea M. Ray (4)(5)(6) Ontario, Canada	Independent Director	February 7, 2020	See the detailed description below.	15,000 (0.01%)
Peter Evans Florida, USA	CEO and Director	December 10, 2020	See the detailed description below.	952,323 (0.37%)

Notes:

1. Information as to principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors individually.
2. Information as to Common Shares held in the Company, not being within the knowledge of the Company, has been furnished by the respective directors individually.
3. Chair of the Board of Directors.
4. Member of the Audit Committee.
5. Member of the Human Resources and Compensation Committee.
6. Member of the Governance and Nomination Committee.

Executive Officers

The following table sets out, as at the date hereof, for each of our officers not noted above, the person's name, province or state, and country of residence and position(s) with us.

Name and province or state and country of residence	Positions with the Company	Executive since	Principal occupation for the past five years	Number and % of Common Shares held in the Company
Karen Hersh Ontario, Canada	CFO and Corporate Secretary	August 10, 2020	See the detailed description below.	51,664 (0.02%)
Robert Lex Ontario, Canada	SVP – Operations	February 1, 2018	See the detailed description below.	83,666 (0.03%)
Joshua Douglas New Hampshire, USA	SVP – Product & Engineering	July 1, 2023	See the detailed description below.	Nil (0.0%)
Louise Johnson British Columbia, Canada	SVP – Marketing	February 1, 2025	See the detailed description below.	6,416 (0.002%)

Biographies

The following are brief profiles of the current directors and executive officers of the Company, including a description of their principal occupation within the past five years.

Directors

Peter van der Gracht, Chair and Director

Mr. van der Gracht is a successful start-up veteran, with over forty years of experience leading companies through multiple financings, operational build-outs, acquisitions, mergers and buy-outs. Mr. van der Gracht has spent his career addressing the challenge of accelerating the adoption of new technologies in many industries. He has in the past or is currently, chairman, director, consultant or investor of over twenty for-profit organizations. Mr. van der Gracht has supported the following not-for-profit organizations, Entrepreneurship@UBC, a University of British Columbia seed-stage investment fund and program and Alacrity Foundation, a not-for-profit start-up foundation. In the past, Mr. van der Gracht supported two Federal Government activities. He was a member of the Science, Technology and Innovation Council and

he was the Global Industry Advisor for Global Affairs Canada. Mr. van der Gracht holds a Master's degree in Electrical Engineering from the University of British Columbia and is the recipient of multiple awards for entrepreneurship.

John Gillies, Director

Mr. Gillies brings over 33 years of federal government experience, principally within the national and international security and intelligence environment, during which time Mr. Gillies served as an Assistant Director with the Canadian Security Intelligence Service ("**CSIS**") and as a member of the CSIS Senior Executive Committee. Past duties within CSIS include extensive experience in both the counter-intelligence and counter-terrorism sectors in various roles with a focus on advancing national security and intelligence programs, delivering projects, building strong and diverse teams, fostering collaboration and leading change. In carrying out his senior executive and leadership responsibilities, Mr. Gillies was required to read and understand financial statements and consider financial and accounting matters relevant to the programs and operations under his oversight. During the course of his career, Mr. Gillies developed numerous international contacts with security and intelligence agencies, law enforcement, academia and the private sector. Mr. Gillies possesses career-long experience in conducting and managing complex national security investigations in a variety of roles, including as the Director General, Counter Terrorism Division and the Director General, BC Region during the 2010 Winter Olympic Games. During his tenure as the Chief Human Resources Officer for CSIS, Mr. Gillies also represented CSIS nationally on numerous human resources-related boards and councils. Prior to joining CSIS, Mr. Gillies served as a police officer in the Royal Canadian Mounted Police. Mr. Gillies has been a director of the Company since May 2017. He is a graduate of the University of Victoria and currently resides in the Lower Mainland of British Columbia.

Bill Maginas, Director

As the former President of Johnson Controls Canada (JCI), Mr. Maginas brings significant industry expertise and executive leadership experience to the Company's Board of Directors. Mr. Maginas currently leads a portfolio business for Ironbridge Equity Partners as CEO of GNI Management Group, with a focus on developing barrier-science offerings, including soundproofing, insulation and fire-prevention solutions. He is an accomplished senior executive and thought leader with more than 20 years of experience across the commercial building, construction, technology, security, energy and environmental-solutions industries. While at JCI, Mr. Maginas led a security division serving approximately 25,000 customers, including industrial sites in Alberta, financial centres in Ontario and data centres in Québec. At Honeywell, he served as the Canadian country leader for the building-solutions business and worked on security solutions for the 2010 Winter Olympic Games in Vancouver and other critical-infrastructure venues. During his tenure at Honeywell, he was also involved in security projects for multiple Olympic Games, data centres and other key sites globally. One of his final positions at Honeywell was Business Model Innovation Leader for the connected enterprise, with a focus on SaaS offerings. His broad areas of expertise include business-process improvement, change management, growth and strategy. Mr. Maginas holds a Master of Business Administration from Wilfrid Laurier University, where his studies included corporate finance.

Lea M. Ray, Director

Ms. Ray is a certified director (ICD.D) of the Institute of Corporate Directors and is a Chartered Professional Accountant. She holds a Bachelor of Commerce Degree from the Odette School of Business, University of Windsor. Lea has served as the Chair, Vice-chair, Lead Independent Director and Audit Committee Chair on a variety of publicly-listed (TSX), public sector and non-profit entities. She has held the position of Vice-President, Corporate Finance, for Warner Bros. Entertainment Canada Inc. and is a former member of the Professional Conduct Committee of the Chartered Professional Accountants (Ontario).

Peter Evans, Chief Executive Officer and Director

Mr. Evans has over 26 years of driving growth for disruptive high-tech companies. He has successfully served as CEO, COO, CMO, and other executive leadership roles in leading sales and strategic partnerships. As a high-tech CEO, Mr. Evans has demonstrated repeated success in driving revenue growth and accelerated profitability, by delivering innovative solutions to target markets. He has worked with aggressive venture backed start-ups, and large-scale, global Fortune 500 brands leading organizations' digital transformation and innovation activities for customers in the Telecom, Cloud, SaaS, and Cybersecurity industries. Mr. Evans is a noted public spokesperson, and has led the acquisition of three private companies, and participated in the acquisitions of two publicly-traded companies.

Executive Officers

Karen Hersh, Chief Financial Officer and Corporate Secretary

Ms. Hersh has experience across a broad spectrum of finance activities including financial reporting, strategic planning and corporate finance, including mergers and acquisitions. She has held several senior leadership roles, most recently as the CFO for a global private equity company focused on cybersecurity technologies where she was responsible for mergers and acquisitions, financial reporting, and portfolio management. Prior to this role, Ms. Hersh held the positions of CFO at a TSXV listed technology company and Vice President, Corporate Finance & Investment Banking at PricewaterhouseCoopers LLP. Ms. Hersh holds a Bachelor of Commerce from McGill University and is a Chartered Professional Accountant (CPA, CA).

Robert Lex, Senior Vice President - Operations

Mr. Lex has extensive experience gained from leadership roles in global manufacturing, supply chain, and enterprise IT with multi-billion-dollar revenue corporations and technology startups alike. In each role he successfully improved operational efficiencies, profitability and quality across a range of rapid growth and digital transformation challenges, including many post-M&A integrations. Mr. Lex has developed corporate strategies that leverage virtual vertical partnership initiatives that optimize capital ROI while minimizing risk and accelerating time to market. Mr. Lex has an Honours BASc from the University of Toronto, and an MBA from York University Schulich.

Joshua Douglas, Senior Vice President - Product and Engineering

Mr. Douglas brings over two decades of technical leadership and strategy experience. He is a recognized expert in the fields of behavioral analytics, cybersecurity, and physical security, with demonstrated thought leadership speaking and writing on these topics. In his last role, he served as Senior Vice President of Product Management at Mimecast, which was sold to Permira for $6B. Mr. Douglas has served in various strategy and leadership roles such as CSO, CTO and CISO for Raytheon, Forcepoint and TRC Companies. While serving in the positions for public and private companies, he has advised startups and boards alike on how to bring products to market, accelerating customer adoption and innovation. Mr. Douglas holds a Bachelors in Computer Science and an MBA from Appalachian State University.

Louise Johnson, Senior Vice President - Marketing, Brand & Customer Engagement

Ms. Johnson brings over 15 years of marketing, brand, and customer engagement experience within the technology, AI, and security sectors. She joined the Company in 2020 and has held progressive leadership roles including Director of Marketing, Vice President of Marketing, and Senior Vice President of Marketing, Brand and Customer Engagement. Prior to joining the Company, Ms. Johnson held a senior marketing position with Axiom Zen, Jostle Corporation where she led marketing strategy for emerging technology ventures. Ms. Johnson holds an Undergraduate Certificate in Education (Sport Management) from the University of Edinburgh.

Audit Committee

The Audit Committee of the Board is a committee established for the purpose of overseeing the accounting and financial reporting processes of the Company and the annual external audit of the financial statements. All members of the Audit Committee are independent, financially literate and have accounting or related financial expertise based on criteria in accordance with NI 52-110. The mandate and responsibilities of the Audit Committee can also be found in the Audit Committee Charter on the Company's website at https://xtractone.com/company/policies-documents/. The Audit Committee Charter was most recently updated by the Company on October 23, 2025. The Audit Committee is composed entirely of independent directors (in accordance with National Instrument 52-110 *Audit Committees*). The current members of the Audit Committee are Lea M. Ray, John Gillies, and Bill Maginas. Ms. Ray currently chairs the Audit Committee.

Governance and Nomination Committee

The Governance and Nomination Committee of the Board is a committee established for the purpose of assisting the Board with the oversight of the Company's overall governance framework, to cultivate best practices in corporate governance within the Company, to provide oversight for the Board in the identification of the individuals who may be candidates for members of the Board, and to guide the selection and interview process. The Board annually appoints not less than three (3) independent directors, with members holding office until the close of the annual meeting of Shareholders. The Governance and Nomination Committee has a number of specific mandates and responsibilities, which can also be found in the Governance and Nomination Committee Mandate on the Company's website at https://xtractone.com/company/policies-documents/. The current members of the Governance and Nomination Committee are John Gillies, Bill Maginas, and Lea M. Ray. Mr. Gillies currently chairs the Governance and Nomination Committee.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee of the Board is a committee established for the purpose of assisting the Board in the development of robust, competitive, and accountable compensation frameworks, capable of attracting and retaining management of the highest caliber to deliver on the approved strategic plan, and assist the Board in its risk oversight responsibilities, specifically in regard to risks to business performance associated with compensation frameworks. The Board annually appoints not less than three (3) independent directors, with members holding office until the close of the annual meeting of Shareholders. The mandate and responsibilities of the Human Resources and Compensation Committee can be found in the Human Resources and Compensation Committee Mandate on the Company's website at https://xtractone.com/company/policies-documents/. The current members of the Human Resources and Compensation Committee are Bill Maginas, John Gillies and Lea M. Ray. Mr.

Maginas currently chairs the Human Resources and Compensation Committee.

CEO Leadership and Succession Planning

The Board ensures that the Company has proper plans in place for an orderly succession of management.

On November 9, 2020, the Company announced the appointment of Peter Evans as Chief Executive Officer, effective on November 16, 2020. Mr. Evans brings strong expertise working with venture-backed and public companies in executive leadership, operations and board roles, and has a proven track record in revenue growth for early-stage technology organizations.

On August 10, 2020, the Company announced the appointment of Karen Hersh as its Chief Financial Officer and Corporate Secretary. Ms. Hersh's hands-on experience in financial planning and reporting, corporate governance, business development, and operations for start-up and growth-stage technology companies has been leveraged for overseeing all financial aspects of the Company while supporting the Board. Her experience is also instrumental in the commercial deployment of the Company's technology solutions, corporate development initiatives and capital markets.

On July 1, 2023, the Company announced the appointment of Joshua Douglas as its Senior Vice President – Product and Engineering. Mr. Douglas is a recognized expert in the fields of behavioral analytics, cybersecurity, and physical security. With a successful career working as a product management and engineering leader, Mr. Douglas has helped companies of all sizes bring products to market with demonstrated customer satisfaction.

On July 1, 2024, the Company announced the appointment of Robert Lex as its Senior Vice President – Operations. Mr. Lex is a recognized expert in the fields of global manufacturing operations, logistics and supply chain management. With a successful career working as an operations leader, Mr. Lex has helped companies of all sizes bring products to market with effective operations, logistics and customer success.

On February 1, 2025, the Company announced the appointment of Louise Johnson as its Senior Vice President – Marketing, Brand and Customer Engagement. Ms. Johnson is a recognized expert in the fields of marketing strategy, brand development, and customer experience. With a successful career working as a marketing and leadership executive, Ms. Johnson has helped organizations of all sizes strengthen their brand presence, deepen customer engagement, and drive growth through innovative, customer-centric strategies.

Cease Trade Orders and Bankruptcies

None of our directors or executive officers is, as at the date of this Annual Information Form, or has been within ten (10) years before the date of this Annual Information Form, a director, chief executive officer, or chief financial officer of any company (including us) that, while that person was acting in that capacity, or after that person ceased to act in such capacity but resulting from an event that occurred while that person was acting in such capacity, was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation in each case for more than 30 consecutive days.

None of our directors, or executive officers, or to our knowledge, our Shareholders holding a sufficient number of securities to affect materially the control of our Company (i) is as at the date of this Annual Information Form, or has been within ten (10) years before the date of this Annual Information Form, a director or executive officer of any company (including us) that, while that person was acting in that

capacity, or within a year of that person ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within ten (10) years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or shareholder.

Penalties or Sanctions

None of our directors or executive officers, or to our knowledge, our Shareholders holding enough securities to affect materially the control of our Company, has been subject to:

- any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

- any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best of our knowledge, there are no known existing or potential conflicts of interest between us and our directors, executive officers, or other members of management as a result of their outside business interest as at the date of this Annual Information Form. However, as certain of our directors and officers also serve as directors and officers of other companies, a conflict of interest may arise between their duties to us and their duties to such other companies.

EXECUTIVE COMPENSATION

Information regarding directors' and officers' remuneration is available in the Company's Information Circular under the headings "*Statement of Executive Compensation*" (pages 16-25) and "*Statement of Director Compensation*" (pages 25-27), respectively, for its Annual General Meeting of the Shareholders to be held on November 17, 2026, which will involve the election of directors. Such information is incorporated herein by reference and is available under the Company's SEDAR+ profile at www.sedarplus.ca.

PROMOTERS

No person will be or has been within the two (2) most recently completed financial years or during the current financial year, a promoter of the Company.

APPOINTMENT OF AUDITOR

The external auditor of the Company is Davidson & Company LLP, located at 609 Granville St. #1200, Vancouver, British Columbia, V7Y 1G6.

In the following table, "audit fees" are fees billed by the Company's external auditor for services provided

in auditing the Company's annual financial statements for the subject year. "Audit-related fees" are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit of the Company's financial statements. "Tax fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice, and tax planning. "All other fees" are fees billed by the auditor for products and services not included in the foregoing categories.

The fees paid by the Company to its external auditor, Davidson & Company LLP, for services rendered to the Company in each of the last two fiscal years, by category, are as follows:

Fiscal Year Ending	Audit Fees	Audit-related Fees	Tax Fees	All Other Fees	Total
July 31, 2026	$185,000	$45,000	Nil	$30,000(1)	$260,000
July 31, 2025	$163,500	$45,000	Nil	$20,000(2)	$228,500

Notes:

1. Fees incurred include work performed in connection with the review of the Shelf Prospectus and the prospectus supplement for the November 2025 Prospectus Offering, together with the related auditor consents.
2. Fees incurred include work performed on the review of the prospectus supplement dated June 13, 2025 for the June 2025 Prospectus Offering, together with the related auditor consent.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the ordinary course of business, the Company may be subject to certain contingent liabilities with respect to existing or potential claims, lawsuits, and other proceedings, including those involving tax, labor lawsuits and other matters. The Company will accrue liabilities when it is probable that future costs will be incurred, and such costs can be reasonably estimated.

As of the date of this Annual Information Form, the Company's management is not aware of any current or contemplated legal proceedings material to the Company to which it is a party or of which any of its property is the subject matter.

As of the date of this Annual Information Form, no penalties or sanctions have been imposed against the Company by a court or regulatory body and the Company did not enter into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, none of (i) the directors or executive officers of the Company, (ii) the Shareholders who beneficially own, control or direct, directly or indirectly, more than 10% of the voting securities of the Company, or (iii) any associate or affiliate of the persons referred to in (i) and (ii), has or has had any material interest, direct or indirect, in any transaction within the three years before the date of this Annual Information Form or in any proposed transaction that has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries. See "Material Contracts".

On April 24, 2024, concurrent with the 2024 Prospectus Offering made pursuant to the Company's prospectus supplement dated April 22, 2024 to the Shelf Prospectus, the Company announced closing of

a private placement with MSG Sports and issued 2,696,228 2024 MSG Units for aggregate gross proceeds of $1,375,076 (the "**2024 Private Placement**"). On May 1, 2024, concurrent with the closing of the 2024 Prospectus Offering over-allotment option exercise, the Company issued to MSG Sports an additional 391,751 2024 MSG Units for aggregate gross proceeds of $199,793. Each 2024 MSG Unit comprised of one Common Share and one Warrant, with each Warrant entitling MSG Sports to purchase one additional Common Share for a period of three years at a price of $0.64. Following completion of the 2024 Private Placement, MSG Sports maintained their pro-rata ownership share of the Company.

Related Party Transactions

Xtract One has not engaged in any material non-arm's length party transactions this fiscal year, other than those set out in the Company's Financial Statements filed on October 21, 2026, which are available under the Company's profile on SEDAR+ at www.sedarplus.ca.

TRANSFER AGENT, REGISTRAR, AND WARRANT AGENT

The transfer agent, registrar and Warrant agent for the Common Shares and Warrants issued by the Company is TSX Trust Company located at 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 4H1.

MATERIAL CONTRACTS

The following is a list of material contracts of the Company and its subsidiaries, other than contracts entered in the ordinary course of business, entered into by Xtract One within the last fiscal year ended July 31, 2026, or before the last fiscal year if still in effect:

(1) On July 25, 2019, Xtract One completed an exclusive global commercial licensing agreement for intellectual property with Quasar of San Diego, California, to ensure the successful deployment of our solutions. Under the terms of this agreement, Quasar has granted Xtract One a perpetual, worldwide, exclusive, fully paid-up, transferable and irrevocable license (with a right of sublicence) to use Quasar's intellectual property to use, develop, modify, manufacture and sell covert threat detection technology in exchange for an aggregate cash consideration of USD $5 million. The Quasar license includes access to patented sensor technology and patent-pending magnetic detection and security screening technology. Xtract One also has the right to engage Quasar's development team to assist with future modifications to the technology, as well as manufacturing and implementation engineering.

(2) On October 5, 2022, the Company announced that it had signed a partnership agreement with OVG to provide new patron screening technologies to multiple properties. The partnership enables properties owned or operated by OVG to utilize the Company's SmartGateway system to enhance the customer experience and increase safety and security.

(3) On April 22, 2024, in connection with the 2024 Prospectus Offering, the Company entered into an agency agreement with Eight Capital and Echelon Wealth Partners Inc. for the issue and offer for sale of up to 14,000,000 units of the Company, at a price of $0.51 per unit, for aggregate gross proceeds to the Company of up to $7,140,000 (excluding the over-allotment option granted to the agents), with each unit consisting of one Common Share and one Warrant, with each Warrant entitling the holder thereof to purchase one Common Share at an

exercise price of $0.64 per Common Share.

(4) On April 24, 2024, in connection with the 2024 Prospectus Offering, the Company entered into a warrant indenture with TSX Trust Company appointing it as the Company's warrant agent for the Warrants issued under the 2024 Prospectus Offering.

(5) On June 13, 2025, in connection with the June 2025 Prospectus Offering, the Company entered into an underwriting agreement with Ventum Capital Markets for the issue and offer for sale of 18,000,000 at a price of $0.39 per unit, for aggregate gross proceeds to the Company of up to $7,020,000 (excluding the over-allotment option granted to the underwriter), with each unit consisting of one Common Share and one Warrant, with each Warrant entitling the holder thereof to purchase one Common Share at an exercise price of $0.49 per Common Share.

(6) On June 18, 2025, in connection with the June 2025 Prospectus Offering, the Company entered into a warrant indenture with TSX Trust Company appointing it as the Company's warrant agent for the Warrants issued under the June 2025 Prospectus Offering.

(7) On November 3, 2025, in connection with the November 2025 Prospectus Offering, the Company entered into an underwriting agreement with Stifel Nicolaus Canada Inc for the issue and offer for sale of 13,334,000 at a price of $0.75 per unit, for aggregate gross proceeds to the Company of up to $10,000,500 (excluding the over-allotment option granted to the underwriter), with each unit consisting of one Common Share and one-half of one Warrant, with each whole Warrant entitling the holder thereof to purchase one Common Share at an exercise price of $0.95 per Common Share.

(8) On November 10, 2025, in connection with the November 2025 Prospectus Offering, the Company entered into a warrant indenture with TSX Trust Company appointing it as the Company's warrant agent for the Warrants issued under the November 2025 Prospectus Offering.

INTERESTS OF EXPERTS

Xtract One's Financial Statements have been audited by Davidson & Company LLP, as set forth in their audit reports. Davidson & Company LLP is the independent auditor of the Company and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found under the Company's profile on SEDAR+ at www.sedarplus.ca. Additional financial information is provided in Xtract One's Financial Statements and MD&A.

APPENDIX "A"
GLOSSARY OF TERMS

"2024 Private Placement"	means the private placement with MSG Sports pursuant to which the Company issued 2,696,228 2024 MSG Units for aggregate gross proceeds of $1,375,076 on April 24, 2024, and an additional 391,751 2024 MSG Units for aggregate gross proceeds of $199,793 on May 1, 2024.
"2024 MSG Units"	means units of the Company issued to MSG Sports at a price of $0.51 per 2024 MSG Unit in connection with the 2024 Private Placement.
"2024 Prospectus Offering"	means the public offering made pursuant to the Company's prospectus supplement dated April 22, 2024 to its Shelf Prospectus, for the issue and offer for sale of up to 14,000,000 units of the Company, at a price of $0.51 per unit, for aggregate gross proceeds to the Company of up to $7,140,000 (excluding the over-allotment option granted to the agents), with each unit consisting of one Common Share and one Warrant, with each Warrant entitling the holder thereof to purchase one Common Share at an exercise price of $0.64 per Common Share.
"AI"	means artificial intelligence.
"Annual Information Form"	means this annual information form.
"Board"	means the Board of Directors of the Company.
"Common Shares"	means the common shares in the capital of the Company.
"DSU"	means a deferred share unit of the Company granted to an individual and redeemable for one Common Share on a specified date in the future.
"DHS"	means the U.S. Department of Homeland Security.
"EhEye"	means EhEye Inc., a wholly-owned subsidiary of the Company.
"Gateways"	means the Company's current Gateway iterations, including the SmartGateway and Xtract One Gateway.
"Information Circular"	means the Company's management information circular dated October 1, 2026, which is available under the Company's SEDAR+ profile at www.sedarplus.ca.
"June 2025 Prospectus Offering"	means the public offering made pursuant to the Company's prospectus supplement dated June 13, 2025 to its Shelf Prospectus, for the issue and offer for sale of up to 18,000,000 units of the Company, at a price of $0.39 per unit, for aggregate gross proceeds to the Company of up to $7,020,000 (excluding the over-allotment option granted to the underwriter), with each unit consisting of one Common Share and one Warrant, with each Warrant entitling the holder thereof to purchase one Common Share at an exercise price of $0.39 per Common Share.
"MD&A"	means the management's discussion and analysis of the Company for the year ended July 31, 2026.
"MSG Sports"	means Madison Square Garden Sports Corp.

"November 2025 Prospectus Offering"	means the public offering made pursuant to the Company's prospectus supplement dated November 3, 2025 to its Shelf Prospectus, for the issue and offer for sale of up to 13,334,000 units of the Company, at a price of $0.75 per unit, for aggregate gross proceeds to the Company of up to $10,000,500 (excluding the over-allotment option granted to the underwriter), with each unit consisting of one Common Share and one-half of one Warrant, with each whole Warrant entitling the holder thereof to purchase one Common Share at an exercise price of $0.95 per Common Share.
"**Omnibus Equity Incentive Plan**"	means the Company's omnibus equity incentive plan, as amended, the full text of which is attached as Schedule A to the Company's management information circular dated September 23, 2025, which is available under the Company's SEDAR+ profile at www.sedarplus.ca.
"**OVG**"	means Oak View Group.
"**Patriot UK**"	means Patriot One (UK) Limited, a wholly-owned subsidiary of the Company.
"**PSU**"	means a performance share unit of the Company granted to an individual and redeemable for one Common Share subject to the completion of specific performance goals.
"**QATT**"	means a Qualified Anti-Terrorism Technology as defined by the U.S. Department of Homeland Security SAFETY Act.
"**RSU**"	means a restricted share unit of the Company granted to an individual and redeemable for one Common Share subject to specified restrictions.
"**Securities**"	means Common Shares, Warrants, subscription receipts, units, debt securities or any combination of such securities which are issued and publicly listed for trading on the TSX, or any other securities exchange or quotation system on which the Company's securities are listed or posted for trading.
"**Shareholders**"	means the holders of Common Shares.
"**Shelf Prospectus**"	means the Company's final short form base shelf prospectus dated April 13, 2026, and filed with the securities commissions in each of the provinces and territories of Canada, with the exception of Québec, allowing the Company to offer and issue up to $70 million of Common Shares, Warrants, subscription receipts, units, debt securities or any combination of such Securities for a period of 25 months.
"**SmartGateway**"	means the Company's patron screening solution purpose-built for stadiums, arenas and live entertainment venues.
"**Sotech**"	means Sotech Secure, LLC, a 49% owned subsidiary of Xtract US.
"**Stock Options**"	means stock options granted by the Company under the Omnibus Plan entitling the holder thereof to purchase Common Shares at a stated exercise price.
"**TSX**"	means the Toronto Stock Exchange.

"**TSXV**"	means the TSX Venture Exchange.
"Warrants"	means Common Share purchase warrants entitling the holder thereof to purchase Common Shares at a predetermined exercise price within a specified time frame.
"**Xtract Technologies**"	means Xtract Technologies Inc., a wholly-owned subsidiary of the Company.
"**Xtract Detection**"	means Xtract One Detection Ltd., a wholly-owned subsidiary of the Company.
"**Xtract One**" or the "**Company**"	means Xtract One Technologies Inc.
"**Xtract One Financial Statements**" or **"Financial Statements"**	means the audited annual consolidated financial statements of the Company as at and for the year ended July 31, 2026, together with the notes thereto and the auditor's report thereon.
"**Xtract One Gateway**"	means the Company's latest AI-driven security solution with advanced bi-directional screening and proprietary sensors designed for precise weapons detection and identification, and purpose-built for locations where visitors regularly enter carrying numerous larger personal items, otherwise categorized in the security screening field as "medium-clutter environments".
"**Xtract One View**"	means the Company's software solution that analyzes large amounts of venue data in real time.
"**Xtract US**"	means Xtract One (US) Technologies Inc., a wholly-owned subsidiary of the Company.