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Management's Discussion and Analysis
For the three and nine months ended April 30, 2025



Xtract One Technologies Inc.

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Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") is prepared as of June 5, 2025, and is intended to assist in understanding the results of operations and the financial condition of Xtract One Technologies Inc. (the "Company"). Throughout the MD&A, reference to the Company is on a consolidated basis. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine month period ended April 30, 2025, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). The policies applied in the unaudited condensed consolidated interim financial statements are based on IFRS policies effective as of June 5, 2025, the date the Board of Directors approved the unaudited condensed consolidated interim financial statements. All amounts in this MD&A are expressed in Canadian Dollars unless otherwise indicated. The business of the Company is subject to a number of risks and uncertainties. Please refer to the Company's annual information form (the "AIF") for the fiscal year ended July 31, 2024, available under the Company's profile at www.sedarplus.ca, and the "Risk Factors" section of this MD&A for more information about these risks and uncertainties.

Forward-Looking Information

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

Corporate Structure and Profile

The Company's common shares (the "Common Shares") are listed for trading under the trading symbol "XTRA" on the Toronto Stock Exchange in Canada (the "TSX"), under the trading symbol "XTRAF" on the OTCQX in the United States, and under the trading symbol "OPL" on the Frankfurt Stock Exchange in Germany. Certain warrants of the Company are also listed for trading on the TSX under the trading symbol "XTRA.WT". The Company is a reporting issuer in all provinces and territories of Canada, except Québec. The principal regulator of the Company is the Ontario Securities Commission.

As at April 30, 2025, the Company had five wholly-owned subsidiaries, Xtract One Detection Ltd. ("Xtract Detection"), a limited company incorporated under the laws of the province of British Columbia, Canada, Patriot One (UK) Limited ("Patriot UK"), a limited company incorporated under the laws of England and Wales, United Kingdom, Xtract One (US) Technologies Inc. ("Xtract US"), a limited company incorporated under the laws of the state of Colorado, United States of America, EhEye Inc. ("EhEye"), a limited company incorporated under the laws of the province of New Brunswick, Canada, and Xtract Technologies Inc.





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("Xtract Technologies"), a limited company incorporated under the laws of the province of British Columbia, Canada. The Company, through Xtract US, has a 49% interest in Sotech Secure, LLC, a limited liability corporation formed under the laws of the State of Delaware.

Highlights for the three months ended April 30, 2025

The following is a summary of the Company's key financial and business highlights for the three months ended April 30, 2025:

- Total contract value of new bookings¹ was \$4.6 million as of April 30, 2025, as compared to \$9.5 million for the three month period ended April 30, 2024, representing a decrease of 52%;
- Contractual backlog was \$15.4 million as of April 30, 2025, as compared to \$13.8 million as of April 30, 2024, representing an increase of 12%. The backlog as of April 30, 2025 excludes an additional \$21.1 million in signed agreements pending installation¹ representing an increase of 65% over the previous year, when the signed agreements pending installation balance was \$12.8 million;
- Revenue of \$3.5 million and \$10.5 million for the three and nine month periods ended April 30, 2025 as compared to \$4.7 million and \$10.7 million for the same periods ended April 30, 2024, representing a decrease in revenue of 26% and 2% respectively;
- Gross margin of 57% and 64% for the three and nine month periods ended April 30, 2025 as compared to 58% and 61% for the same periods ended April 30, 2024;
- Announced that the Company had entered into a Master Supply Agreement with a new customer, a leading global media and entertainment organization to supply its SmartGateway screening technology solution. The initial deployment will be at a venue in Asia with the potential of ongoing expansion at any of the brand's growing portfolio of hundreds of entertainment venues, retail stores and production facilities worldwide;
- Subsequent to the quarter, the Company announced that it has signed an agreement with the [Colorado Rockies](#) of Major League Baseball (MLB) to use [SmartGateway](#) at their home ballpark, [Coors Field](#) as a joint development project to introduce frictionless, streamlined screening and entry to fans and patrons this baseball season; and

Subsequent to the quarter, the Company announced that its new innovative security platform, Xtract One Gateway has been certified in Canada and the U.S and is on track to start shipping in July to five customers with a current aggregate order value of approximately \$6.7 million. The Company has also completed numerous demonstrations and trials with customers across the education, healthcare and manufacturing and distribution companies.

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



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Business of the Company

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

Outlook and Overall Performance

During the quarter, continued progress was made in the development and commercialization of the Company's Gateway solutions. Revenue related to the SmartGateway product amounted to \$10.5 million for the first three quarters of fiscal 2025. As at April 30, 2025, the backlog of sales commitments was approximately \$15.4 million and continues to grow. This excludes an additional \$21.1 million in signed agreements that are pending installation. As the Company continues to sell its Gateway solutions using a subscription model, management expects monthly recurring revenue and sales backlog to increase, providing predictable long-term cash flow.

During the first three quarters of fiscal 2025, the Company maintained its focus on accelerating customer sales and sales-related activities through continued customer wins and further development with channel resellers, resulting in a sizeable number of year to date bookings. The partnerships with Madison Square Garden Sports Corp. ("MSG Sports") and the Oakview Group ("OVG"), continue to support the Company in the sports and entertainment markets. Various targeted sales and marketing initiatives have also strengthened the Company's market position in the education and healthcare markets as evidenced through new customers wins such as Shared Health in Manitoba and Bowie State University in Maryland, demonstrating the Company's ability to further penetrate these markets, resulting in increased signed contracts and backlog. Additionally, the company continues to penetrate the Entertainment market with its recent announcement of entering into a Master Supply Agreement with a global entertainment organization.

The Company continues to invest in the research and development of its suite of technologies and to advance the functionality of its product offerings in response to the growing market opportunities and feedback from customers, resellers, and partnership organizations. The Company continues to accelerate 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, progress was made on the Company's new innovative security platform, Xtract One Gateway, which is on track to start shipping on schedule, in July. At the time of this MD&A, inventory is currently being built for at least five different customers, with an aggregate order value of approximately \$6.7 million. The product has already been certified in key markets, including the U.S. and Canada and is on track to obtain certification in the UK and European Union. The Company has also hosted numerous demonstrations and product trials with customers of all types including education, healthcare, manufacturing and distribution companies.

Management is encouraged by the ongoing and accelerating interest in its solutions and sees the recent growth in successful deployments, customer commitments, and the continued sales pipeline growth, as



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validation of its product performance and the addressable market. Management sees these factors as positive leading indicators of the expected future performance of the Company.

Investing in Research and Development

During the first three quarters of the fiscal year, the Company continued to invest in research and development activities focused on its primary product offerings to advance functionality in response to the expanding addressable market and global opportunities.

AI-Powered Threat Detection Gateway

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

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

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

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

Technology Update

During the quarter, the Company continued to focus its efforts to actively improve on its technological solutions. The Company's commitment to innovation and meeting the ever-changing needs of customers remains unwavering. In direct response to feedback from field engineers and customers in the live entertainment and sports venue markets, changes to the SmartGateway were focused on improved durability and system diagnostics. The Company has also invested significant development effort in Xtract One View, a software as a service (SaaS) platform that seamlessly integrates with a customer's fleet of Gateways. Xtract One View provides a combination of fleet management functionality, real time analytics, and post event reporting capabilities. The cloud platform provides facilities with a single, simplified dashboard view to oversee an entire fleet of Gateway settings and critical 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.



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

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

Market Opportunity

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

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

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

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

Further, during fiscal 2024, the Company announced that the SmartGateway and SafeGateway 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.

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.





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During the first three quarters of fiscal 2025, the Company announced the launch of Xtract One Gateway as its latest AI-driven security solution. Xtract One Gateway is purpose-built for locations where visitors regularly enter carrying numerous larger personal items, otherwise categorized in the security screening field as medium-clutter environments, eliminating the need for separate bag searches. The Company has selectively engaged customers in certain key market verticals such as schools, healthcare, convention centers and distribution centers, where there is a strong product fit and a solid demand for our solutions. We believe Xtract One Gateway's superior threat and object detection best meets the needs of these environments where there is a medium volume of personal belongings on entrance, including laptops.

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

The Company continues to make significant enhancements to its products to improve capabilities and address customer needs. As products continue to develop, we will continue to expand our target market to new market verticals and geographies. To support this, the Company has placed an emphasis on third party testing and validation of its products as well as obtaining various regulatory certifications. These certifications increase credibility in the marketplace and assist in the pursuit of new market opportunities.

The Company is currently expanding its reseller base, covering larger geographical territories and their respective end-user clientele. In furtherance of these initiatives, the Company also uses a direct-to-end-user sales model that more precisely addresses our target industry groups. This gives greater visibility into opportunities enabling the Company to forecast more accurately, control the sales process, remain competitive, increase sales margins, maintain the relationship with the end-user, and learn directly from these customers for further enhancements to the product offering. The effect of this approach has already been seen with a substantial increase in sales, sales pipeline, and the number of well-qualified opportunities where we have intimate knowledge of the customer and their processes. The Company has also instituted competitive sales programs and pricing schemes in close coordination with resellers and end-user customers to ensure that the go to market strategy is competitive and directly addresses market needs. In parallel, the Company continues to build a program to support the recruitment of strategic alliance partners that offer complementary technologies where we can develop integrations and connect our products to offer more complete solutions together. This will also provide us with access to a larger installation base to promote direct sales.

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



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Quarterly Financial Performance

Selected Financial Data - Summary of Financial Results

	Three months ended April 30,			Nine months ended April 30,		
	2025	2024	% Change	2025	2024	% Change
Revenue	\$ 3,466,433	\$ 4,683,639	(26%)	\$ 10,506,459	\$ 10,720,050	(2%)
Cost of revenue	1,489,181	1,977,223	(25%)	3,811,031	4,145,551	(8%)
Gross profit	\$ 1,977,252	\$ 2,706,416	(27%)	\$ 6,695,428	\$ 6,574,499	2%
Operating expenses						
Selling and marketing	1,563,446	1,259,445	24%	4,451,180	4,066,829	9%
General and administration	1,854,764	1,936,552	(4%)	5,367,644	5,277,387	2%
Research and development	1,638,988	2,182,756	(25%)	5,078,617	5,967,553	(15%)
Loss on inventory write-down	26,868	4,167	545%	308,297	111,180	177%
Loss on retirement of assets	2,029	40,538	0%	23,704	40,538	0%
Total operating expenses	5,086,095	5,423,458	(6%)	15,229,442	15,463,487	(2%)
Loss before undernoted	(3,108,843)	(2,717,042)	14%	(8,534,014)	(8,888,988)	(4%)
Other income						
Interest and other income	28,606	44,704	(36%)	170,196	197,287	(14%)
Net loss for the period	\$ (3,080,237)	\$ (2,672,338)	15%	(8,363,818)	(8,691,701)	(4%)
Other comprehensive income (loss) for the period						
Currency translation differences for foreign operations	(197,348)	-	0%	348,771	-	0%
Comprehensive loss for the period	\$ (3,277,585)	\$ (2,672,338)	23%	\$ (8,015,047)	\$ (8,691,701)	(8%)
Weighted average number of shares	218,426,987	200,110,734		218,415,999	198,924,490	
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	100%	\$ (0.04)	\$ (0.04)	0%



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

	Three months ended April 30,		
	2025	2024	2023
Total revenue	\$ 3,466	\$ 4,683	\$ 875
Comprehensive loss for the period	(3,277)	(2,672)	(3,827)
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.02)
Total assets	\$ 17,773	\$ 25,262	\$ 18,750
Non-current liabilities	\$ 3,765	\$ 3,128	\$ 154

	Nine months ended April 30,		
	2025	2024	2023
Total revenue	\$ 10,506	\$ 10,720	\$ 2,337
Comprehensive loss for the period	(8,015)	(8,692)	(13,016)
Basic and diluted loss per share	\$ (0.04)	\$ (0.04)	\$ (0.08)
Total assets	\$ 17,773	\$ 25,262	\$ 18,750
Non-current liabilities	\$ 3,765	\$ 3,128	\$ 154

Overall Quarterly Results

Overall comprehensive loss for the three month period ended April 30, 2025, was \$3.3 million compared with \$2.7 million for the same period ended April 30, 2024 representing an increase of \$0.6 or 22%. Overall loss and comprehensive loss for the nine months ended April 30, 2025, was \$8.0 million compared with \$8.7 million for the same period ended April 30, 2024, representing a decrease of \$0.7 million or 8%. The decrease in loss for the nine month period ended April 30, 2025, was mainly attributable to the increase in gross profit and reduced expenses during the period.

Revenue

The Company reported revenue of \$3.5 million during the three month period ended April 30, 2025, compared with \$4.7 million, for the same period ended April 30, 2024, representing a decrease of \$1.2 million or 26%. The Company earned revenue of \$10.5 million during the nine months ended April 30, 2025, compared with \$10.7 million for the same period ended April 30, 2024, representing a decrease of \$0.2 million or 2%. The Company believes that revenue will grow in the upcoming periods due to the extensive backlog it has built up from maintenance and subscription contracts, adding to the growth in monthly recurring revenue, as well as the notable increase in customer site surveys, trials, and deployment activities currently underway, particularly for the soon to be released Xtract One Gateway. A meaningful portion of our backlog pertains to the Xtract One Gateway product which we expect will be available for shipment in July 2025.



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

	Less than one year	Greater than one year	As of April 30,		% Change
			2025	2024	
Total backlog	\$ 7,192,274	\$ 8,212,441	\$ 15,404,715	\$ 13,823,743	11%

The Company recorded a backlog of \$15.4 million as of April 30, 2025, as compared with \$13.8 million as of April 30, 2024, representing an increase of \$1.6 million or 11%. The increase is mainly attributable to several new contracts that the Company secured and deployed in recent quarters. The backlog as of April 30, 2025, excludes an additional \$21.1 million in signed agreements that are pending installation, which represents an increase of \$8.1 million or 62% as compared with the \$13.0 million of signed contracts that existed as of July 31, 2024. As the Company continues to sell its Gateway solutions using a subscription model, management expects a continued increase in sales backlog, providing predictable long term cash flow.

Cost of revenue

Cost of revenue was \$1.5 million for the three month period ended April 30, 2025, as compared with \$2.0 million for the same period ended April 30, 2024, representing a decrease of 25% or \$0.5 million. Cost of revenue was \$3.8 million for the nine month period ended April 30, 2025, as compared with \$4.1 million for the same period ended April 30, 2024, representing a decrease of 7% or \$0.3 million. The decrease in these costs during the period was primarily attributable to a concurrent decrease in related revenues.

Gross profit

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

Three months ended April 30,				Nine months ended April 30,			
Gross Profit (\$000s)		Gross Margin		Gross Profit (\$000s)		Gross Margin	
2025	2024	2025	2024	2025	2024	2025	2024
\$ 1,977	\$ 2,706	57%	58%	\$ 6,695	\$ 6,575	64%	61%

Total gross profit as a percentage of total revenue for the three and nine month periods ended April 30, 2025 was 57% and 64% respectively, and were relatively consistent as compared to 58% and 61% for the same periods ended April 30, 2024. The three and nine month period ended April 30, 2025 gross profit was impacted by higher cost of revenue of initial production and installation of test units of Xtract One Gateway which are expected to decrease upon commercial deployment in July 2025. We expect gross margins will remain relatively stable or increase in the upcoming periods.

Sales and marketing

Sales and marketing costs were \$1.6 million for the three month period ended April 30, 2025, as compared to \$1.3 million from the same period ended April 30, 2024, representing an increase of \$0.3 million or 23%. Sales and marketing costs were \$4.5 million for the nine month period ended April 30, 2025, as compared with \$4.1 million from the same period ended April 30, 2024, representing an increase of \$0.4 million or 10%. The relative increase in these costs was primarily attributable to the Company's continued investment in our initial and expanded target markets through campaigns, trade shows and customer demonstrations.





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We expect these expenses will remain steady or increase slightly as sales and marketing activity expands to new market verticals in the upcoming periods.

General and administration

General and administrative costs were \$1.9 million for the three month period ended April 30, 2025 and were consistent with the costs of \$1.9 million from the same period ended April 30, 2024. General and administrative costs were \$5.4 million for the nine month period ended April 30, 2025, as compared with \$5.3 million from the same period ended April 30, 2024, representing an increase of \$0.1 million or 2%. This increase was primarily attributable to an increase in non-cash share-based compensation expense during the nine month period ended April 30, 2025. The Company is continually looking for opportunities to reduce non-strategic expenses. We expect general and administrative expenses will remain steady in the upcoming periods.

Research and development

Research and development ("R&D") costs were \$1.6 million for the three month period ended April 30, 2025, as compared with \$2.2 million for the same period ended April 30, 2024, representing a decrease of \$0.6 million or 27%. R&D costs were \$5.1 million for the nine month period ended April 30, 2025, as compared with \$6.0 million for the same period ended April 30, 2024, representing a decrease of \$0.9 million or 15%. We expect R&D expenses will remain steady or increase slightly in upcoming periods as we continue to invest in the continued enhancement and development of our technology product portfolio.

Loss on inventory

Loss on inventory write down was \$0.03 million for the three month period ended April 30, 2025, as compared with \$nil for the same period ended April 30, 2024, representing an increase of \$0.03 million. Loss on inventory write down was \$0.3 million for the nine month period ended April 30, 2025, as compared with \$0.1 million for the same period ended April 30, 2024, representing an increase of \$0.2 million or 200%. Management continuously reviews the inventory it holds for signs of impairment or obsolescence.

Loss on retirement of assets

During the three and nine month periods ended April 30, 2025, the Company wrote down obsolete fixed assets of \$nil and \$0.02 million respectively as compared with \$0.04 million for the period ended April 30, 2024, representing an overall decrease of \$0.04 million and \$0.02 million respectively. Management continuously reviews fixed assets for indications of impairment or obsolescence.

Interest and other income

Interest and other income was \$0.03 million for the three month period ended April 30, 2025, as compared with \$0.04 million for the same period ended April 30, 2024, representing a decrease of \$0.01 million or 25%, due to reduced cash and cash equivalents during the period. Interest and other income of \$0.2 million for the nine month period ended April 30, 2025 was consistent with \$0.2 million for the same period ended April 30, 2024.



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Net loss per share

On a per weighted average share basis, net loss per share was \$0.02 and \$0.04 for the three and nine month periods ended April 30, 2025 respectively, as compared with \$0.01 and \$0.04 for the comparative periods in 2024. Net loss per share remains stable for the nine month ended April 30, 2025 and was primarily attributable to steady levels of gross profit resulting in a consistent amount of loss and comprehensive loss.

Financial Data – Summary of Quarterly Results (in \$000s except per share amounts)

	Quarter Ended							
	Apr 30, 2025	Jan 31, 2025	Oct 31, 2024	Jul 31, 2024	Apr 30, 2024	Jan 31, 2024	Oct 31, 2023	Jul 31, 2023
Revenue	\$ 3,466	\$ 3,412	\$ 3,627	\$ 5,638	\$ 4,683	\$ 2,920	\$ 3,116	\$ 1,774
Cost of Revenue	1,489	1,008	1,313	1,954	1,977	1,136	1,032	533
Gross profit	\$ 1,977	\$ 2,404	\$ 2,314	\$ 3,684	\$ 2,706	\$ 1,784	\$ 2,084	\$ 1,241
Operating expenses								
Selling and marketing	\$ 1,563	\$ 1,225	\$ 1,663	\$ 1,527	\$ 1,259	\$ 1,300	\$ 1,508	\$ 1,118
General and administration	1,855	1,649	1,864	2,202	1,937	1,693	1,648	1,741
Research and development	1,639	1,640	1,800	2,297	2,183	2,059	1,726	1,624
Loss on inventory write-down	27	281	-	64	4	107	-	30
Loss on retirement of assets	2	22	-	55	40	-	-	77
Total operating expenses	\$ 5,086	\$ 4,816	\$ 5,327	\$ 6,145	\$ 5,423	\$ 5,158	\$ 4,882	\$ 4,590
Other income								
Unrealized gain (loss) on investment	-	-	-	-	-	-	-	(55)
Interest and other income	28	67	75	88	45	57	96	83
Net loss for the period	\$ (3,081)	\$ (2,346)	\$ (2,938)	\$ (2,373)	\$ (2,672)	\$ (3,317)	\$ (2,702)	\$ (3,321)
Other comprehensive income for the period								
Currency translation differences for foreign operations	(197)	263	283	-	-	-	-	-
Comprehensive loss for the period	\$ (3,278)	\$ (2,082)	\$ (2,655)	\$ (2,373)	\$ (2,672)	\$ (3,317)	\$ (2,702)	\$ (3,321)
Basic and diluted loss per share	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.02)
Working capital	\$ 2,330	\$ 5,575	\$ 7,100	\$ 9,874	\$ 10,395	\$ 1,865	\$ 5,113	\$ 7,672
Total assets	\$ 17,773	\$ 21,291	\$ 23,696	\$ 24,942	\$ 25,262	\$ 16,498	\$ 16,468	\$ 18,998
Non-current liabilities	\$ 3,765	\$ 4,490	\$ 3,925	\$ 3,346	\$ 3,128	\$ 63	\$ 94	\$ 124

Quarterly Results Trend Analysis

The quarterly expenditure trend across the eight fiscal quarters ending April 30, 2025 above reflects the evolution of the Company's strategy to accelerate revenue growth while driving efficiencies in operating expenditures. The Company's primary objective has been the further development and commercialization of integrated, layered, AI-powered threat detection solutions. In Fiscal 2024, the Company's strategic partnerships and customer relationships continued to grow revenue and the sales pipeline and contributed



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towards scaling the Company's operations. In Fiscal 2025, the Company's investment in new products and technological capabilities, and larger planned customer deployments, combined with the entrance into secondary market verticals and new geographies will support the continued expansion of the business with the anticipation of long-term recurring revenue.

The Company has no discontinued operations.

Liquidity and Capital Resources

As at April 30, 2025, the Company had a working capital of \$2.3 million which includes current assets of \$9.5 million to meet current liabilities of \$7.2 million. The majority of the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has non-current liabilities of \$3.8 million, related to deferred revenue and the long-term portion of the capitalized lease liabilities in accordance with IFRS 16.

Selected Cash Flow Information – Summary of results for the nine month periods ended April 30

	2025	2024	% Change
Cash and cash equivalents beginning of period	\$ 8,628,521	\$ 8,327,449	4%
Cash used in operating activities	(5,571,077)	(6,432,974)	(13%)
Cash used in investing activities	(918,803)	-	100%
Cash (used) generated in financing activities	(197,388)	7,845,919	(103%)
Effect of foreign exchange rate changes	(20,150)	-	100%
Change in cash for the period	(6,707,418)	1,412,945	(575%)
Cash and cash equivalents end of period	\$ 1,921,103	\$ 9,740,394	(80%)

During the nine month period ended April 30, 2025, the Company had a net decrease in cash flow from operations, investing, and financing activities of \$6.7 million, compared with an increase of \$1.4 million for the same period ended April 30, 2024.

The cash flow used in operating activities was \$5.6 million for the nine month period ended April 30, 2025, as compared with \$6.4 million for the same period ended April 30, 2024, representing a decrease of \$0.8 million or 13%. The decrease in negative cash flow from operating activities can be primarily attributable to the reduced non-cash operating expenses, before working capital in the nine month period ended April 30, 2025.

Cash flow used in investing activities was \$0.9 million for the nine month period ended April 30, 2025, as compared with \$nil for the same period in 2024, representing an increase of \$0.9 million. The increase in negative cash flow from investing activities can be attributed to intangible assets related to one-time development costs associated with the Xtract One Gateway product during the nine month period ended April 30, 2025 and the purchase of leasehold improvements for the Company's new offices in Toronto which a significant portion are expected to be recovered through lease incentives in the fourth quarter of fiscal 2025.

Cash used in financing activities was \$0.2 million for the nine month period ended April 30, 2025, as compared to cash generated in financing activities was \$7.8 million for the same period ended April 30,



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2024, representing a decrease of \$7.9 million or 103%. This decrease is primarily attributed to financing raised during the nine month period ended April 30, 2024.

The Company has been actively managing its cash reserves which have remained relatively unchanged since April 30, 2025. The Company believes it has sufficient cash balances to support its near-term operating needs and remains focused on prudent financial management to ensure the sustainability and growth of its business operations.

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

Commitments

Purchase Commitments

The Company continues to invest in its supply chain and has outstanding purchase obligations of \$1.9 million (July 31, 2024 - \$2.9 million) related to the assembly of future finished goods, that will be drawn down within the next fiscal year.

Lease Commitments

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

<u>Fiscal year</u>	<u>Amount</u>
2025	\$ 52,228
2026	201,989
2027	310,401
2028	249,089
2029	235,277
2030	137,248
Effects of discounting	(105,462)
Right of use liabilities	\$ 1,080,770
Current portion of right of use liabilities	156,797
Non-current portion of right of use liabilities	\$ 923,973



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

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

Business Objective	Estimated Use of Net Proceeds	Approximate Use of Proceeds as at April 30, 2025	Proceeds Unutilized as at April 30, 2025
Product Development	\$2,500,000	\$2,500,000	\$nil
Sales and Marketing	2,000,000	2,000,000	nil
Production and Operations	1,500,000	896,218	603,782
General Working Capital	2,700,000	2,220,686	479,314
Total	\$8,700,000	\$7,616,904	\$1,083,096

The Company's intention to spend the net proceeds of the Prospectus Offering and the Private Placement as set forth above is based on the expectations of management at the time of the financing raise. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. At the current time, there are no significant changes to the business objectives and milestones.

Non-IFRS and Supplementary Financial Measures

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

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

Financial Instruments and Other Instruments

The Company's only material financial instruments are cash and cash equivalents, receivables, and



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

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk in order to meet its contractual obligations by ensuring there is appropriate capital to meet short-term business requirements and obtaining other opportunities for financing. The Company identifies when funds are required through the planning and budgeting process to support the Company's normal operations. The Company's ability to continue as a going concern involves significant judgments and estimates while determining forecasted cashflows and is dependent on the Company's ability to obtain financing.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents and receivables. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset-backed commercial paper. The Company's receivables primarily consist of trade receivables that the Company continues to collect and refundable sales tax from the Canada Revenue Agency, which are not subject to significant credit risk. The Company's maximum exposure to credit risk is limited to the carrying amount of cash and cash equivalents and receivables.

Market risk

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

Interest rate risk

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

Foreign currency risk

Foreign currency risk is the risk that is related to the fluctuation of foreign exchange rates. The Company's financial assets and liabilities that are denominated in foreign currencies are impacted by changes in the exchange rate between the Canadian dollar and the U.S. dollar. This primarily includes cash and cash equivalents, trade and other receivables, and trade and other payables. During the period ended April 30, 2025, the Company generated a portion of revenue in U.S. dollars, along with corresponding expenses in U.S. dollars, which acted as a natural foreign exchange hedge. Management continues to evaluate its foreign currency risk as the business grows internationally.

Price risk

Price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company did not hold material equity investments during the period, and therefore, exposure to price risk is insignificant.





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Material Accounting Policies, Judgements and Estimates

For a complete description of the Company's material accounting policies, please see the accompanying notes to the condensed consolidated interim financial statements for the three and nine month periods ended April 30, 2025, and the audited consolidated financial statements for the year ended July 31, 2024.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates. Material areas requiring the use of management estimates and judgments include:

Share-based compensation

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

Deferred income tax assets and liabilities

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

Treatment of development costs

Costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technologically and economically feasible, which management assesses based on the attributes of the development project, perceived user needs, industry trends, and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible, when assets are available for use and are depreciated and meets the criteria.

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



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

Right of use lease assets and liabilities

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

Assessment of a subsidiary's functional currency

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

Revenue recognition

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

Going concern

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

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

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



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

Recent Accounting Pronouncements

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

New accounting standards issued but not yet in effect:

Presentation and Disclosure in Financial Statement (IFRS 18)

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

IFRS 18 introduces:

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

IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027. IFRS 18 is to be applied retrospectively. The Company is currently assessing the impact that IFRS 18 will have on its condensed consolidated interim financial statements.

Related Party Balances and Transactions

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers. During the nine months ended April 30, 2025, one employee was added as a key executive officer. Key management compensation earned by officers and directors of the Company during the nine month period ended April 30, 2025, was \$1,456,875 (2024 - \$1,121,890). In addition, share-based compensation expense relating to key management personnel for the nine month period ended April 30, 2025, was \$541,541 (2024 - \$344,670). During the nine month period ended April 30, 2024, two additional personnel were added as key executive officers who were not included in the prior year's related party compensation.

As at April 30, 2025 there was \$nil (July 31, 2024 - \$482,000) in accounts payable and accrued liabilities due to officers and directors of the Company or to companies controlled by directors and officers of the Company. There were no other related party transactions during the nine month period ended April 30, 2025.



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Controls and Procedures

Evaluation of disclosure controls and procedures

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. As at April 30, 2025, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized, and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting

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

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

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

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether there were changes to its ICFR during the nine month period ended April 30, 2025, that have materially affected or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

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

Risk and Uncertainties

The Company's business is subject to a number of risk factors which are described in our most recently filed AIF and further outlined below. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks occur, business plans may be impacted and the



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financial condition and results of operation may suffer, potentially significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

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

Tariffs

On February 1, 2025, the United States' Trump Administration issued executive orders imposing broad-based tariffs at the rate of 25% on all goods exported from Canada and Mexico into the U.S., which were to come into effect on March 4, 2025, and were subsequently amended to allow for an exemption on U.S. tariffs for any products of Canada and Mexico that are CUSMA-compliant.

As of the date of this MD&A, the Company is not currently subject to any tariffs in connection with the importing of its products into the United States.

Amendments and modifications to tariffs have already been, and may continue to be, implemented on an irregular and ad-hoc basis, which makes the determination of the impact 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. More broadly, these tariffs, and any changes to these tariffs or imposition of any new tariffs, taxes or import or export restrictions or prohibitions, could have a material adverse effect on the Canadian economy, the Canadian technology industry and the Company. Furthermore, there is a risk that the tariffs imposed by the U.S. on other countries will trigger a broader global trade war which could have a material adverse effect on the Canadian, U.S. and global economies, and by extension the Canadian technology industry and the Company.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Proposed Transactions

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

Disclosure of Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. As of the date of this MD&A, the Company has 218,426,987 common shares issued and outstanding. In addition, there are 52,238,509 warrants which may be converted to one common share each at prices ranging from \$0.51 to \$0.64. The Company also has stock options outstanding to purchase an additional 14,482,329 common shares with exercise prices ranging from \$0.38 to \$0.97 per share.