



Management's Discussion and Analysis
For the year ended July 31, 2026



Xtract One Technologies Inc.

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For the year ended July 31, 2026

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") is prepared as of October 21, 2026, and is intended to assist in understanding the results of operations and the financial condition of Xtract One Technologies Inc. (the "Company"). Throughout the MD&A, reference to the Company is on a consolidated basis. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended July 31, 2026, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). The policies applied in the audited consolidated financial statements are based on IFRS policies effective as of October 21, 2026, the date the Board of Directors approved the audited consolidated financial statements. All amounts in this MD&A are expressed in Canadian Dollars unless otherwise indicated. The business of the Company is subject to a number of risks and uncertainties. Please refer to the Company's annual information form (the "AIF") for the fiscal year ended July 31, 2026 ("fiscal 2026" or the "fiscal year"), available under the Company's SEDAR+ profile available at www.sedarplus.ca, for more information about these risks and uncertainties.

Forward-Looking Information

This MD&A contains forward-looking information and statements within the meaning of applicable securities laws (collectively, "forward-looking information"), including statements regarding expected revenue growth; the timing and extent of conversion of contractual backlog and signed agreements pending installation into revenue; growth in recurring revenue; improvement in gross margins; expected levels of operating expenses and research and development expenditures; product development, certification and commercialization; customer installations and deployments; expansion into additional market verticals and geographies; and the Company's liquidity, capital requirements and ability to fund its operations. The material assumptions used by management in developing such forward-looking information include the following: (i) contracted installations will proceed substantially in accordance with currently anticipated customer schedules, site-readiness requirements and acceptance processes, without material cancellation, deferral, scope reduction or implementation delay; (ii) contractual backlog and signed agreements pending installation will convert into recognized revenue in a manner generally consistent with the applicable contract terms, installation timing, customer acceptance criteria and the Company's historical experience, recognizing that backlog is not necessarily indicative of revenue for any particular period; (iii) subscription, support and maintenance arrangements will be renewed and performed substantially as anticipated, customer retention will remain generally consistent with management's expectations and installed systems will continue to generate recurring revenue over their anticipated contract terms; (iv) demand for the Company's products will continue across its principal target markets, the sales pipeline will convert into binding customer commitments at rates and within sales cycles generally consistent with management's expectations, and existing customers and channel partners will continue to support additional deployments; (v) product pricing, sales volumes and the mix of product sales, subscriptions, support and maintenance revenue will develop substantially as anticipated; (vi) anticipated manufacturing, procurement, installation and support efficiencies will be realized as deployment volumes increase, component and logistics costs will not increase materially from forecast levels, and the Company will have timely access to required components, contract manufacturers, installers and qualified personnel; (vii) current product-development initiatives, software releases, testing, third-party validations and regulatory certifications will be completed substantially on schedule and will achieve the performance, reliability and scalability expected by management; (viii) planned expansion into new market verticals and geographies will not be materially delayed by longer sales cycles, localization requirements, regulatory approvals, customer procurement processes or the performance of resellers and strategic partners; (ix) sales and marketing, general and administrative, and research and development expenditures will remain within management's current operating plans, subject to modest increases where described in





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this MD&A, and the Company will be able to adjust the timing and level of discretionary expenditures if operating results differ from expectations; (x) customers and other counterparties will perform their contractual obligations, including payment obligations, and there will be no material deterioration in customer credit quality; (xi) foreign exchange rates, interest rates, inflation, competitive conditions and the broader economic and capital-markets environment will not change in a manner materially adverse to the Company; (xii) applicable laws, regulatory requirements and governmental policies affecting the Company, its products and its customers will not change materially or be interpreted or enforced in a materially adverse manner; and (xiii) the Company's existing cash resources, anticipated receipts from customers and, if required, access to additional debt or equity financing will be sufficient to fund planned operations and meet obligations as they become due, with any required financing available on terms acceptable to the Company. These assumptions are based on information available to management as of the date of this MD&A and are subject to the risks and uncertainties described below and elsewhere in this MD&A and the AIF.

Forward-looking information is subject to known and unknown risks, uncertainties, assumptions and other factors beyond the Company's control that may cause actual results to differ materially from those expressed or implied, including (without limitation) delays or cancellations in customer installations or purchasing decisions; the timing and cycles of large contract procurement; slower-than-anticipated conversion of backlog or pending installations into revenue; lower renewal, subscription or support revenue; pricing pressure, product-mix changes or higher manufacturing, component, installation or support costs; supply-chain disruptions; product-performance, certification or commercialization delays; loss of key customers, resellers, personnel or financing sources; foreign-exchange and interest-rate fluctuations; changes in laws, regulations or their interpretation; and adverse economic, competitive or industry conditions. Readers should also consider the risks described under "Risk and Uncertainties" in this MD&A and "Risk Factors" in the Company's AIF. Although management considers the assumptions underlying the forward-looking information reasonable, actual results may differ materially. The forward-looking information is made as of the date of this MD&A, and the Company undertakes no obligation to update or revise any of the included forward-looking information, whether as a result of new information, future events, or otherwise, except as 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 July 31, 2026, 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. ("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





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formed under the laws of the State of Delaware.

Financial and Business Highlights for the year ended July 31, 2026

The following is a summary of the Company's key financial highlights for the year ended July 31, 2026:

- Recorded annual revenue of \$28.8 million for the year ended July 31, 2026, as compared to \$13.9 million for the same year ended July 31, 2025, representing an increase of 108%.
- Total contract value of new bookings¹ was \$32.2 million for the year ended July 31, 2026, as compared to \$38.5 million for the same year ended July 31, 2025, representing a decrease of 16%.
- Contractual backlog was \$25.6 million as of July 31, 2026, representing an increase of 66% as compared to a backlog of \$15.5 million as of July 31, 2025. The backlog as of July 31, 2026 excludes an additional \$18.4 million in signed agreements pending installation¹ representing a decrease of 46% over the last year, when the signed agreements pending installation balance was \$34.0 million.
- Gross margin of 58% for the year ended July 31, 2026, as compared to 66% for the same year ended July 31, 2025.
- Adjusted EBITDA² of negative \$3.5 million for the year ended July 31, 2026, compared to negative \$8.6 million for the corresponding year ended July 31, 2025, representing an improvement of approximately \$5.1 million or 59%. This year over year improvement reflects continued revenue growth combined with disciplined cost management, highlighting the Company's ongoing progress and the efforts made towards achieving sustained profitable operations. Loss and comprehensive loss was \$6.8 million for the year ended July 31, 2026, as compared with \$11.5 million for the year ended July 31, 2025, representing an improvement of \$4.7 million or 41%; loss per share was \$0.03, compared with \$0.05 for the prior year.

The following is a summary of the Company's key business highlights for the year ended July 31, 2026:

- 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, ensuring safe, seamless, and welcoming campuses for students, staff, and visitors.
- 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.

¹ This is a supplementary financial measure and is not defined or standardized under IFRS. For more information, please see "Non-IFRS and Supplementary Financial Measures".

² This is a non-IFRS financial measure and is not defined or standardized under IFRS. For more information, please see "Non-IFRS and Supplementary Financial Measures".





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- Announced that Delmar School District in Delaware, Manor Independent School District in Texas, Morgan County Schools in Alabama, and Granville County Public Schools in North Carolina had selected Xtract One Gateway systems to enhance campus security, reflecting continued momentum and growing adoption across North American school districts. The deployments provide advanced weapons detection through efficient, nonintrusive screening that streamlines entry and enhances the school experience.
- Completed a public offering on November 10, 2025 (the "Prospectus Offering"), for total gross proceeds of \$11.5M (including the full exercise of the over-allotment option granted to the underwriter of the Prospectus Offering), providing further capital in support of the Company's operations.
- Announced that the Company 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, providing the flexibility to offer up to \$70 million of Common Shares, warrants, subscription receipts, units, debt securities, or a combination thereof over a 25-month period.
- Announced the continued expansion of the Company's Canadian healthcare footprint through SmartGateway deployments with Nova Scotia Health, Health PEI, and Peterborough Regional Health Centre, including an initial order of 25 units from Nova Scotia Health, reinforcing the growing adoption of its AI-powered, non-invasive security solutions across healthcare facilities.
- Announced that Company's SmartGateway system had been selected by the British Museum to protect all venue entrances following extensive on-site testing and evaluation. The British Museum, one of the world's most recognized cultural institutions, chose SmartGateway to meet rigorous protection standards while providing seamless ingress and flexible operations.
- Announced that the Company 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 initial deployment marks the Company's entry into a new vertical with significant growth potential and reflects increasing demand for its AI-powered weapons detection technology in high-throughput industrial environments.
- Announced that the Company had 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.

Business Highlights subsequent to the year ended July 31, 2026

- Subsequent to the year ended July 31, 2026, 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.





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- Subsequent to the year ended July 31, 2026, 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. The deployment reflects growing adoption of the Company's AI-powered security solutions by major convention and event venues across North America.
- Subsequent to the year ended July 31, 2026, 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.

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. This includes the SmartGateway and the 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 customers, their patrons and staff.

Outlook and Overall Performance

During the fiscal year, continued progress was made in the development and commercialization of the Company's Gateway solutions. Revenue related to the SmartGateway and Xtract One Gateway products amounted to \$28.8 million for the 2026 fiscal year. As at July 31, 2026, the contractual backlog was approximately \$25.6 million and continues to grow. This excludes an additional \$18.4 million in signed agreements for the Gateway solutions that are pending installation. The Company sells its Gateway solutions through an upfront purchase model, with recurring support services, and through a subscription model, both of which contribute to monthly recurring revenue and increasing sales backlog, providing predictable long-term cash flow.

During the fiscal year, the Company maintained its focus on accelerating sales and sales-related activities through continued customer wins, driven by strong new customer additions and continued expansion of deployments across the existing customer base, including further development within channel resellers. Various targeted sales and marketing initiatives have also strengthened the Company's position in expanded market verticals such as the education and healthcare markets.

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.

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



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Significant progress has been achieved with the Company's innovative security platform, Xtract One Gateway, as commercial shipments are now well under way. The product has already been certified in all key markets, including the U.S., Canada, the United Kingdom and the European Union. During the fiscal year, the Company continued to sign significant contracts with new customers for its Xtract One Gateway, serving a variety of markets including education, healthcare and manufacturing and commercial enterprises.

Investing in Research and Development

During fiscal 2026, 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 Gateway solutions are currently the primary focus within the Company's technology portfolio due to the significant market demand for AI threat detection screening solutions. 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 April 2026, which featured enhanced outdoor operational resiliency (especially in direct sunlight), streamlined internal component architectures to optimize manufacturing and detection efficiency, and expanded international regulatory certifications across major global markets. As the Company continues to innovate and deliver new functionality to its customers, it remains focused on enhancing product performance, reliability, and operational capabilities to address evolving customer requirements. The Company continues to invest in the 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 September 2024, the Xtract One Gateway was announced and commercial deployment began in August 2025. The Xtract One Gateway offers a unique and advanced AI threat classification system that can detect weapons among an array of accessories, creating an offering that can support increasingly complex environments such as, workplaces, schools, manufacturing and healthcare organizations. These product developments have significantly increased the detection capabilities which suit the Company's customers' requirements and specifically advance threat detection technology in medium clutter environments, thereby expanding the market for the Gateways beyond the initial 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 Gateways' functionality for customer configurability, accuracy, and supportability.

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





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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.

In September 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. 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 non-threatening items such as laptops, binders, phones, water bottles, and other personal belongings. 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 Gateways. The Company's unified AI-powered security solution remains unique in the marketplace and is being bolstered with enterprise features to support high traffic venues and facilities implementing Gateways at scale. The Company also 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 continue to place a greater emphasis on safeguarding employees and patrons while maintaining a seamless user experience at their facilities and events, resulting in growing demand for innovative solutions that effectively balance these priorities. Legislative developments, such as Martyn's Law in the United Kingdom, 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.

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;





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- 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, Oak View Group and Madison Square Garden Sports Corp., 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 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-





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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.



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Annual Financial Performance

Selected Financial Data - Summary of Financial Results

	For the year ended July 31,		
	2026	2025	% Change
Revenue	\$ 28,819,669	\$ 13,853,553	108%
Cost of revenue	12,123,750	4,774,300	154%
Gross profit	\$ 16,695,919	\$ 9,079,253	84%
Operating expenses			
Selling and marketing	\$ 8,160,518	\$ 6,208,637	31%
General and administration	8,567,096	7,610,758	13%
Research and development	7,019,179	6,971,625	1%
Loss on inventory write-down	208,596	321,003	(35%)
Loss on retirement of assets	10,478	24,199	(57%)
Total operating expenses	\$ 23,965,867	\$ 21,136,222	13%
Loss from operations	(7,269,948)	(12,056,969)	(40%)
Interest and other income	281,137	179,873	56%
Net loss for the year	\$ (6,988,811)	\$ (11,877,096)	(41%)
Other comprehensive income for the year			
Currency translation differences for foreign operations	236,737	353,618	(33%)
Comprehensive loss for the year	\$ (6,752,074)	\$ (11,523,478)	(41%)
Weighted average number of shares	254,595,678	220,864,106	
Basic and diluted loss per share	\$ (0.03)	\$ (0.05)	(40%)

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

	For the year ended July 31,		
	2026	2025	2024
Total revenue	\$ 28,820	\$ 13,854	\$ 16,358
Comprehensive loss for the year	\$ (6,752)	\$ (11,523)	\$ (11,065)
Basic and diluted loss per share	\$ (0.03)	\$ (0.05)	\$ (0.05)
Total assets	\$ 36,729	\$ 23,413	\$ 24,942
Non-current liabilities	\$ 6,385	\$ 3,305	\$ 3,346



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Overall Annual Results

Loss and comprehensive loss for the fiscal year ended July 31, 2026, was \$6.8 million compared with \$11.5 million for the year ended July 31, 2025, representing a decrease of \$4.7 million or 41%. The decrease in loss and other comprehensive loss is due to the increase in revenue and corresponding gross profit for the year ended July 31, 2026.

Revenue

The Company reported revenue of \$28.8 million during the fiscal year ended July 31, 2026, compared with \$13.9 million, for the same year ended July 31, 2025, representing an increase of \$14.9 million or 108%.

The Company believes that revenue will continue to grow in the upcoming periods due to the backlog it has built up from maintenance and subscription contracts and its pending backlog of installations, adding to the growth in monthly recurring revenue, as well as the increase in customer site surveys, trials, and deployment activities currently underway.

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

	one year	one year	2026	2025	% Change
Total backlog	\$ 10,491,195	\$ 15,118,600	\$ 25,609,795	\$ 15,473,486	66%

The Company recorded a backlog of \$25.6 million as of July 31, 2026, which represents an increase of \$10.1 million or 66% as compared with the backlog of \$15.5 million as of July 31, 2025. The backlog as of July 31, 2026, excludes an additional \$18.4 million in signed agreements that are pending installation, which is a decrease of \$15.6 million or 46% as compared to the \$34.0 million of signed contracts that existed as of July 31, 2025, which is largely due to the higher number of installations and deployments that occurred during the year ending July 31, 2026. As the Company continues to sell its Gateway solutions using a subscription model, management expects an increase in the contractual backlog, providing predictable long-term cash flow.

Cost of revenue

Cost of revenue was \$12.1 million for the year ended July 31, 2026, as compared with \$4.8 million for the same year ended July 31, 2025, representing an increase of 154% or \$7.3 million. The increase in these costs during the year was attributable to a corresponding increase in revenue volume.

Gross profit

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

For the year ended July 31,			
Gross Profit (\$000s)		Gross Margin	
2026	2025	2026	2025
\$16,696	\$ 9,079	58%	66%



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Total gross profit as a percentage of total revenue for the year ended July 31, 2026 was 58%, as compared with 66%, for the year ended July 31, 2025. The decrease in gross margin for the year ended July 31, 2026 from the year ended July 31, 2025 is primarily attributed to higher costs related to the initial production and installation of Xtract One Gateway during the first half of fiscal 2026. For the fiscal year ended July 31, 2025, gross profit was generated entirely by the SmartGateway product line. During the fiscal year ended July 31, 2026, the revenue composition shifted to approximately 60% SmartGateway and 40% Xtract One Gateway. The introduction of Xtract One Gateway, which delivered an initial gross margin in the low 50% range, was a primary driver of the year-over-year decline in consolidated gross margin. We expect gross margins to continue to improve further with broader commercial deployment of Xtract One Gateway and projected manufacturing efficiencies.

Sales and marketing

Sales and marketing costs were \$8.2 million for the year ended July 31, 2026, as compared with \$6.2 million from the year ended July 31, 2025, representing an increase of \$2.0 million or 31%. The relative increase in these costs was primarily attributable to the Company's continued investment in sales and marketing activities in our initial and expanded target markets through campaigns and trade shows combined with the continued investment in direct and outsourced business development teams. We expect these expenses will remain steady or increase slightly as sales and marketing activities continue in the upcoming periods.

General and administration

General and administrative costs were \$8.6 million for the year ended July 31, 2026, as compared with \$7.6 million for the year ended July 31, 2025, representing an increase of \$1.0 million or 13%. The increase was primarily attributable to an increase in personnel expenses of \$0.2 million, a provision for customer receivables of \$0.1 million, and an increase in professional and regulatory expenses of \$0.3 million during the year ended July 31, 2026. The Company is continually looking for opportunities to reduce non-strategic expenses. We expect general and administrative expenses will remain steady or increase slightly in the upcoming periods.

Research and development

R&D costs were \$7.0 million for the year ended July 31, 2026, which remains consistent as compared with \$7.0 million for the year ended July 31, 2025. We expect R&D costs to remain steady or increase slightly in upcoming periods as we continue to invest in the continued enhancement and development of our technology product portfolio.

Loss on inventory

Loss on inventory write down was \$208,596 for the year ended July 31, 2026, as compared with \$321,003 for the year ended July 31, 2025, representing a decrease of \$112,407 or 35%. Management conducts continuous evaluations of inventory to identify any potential impairment or obsolescence.

Loss on retirement of assets

During the year ended July 31, 2026, the Company wrote down \$10,478 of obsolete fixed assets as compared with \$24,199 for the year ended July 31, 2025, representing a decrease of 57% or \$13,721. Management continuously reviews fixed assets for indications of impairment or obsolescence.





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Interest and other income

Interest and other income was \$281,137 for the year ended July 31, 2026, as compared with \$179,873 for the year ended July 31, 2025, representing an increase of \$101,264 or 56%. Despite the lower market interest rates compared to the previous fiscal year, higher cash balances contributed to the overall increase in interest income.

Net loss per share

On a per weighted average share basis, net loss per share was \$0.03 for the year ended July 31, 2026, as compared with a net loss per share of \$0.05 for the year ended July 31, 2025.

Adjusted EBITDA

Adjusted EBITDA was negative \$3.5 million for the year ended July 31, 2026, representing an improvement of \$5.1 million, or 59%, compared to negative Adjusted EBITDA of \$8.6 million for the corresponding year ended July 31, 2025. The improvement was primarily driven by higher revenue and the resulting increase in gross profit. This improvement demonstrates the continued scalability of the Company's business model, as management remains focused on disciplined execution and sustainable growth initiatives.



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

	Quarter Ended							
	Jul 31, 2026	Apr 30, 2026	Jan 31, 2026	Oct 31, 2025	Jul 31, 2025	Apr 30, 2025	Jan 31, 2025	Oct 31, 2024
Revenue	\$ 8,167	\$ 10,260	\$ 5,796	\$ 4,596	\$ 3,347	\$ 3,466	\$ 3,412	\$ 3,627
Cost of Revenue	3,513	4,018	2,667	1,926	963	1,489	1,008	1,313
Gross profit	\$ 4,654	\$ 6,242	\$ 3,129	\$ 2,670	\$ 2,384	\$ 1,977	\$ 2,404	\$ 2,314
Operating expenses								
Selling and marketing	\$ 2,315	\$ 2,098	\$ 1,803	\$ 1,944	\$ 1,757	\$ 1,563	\$ 1,225	\$ 1,663
General and administration	2,158	2,427	1,994	1,988	2,243	1,855	1,649	1,864
Research and development	1,739	1,954	1,637	1,689	1,893	1,639	1,640	1,800
Loss on inventory write-down	47	77	1	84	13	27	281	-
Loss on retirement of assets	10	-	-	-	1	2	22	-
Total operating expenses	\$ 6,269	\$ 6,556	\$ 5,435	\$ 5,705	\$ 5,906	\$ 5,086	\$ 4,816	\$ 5,327
Interest and other income	130	70	44	37	10	28	67	75
Net loss for the period	\$ (1,485)	\$ (245)	\$ (2,262)	\$ (2,998)	\$ (3,513)	\$ (3,081)	\$ (2,346)	\$ (2,938)
Other comprehensive income (loss) for the period								
Currency translation differences for foreign operations	341	(26)	(120)	42	5	(197)	263	283
Comprehensive loss for the period	\$ (1,144)	\$ (271)	\$ (2,382)	\$ (2,956)	\$ (3,508)	\$ (3,278)	\$ (2,082)	\$ (2,655)
Basic and diluted loss per share	\$ (0.004)	\$ (0.001)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.01)	\$ (0.01)
Working capital	\$ 16,993	\$ 16,377	\$ 15,330	\$ 6,785	\$ 5,990	\$ 2,330	\$ 5,575	\$ 7,100
Total assets	\$ 36,729	\$ 33,962	\$ 31,924	\$ 23,701	\$ 23,413	\$ 17,773	\$ 21,291	\$ 23,696
Non-current liabilities	\$ 6,385	\$ 4,195	\$ 2,862	\$ 3,798	\$ 3,305	\$ 3,765	\$ 4,490	\$ 3,925
Adjusted EBITDA ¹	\$ (662)	\$ 560	\$ (1,469)	\$ (1,941)	\$ (2,703)	\$ (2,301)	\$ (1,597)	\$ (2,024)

Note:

- (1) This is a non-IFRS financial measure and is not defined or standardized under IFRS. For more information, please see "Non-IFRS and Supplementary Financial Measures - Reconciliation of non-IFRS financial measure (Adjusted EBITDA)".

Quarterly Results Trend Analysis

The quarterly trend across the eight fiscal quarters ending July 31, 2026 above reflects growing revenues which are expected to continue in the upcoming periods due to the build up of the backlog of maintenance and subscription contracts and pending installations. The Company's strategy continues to focus on revenue growth while driving efficiencies in operating expenses. The Company's primary objective has been the development and commercialization of integrated, layered, AI-powered threat detection solutions. During the quarter, the Company's strategic partnerships and customer relationships continued to grow revenue and the sales pipeline and contributed towards scaling the Company's operations.

During the third quarter of fiscal 2026, the Company reported positive Adjusted EBITDA of \$0.6 million and indicated that it was making progress toward sustained cash-flow breakeven. Adjusted EBITDA was negative \$0.7 million in the fourth quarter and negative \$3.5 million for fiscal 2026, and the Company used \$3.5 million of cash in operating activities during fiscal 2026. Accordingly, the positive third-quarter Adjusted EBITDA result was not sustained through the fourth quarter. The Company continues to progress towards cash-flow breakeven, however there is no guarantee that this will be consistently achieved.



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In fiscal 2027, we expect the Company's continued investment in new products and technological capabilities, combined with planned customer deployments, and the entrance into new market verticals and geographies will support the continued expansion of the business with the anticipation of long-term recurring revenue.

The Company has no discontinued operations.

Fourth Quarter Results

Revenue

During the three months ended July 31, 2026, the Company recognized total revenue of \$8.2 million, as compared to \$3.3 million for the three month period ended July 31, 2025, representing an increase of \$4.9 million or 148%. The increase in revenue as compared to the previous year is mainly attributable to the deployment of Xtract One Gateways in the fourth quarter of fiscal 2026 as well as the continued growth in revenue from the contractual backlog.

Loss and comprehensive loss

During the three months ended July 31, 2026, the Company recognized a loss and comprehensive loss of \$1.1 million as compared to \$3.5 million for the three month period ended July 31, 2025, representing an improvement of \$2.4 million or 69%. The improvement was mainly attributable to an increase in revenue and corresponding gross margin during the three months ended July 31, 2026.

Adjusted EBITDA

Adjusted EBITDA was negative \$0.7 million for the three month period ended July 31, 2026, from negative \$2.7 million for the corresponding period ended July 31, 2025, representing an improvement of approximately \$2.0 million or 74%. This year-over-year improvement reflects continued revenue growth with disciplined cost management, highlighting the Company's ongoing progress towards achieving and sustaining profitable operations.

Liquidity and Capital Resources

As at July 31, 2026, the Company had a working capital of \$17.0 million (July 31, 2025 - \$6.0 million) which includes current assets of \$29.1 million (July 31, 2025 - \$15.4 million) to meet current liabilities of \$12.1 million (July 31, 2025 - \$9.4 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 \$6.4 million (July 31, 2025 - \$3.3 million), related to deferred revenue and the long-term portion of the capitalized lease liabilities in accordance with IFRS 16.



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Selected Financial Data – Summary of results for the year ended July 31

	2026	2025	% Change
Cash and cash equivalents beginning of year	\$ 8,220,089	\$ 8,628,521	(5%)
Cash used in operating activities	(3,534,500)	(6,540,487)	(46%)
Cash used in investing activities	(392,679)	(756,714)	(48%)
Cash generated from financing activities	12,824,847	6,902,337	86%
Effect of foreign exchange rate changes	171,163	(13,568)	1,362%
Net increase (decrease) in cash and cash equivalents for the year	9,068,831	(408,432)	2,320%
Cash and cash equivalents end of year	\$ 17,288,920	\$ 8,220,089	110%

During the year ended July 31, 2026, the Company had a net increase in cash flow from operations, investing, and financing activities of \$9.1 million, compared with a \$0.4 million decrease in cash flow for the year ended July 31, 2025.

The cash flow used in operating activities was \$3.5 million for the year ended July 31, 2026, as compared with \$6.5 million for the year ended July 31, 2025, representing a decrease of \$3.0 million or 46%. The decrease in negative cash flow from operating activities can be attributable to the increase in revenues and gross profit, partially offset by investments in working capital in the fiscal year ended July 31, 2026.

Cash flow used in investing activities was \$0.4 million for the year ended July 31, 2026, as compared with \$0.8 million for the year ended July 31, 2025. The decrease in negative cash flows from investing activities reflects the completion of our investment in the development of intangible assets during the year ended July 31, 2026, as the Company moved into full commercial deployment of the Xtract One Gateway.

Cash generated from financing activities was \$12.8 million for the year ended July 31, 2026, as compared to \$6.9 million for the year ended July 31, 2025, representing an increase of \$5.9 million, driven by the proceeds from the Prospectus Offering and from warrant exercises during the year ended July 31, 2026.

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

Financing activities during the fiscal year ended July 31, 2026

On November 10, 2025, the Company issued a total of 15,334,100 units (each a "Unit") for gross proceeds of \$11.5 million pursuant to the Prospectus Offering, including the full exercise of the underwriter's over-allotment option for 2,000,100 additional Units. Each Unit consisted of one Common Share and one-half of one warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one Common Share until



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November 10, 2028, at an exercise price of \$0.95, subject to the terms and conditions governing the Warrant.

Cash commissions paid in connection with the Prospectus Offering and over-allotment exercise was \$0.69 million, and the Company issued 920,046 warrants to the underwriter, each exercisable into one Common Share at an exercise price of \$0.75 until November 10, 2028, subject to the terms and conditions governing such warrants. Additional cash transaction costs associated with the Prospectus Offering totaled \$0.31 million. The proceeds from the Prospectus Offering will provide additional capital in support of the Company's operations.

Commitments

Purchase Commitments

The Company continues to invest in its supply chain and has outstanding purchase obligations of approximately \$6.2 million as of July 31, 2026 (July 31, 2025 - \$2.0 million) related to the assembly of future finished goods, that will be drawn down within the next 12 months.

Lease Commitments

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

<u>Fiscal year</u>	<u>Amount</u>
2027	\$ 313,901
2028	249,087
2029	235,277
2030	137,245
Effects of discounting	(57,396)
Right of use liabilities	\$ 878,114
Current portion of right of use liabilities	(285,383)
Non-current portion of right of use liabilities	\$ 592,731

Use of proceeds from Prospectus Offerings dated June 18 and November 10, 2025

On June 18, 2025, the Company completed a prospectus offering (the "2025 Prospectus Offering") including the exercise of the over-allotment option and issued a total of 20,700,000 units and received net proceeds of \$7.3 million, of which \$1.6 million were allocated to general working capital. The intended uses of the 2025 Prospectus Offering net proceeds are outlined below:



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Business Objective	Estimated Use of Net Proceeds	Approximate Use of Proceeds as at July 31, 2026	Proceeds Unutilized as at July 31, 2026
Product Development	\$1,800,000	\$1,800,000	\$nil
Sales and Marketing	\$2,000,000	\$2,000,000	\$nil
Production and Operations	\$1,900,000	\$691,000	\$1,209,000
General Working Capital	\$1,600,000	\$1,486,000	\$114,000
Total	\$7,300,000	\$5,977,000	\$1,323,000

On November 10, 2025, the Company completed the Prospectus Offering including the exercise of the over-allotment option, and issued a total of 15,334,100 Units and received net proceeds of \$10.5 million, of which \$1.0 million were allocated to general working capital. The intended uses of the Prospectus Offering net proceeds are outlined below:

Business Objective	Estimated Use of Net Proceeds	Approximate Use of Proceeds as at July 31, 2026	Proceeds Unutilized as at July 31, 2026
Product Development	\$3,000,000	\$221,000	\$2,779,000
Sales and Marketing	\$3,400,000	\$739,000	\$2,661,000
Production and Operations	\$3,100,000	\$nil	\$3,100,000
General Working Capital	\$1,000,000	\$nil	\$1,000,000
Total	\$10,500,000	\$960,000	\$9,540,000

The Company's planned use of the net proceeds from both prospectus offerings reflects management's expectations at the time the financings were completed. While the Company may adjust the allocation of funds if warranted by operational and strategic business considerations, there are currently no material changes to its business objectives or milestones, however the Company expects the funds will be utilized over a longer timeframe than originally anticipated.

Non-IFRS and Supplementary Financial Measures

This MD&A refers to the historical non-IFRS financial measure Adjusted EBITDA, the non-IFRS ratio Adjusted EBITDA margin percentage (%) and the supplementary financial measures of agreements pending installation and total contract value of new bookings. These measures are not standardized financial measures under IFRS and may not be comparable to similar measures disclosed by other reporting issuers.

'Adjusted EBITDA' is a non-IFRS financial measure calculated as net loss for the period, excluding interest and other income, and adding back depreciation, amortization, finance costs and share-based compensation. Adjusted EBITDA margin % is a non-IFRS ratio calculated as Adjusted EBITDA divided by revenue. 'Agreements pending installation' is a supplementary financial measure representing the total value of signed customer contracts for which installation has not been completed. 'Total contract value of new bookings' is a supplementary financial measure representing the aggregate value of customer sales commitments entered into during the reporting period, without regard to whether the related performance obligations have been satisfied.



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Management believes that Adjusted EBITDA and Adjusted EBITDA margin % assist investors in evaluating the Company's operating performance and profitability before the effects of financing, tax, non-cash depreciation and amortization and share-based compensation. Management believes that the supplementary financial measures provide useful information in the 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 concerning contracted customer commitments, the timing of installations and sales activity. These measures should not be considered in isolation or as substitutes for measures prepared in accordance with IFRS.

Reconciliation of non-IFRS financial measure (Adjusted EBITDA)

The following table provides a reconciliation from net loss for the period to Adjusted EBITDA (in \$000s):

	Quarter Ended							
	Jul 31, 2026	Apr 30, 2026	Jan 31, 2026	Oct 31, 2025	Jul 31, 2025	Apr 30, 2025	Jan 31, 2025	Oct 31, 2024
Net loss for the period	\$ (1,485)	\$ (245)	\$ (2,262)	\$ (2,998)	\$ (3,513)	\$ (3,081)	\$ (2,346)	\$ (2,938)
Adjusted for:								
Interest and other income	\$ (130)	\$ (70)	\$ (44)	\$ (37)	\$ (10)	\$ (29)	\$ (67)	\$ (75)
Depreciation	483	373	363	365	408	359	378	347
Amortization	241	237	240	240	209	215	215	208
Finance costs	9	9	10	11	11	11	12	11
Share based compensation	220	256	224	478	192	224	211	423
Adjusted EBITDA	\$ (662)	\$ 560	\$ (1,469)	\$ (1,941)	\$ (2,703)	\$ (2,301)	\$ (1,597)	\$ (2,024)
 Adjusted EBITDA margin %	 (8.1%)	 5.5%	 (25.3%)	 (42.2%)	 (80.8%)	 (66.4%)	 (46.8%)	 (55.8%)

Financial Instruments and Other Instruments

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

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk in order to meet its contractual obligations by ensuring there is appropriate capital to meet short-term business requirements and obtaining other opportunities for financing. The Company identifies when funds are required through the planning and budgeting process to 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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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 year ended July 31, 2026, the Company generated a portion of revenue in U.S. dollars, along with corresponding expenses in U.S. dollars, which acted as a natural foreign exchange hedge. Management continues to evaluate its foreign currency risk as the business grows internationally.

Price risk

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

Material Accounting Policies, Judgements and Estimates

For a complete description of the Company's material accounting policies, please see the accompanying notes to the audited consolidated financial statements for the year ended July 31, 2026.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. 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. Significant areas requiring the use of management estimates and judgments include:



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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 technically 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 and meets the criteria.

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

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

Right of use lease assets and liabilities

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

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.





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Going concern

The preparation of the Company's consolidated financial statements requires management to assess whether the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the ordinary course of operations. Management assesses all available information, spanning at least 12 months from the reporting date, to determine whether the going concern basis of preparation remains appropriate.

In applying this accounting policy, management exercises significant judgment in evaluating the Company's liquidity position, forecasted cash flows, and available financial resources. While the Company has incurred historical operating losses and has potential short-term negative cash flows, management has concluded that the going concern basis remains appropriate based on its July 31, 2026 cash and cash equivalents of \$17.3 million (July 31, 2025 – \$8.2 million) and working capital of \$17.0 million (July 31, 2025 – \$6.0 million), along with the absence of long-term debt obligations or restrictive covenants, projected growth in recurring platform revenue based on the backlog of customer contracts, and financial flexibility under the Shelf Prospectus. Management estimates that, based on these factors, there will be sufficient liquidity to support operations and meet obligations as they become due for at least the next 12 months.

Carrying value of inventory

Management exercises judgment in assessing whether the carrying value of inventory remains recoverable. This assessment requires estimates regarding forecasted customer demand, expected selling prices, inventory aging, product life cycles, technological developments, and the estimated costs required to complete and sell inventory. Management also evaluates inventories for excess, slow-moving, or obsolete items based on historical usage patterns and anticipated future demand.

These estimates are reviewed at each reporting date and may change as market conditions, customer requirements, and product technologies evolve. Changes in these estimates could result in adjustments to the carrying value of inventory, including the recognition or reversal of inventory write-downs in future reporting periods.

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



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- iii. Principles for aggregation and disaggregation of financial information in the financial statements and the notes.

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

Related Party Balances and Transactions

Key management personnel include people who have the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers. Key management compensation earned by officers and directors of the Company during the fiscal year ended July 31, 2026, was \$2,710,821 (2025 - \$2,414,650). In addition, share-based compensation expense relating to key management for the year ended July 31, 2026, was \$765,672 (2025 - \$667,532).

As at July 31, 2026, there was \$569,603 (July 31, 2025 - \$487,995) 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 fiscal year ended July 31, 2026.

Controls and Procedures

Evaluation of disclosure controls and procedures

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"). 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. As at July 31, 2026, 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 are responsible for establishing and maintaining internal control over financial reporting ("ICFR"), as defined under NI 52-109. The Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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. As at July 31, 2026, the Chief Executive Officer and Chief Financial Officer evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's ICFR using





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the framework established by the Committee of Sponsoring Organizations of the Treadway Commission and concluded that the Company's ICFR was effective.

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether there were changes to its ICFR during the year ended July 31, 2026, that have materially affected or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

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

Risk and Uncertainties

The Company's business is subject to a number of risk factors which are described in our most recently filed AIF. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the Common Shares to decline. If any of the noted risks occur, business plans may be impacted and the financial condition and results of operation may suffer, potentially significantly. In that event, the trading price of the Common Shares could decline, and shareholders may lose all or part of their investment.

Additional information and other publicly filed documents relating to the Company are available under its SEDAR+ profile, which can be accessed at www.sedarplus.ca.

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.

Subsequent Events

The following transactions occurred subsequent to the reporting period:

- i. Subsequent to the year ended July 31, 2026, a total of 40,000 stock options were exercised and converted into Common Shares for gross proceeds of \$16,700.
- ii. On September 18, 2026, the Company granted 3,981,500 employee stock options, each exercisable into one Common Share, with an exercise price of \$0.52 per option. The options were granted with a term of five years and a vesting period over three years.



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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 260,103,320 Common Shares issued and outstanding. In addition, there are 76,599,670 warrants which may be exercised to acquire one Common Share each at prices ranging from \$0.39 to \$0.95. The Company also has stock options outstanding to purchase an additional 20,029,599 Common Shares with exercise prices ranging from \$0.38 to \$0.95 per share.