xtract one

formerly Patriot One Technologies Inc.

Management's Discussion and Analysis

For the three and nine months ended April 30, 2023

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") is prepared as of June 8, 2023, and is intended to assist in understanding the results of operations and the financial condition of Xtract One Technologies Inc. (the "Company") (formerly "Patriot One Technologies Inc."). Throughout the MD&A, reference to the Company is on a consolidated basis. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine month periods ended April 30, 2023, 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 8, 2023, 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, 2022, available under the Company's profile at www.sedar.com, for more information about these risks and uncertainties.

Forward-Looking Information

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

Corporate Structure and Profile

The Company's common shares are listed for trading on the TSX under the trading symbol "XTRA", under the trading symbol "XTRAF" on the OTCQX in the United States, and under the trading symbol "0PL" on the Frankfurt Stock Exchange in Germany. 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. On December 1, 2022, the Company changed its name from "Patriot One Technologies Inc." to "Xtract One Technologies Inc.". As indicated below, certain subsidiaries concurrently changed their names.

As at April 30, 2023, the Company had five wholly-owned subsidiaries, Xtract One Detection Ltd. (formerly "Patriot One Detection Ltd."), a limited company incorporated under the laws of the province of British Columbia, Canada, Patriot One (UK) Limited, a limited company incorporated under the laws of England and Wales, United Kingdom, Xtract One (US) Technologies Inc. ("Xtract US") (formerly "Patriot One Detection Technologies Inc."), a limited company incorporated under the laws of the state of Colorado, United States of America, EhEye Inc., a limited company incorporated under the laws of the province of

New Brunswick, Canada, and Xtract Technologies Inc. ("Xtract"), a limited company incorporated under the laws of the province of British Columbia, Canada.

The Company, through Xtract US, has a 49% interest in Sotech Secure, LLC, an incorporated entity formed under the laws of the State of Delaware.

Business Highlights for the three months ended April 30, 2023

The following is a summary of the key business highlights for the Company for the three months ended April 30, 2023:

- Total contract value of new bookings[1] was $9.8 million as of April 30, 2023 which is an increase of 792% compared to the same balance as of April 30, 2022. Approximately, $5.6 million of total contract value was signed during the three months ended April 30, 2023, representing a record quarter for the Company;

- Platform contractual backlog was $3.1 million as of April 30, 2023, as compared with $1.2 million as of April 30, 2022, representing an increase of 160%. The Platform backlog as of April 30, 2023, excludes an additional $7.9 million in signed agreements that are pending installation[1] representing an increase of $6.3 million over last year and an increase of $4.9 million from the previous quarter;

- Accelerated topline growth for our Platform operating segment with approximately $0.8 million of revenue for the three months ended April 30, 2023, representing an 841% increase in Platform revenue over the same three month period in 2022, and $1.9 million of revenue recognized during the nine month period ended April 30, 2023, representing a 285% increase in Platform revenue over the same nine month period ended April 30, 2022;

- Completed a strategic investment of $13.4 million with Madison Square Garden Sports Corp. ("MSG Sports") to fund continued innovation and support accelerate growth in revenue;

- Entered into a commercial agreement with Sphere Entertainment Co. (formerly Madison Square Garden Entertainment Corp.), which allows Sphere Entertainment Co. and its affiliate Madison Square Garden Entertainment Corp. ("MSG Entertainment") (formerly MSGE Spinco, Inc.) to deploy SmartGateway solutions across the Sphere in Las Vegas, which is expected to open in September 2023, and MSG Entertainment's portfolio of iconic venues, including New York's Madison Square Garden, The Theater at Madison Square Garden, Radio City Music Hall, and Beacon Theatre; and The Chicago Theatre;

- Secured a contract with Oak View Group and the City of Memphis to protect all entrances at Simmons Bank Liberty Stadium in Memphis, Tennessee. This 58,000-seat stadium is the home of the USFL's Memphis Showboats and the University of Memphis Tigers football team;

- Secured a contract with the City of Bangor and Oak View Group to deploy SmartGateway at Cross Insurance Arena to secure all entrances for concerts, conferences, and other live events at the venue;

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

- Entered into a partnership with Sentara Health to provide weapons detection services at hospitals in Virginia and North Carolina following a successful deployment of SmartGateway entry screening technology at two of Sentara Health's hospitals; and

- Subsequent to the period, secured a contract with the City of Phoenix to increase security and ensure public safety at the City's Court Building which houses the courtrooms for the Phoenix Municipal Court.

Business of the Company

The principal business of the Company is to develop and commercialize an integrated, layered, artificial intelligence ("AI") powered threat detection gateway solution with the aim of enhancing public safety. This includes the Xtract One Gateways (the "Gateways") and Xtract One Insights, which together comprise the Company's Platform segment. The Company's mission is to create transformative technology solutions that deliver exceptional experiences, safer environments, and informed operational insights for our customers, and their patrons and staff. The Company has two distinct operating segments being its Platform and Xtract operating segments. The Platform operating segment develops and commercializes a platform of AI-powered threat detection technologies, while Xtract develops and commercializes advanced AI solutions for customers.

Outlook and Overall Performance

Platform Operating Segment

During the quarter, continued progress has been made in the commercialization of the Company's Platform solutions. In recent months, the Company has secured multiple contracts and is currently in negotiation for several additional contracts. Some of these contracts are for single locations with the potential to grow to dozens of locations. Revenue related to Platform subscription arrangements or upfront sales amounted to $1.9 million for the first three quarters in fiscal 2023. As at April 30, 2023, the backlog of sales commitments related to the Platform was approximately $3.3 million and continues to grow. This excludes an additional $7.9 million in signed agreements that are pending installation1. As the Company continues to sell its Platform solution using a subscription model, management expects monthly recurring revenue and sales backlog to increase, providing predictable long-term cash flow.

During the third quarter of fiscal 2023, the Company focused on accelerating customer sales and sales related activities creating a record quarter for total contract value signed. The continued customer wins and the strategic partnerships with MSG Sports and Oak View Group ("OVG"), has strengthened the Company's market position, increasing the Company's ability to further penetrate the market resulting in increased backlog and signed contracts.

The strategic partnership and $13.4 million investment from MSG Sports well positions the Company for future success, through their ongoing feedback, guidance, insights, and key introductions from MSG Sports, with their immense influence and brand name in the sports industry.

On October 5, 2022, the Company announced its strategic partnership with OVG, in which the Company continues to develop key customer relationships in the Sports and Entertainment industry through OVG's network of OVG360-managed venues and OVG Arena Alliance members. In the third quarter of fiscal 2023, the Company worked with OVG and the City of Memphis to secure a contract at Simmons Bank Liberty Stadium, home of the Memphis Tigers and Memphis Showboats.

The Company continues to invest in the research and development of its suite of technologies that form the Platform and to advance the functionality of its product offerings in response to the growing market opportunities and feedback from 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 Platform solution 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.

Xtract Operating Segment

During the quarter, the Xtract team continued to focus on supporting the internal Platform development efforts and the associated machine learning complexities of the various solutions under development in close coordination with the product development and data science teams, while also developing the AI based solutions contracted through public sector agencies.

Xtract recognized revenue of $386,695 during the nine months of fiscal 2023, which is related to professional service contracts, and maintained a backlog of signed or awarded contracts of approximately $0.5 million. This innovative AI team continues to work collaboratively with the Company's internal Platform efforts along with building an ever-expanding set of capabilities, which continue to inform and advance the strategic aims of the Company. Critical strategic decisions for Xtract are made in close consultation and coordination with the Company's leadership to ensure maximum synergies are achieved.

Investing in Research and Development

During the first three quarters of the fiscal year, the Company continued to invest in research and development activities focused 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 enhanced versions of the Gateway in September 2021, March 2022, and September 2022, which incorporated technology and functionality enhancements that made the patron screening product increasingly accurate, flexible, and practical for sports and live entertainment venues.

The Gateway product is the primary focus within the Company's technology portfolio due to the significant market demand for digital threat detection screening solutions. Accordingly, the Company has increased its investment in actively developing and testing certain development modifications and enhancements to the Gateway product, with the primary objective to align the solution to meet the growing demands of its current and future customers and to maintain its status as a market leader for advanced patron screening solutions. These enhancements are expected to continue to improve the capabilities of the Gateway and stay up to date with technological advancements, thereby expanding the market for the Gateway beyond the current target markets.

In preparation for the possibility of market expansion, the Company has diligently worked on regulatory requirements of new markets and refining and optimizing the Gateway's functionality, accuracy, and supportability. Additionally, considerable emphasis has been placed on finalizing the design for a ruggedized version of the Gateway to ensure its durability and performance in various environments.

Technology Update

Throughout the fiscal year, the Company focused its efforts to actively improve on its technology solutions. The Company's commitment to innovation and meeting the evolving needs of customers remains unwavering. In direct response to feedback from field engineers and customers in the live entertainment and sport venue markets, changes to the Gateway were focused on improved durability and system diagnostics. The Company directed significant focus on the enhancement of the unified enterprise software, Xtract One Insights, to support customers with multiple Gateways by providing a combination of fleet management functionality, real time analytics, and post event reporting capabilities. The Company continues to look for ways to further improve the technology with planned software updates and new value-add 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.

The AI innovations developed by Xtract remain critical components to the delivery of the total security solution. 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 platform 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 continues to assess ways to expand its capabilities through development partnerships and strategic integrations.

Market Opportunity

In the short term, the Company is focusing on markets where its solution operates effectively in the customer's physical environment, and where timing of the sales cycles are reasonable. This strategy has been adopted to deliver near-term revenue. The Company has identified the following key market segments that are well-suited for the Company's threat detection solutions:

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

The Company has been using marketing campaigns targeted at these industry groups which have led to promising opportunities and helped secure a growing backlog and pipeline of commitments. In addition, the Company has secured key strategic partnerships with two prominent industry leaders, OVG and MSG Sports, to further solidify its position as a market leader in the Sports and Entertainment market. During the quarter, the Company continued to make meaningful progress with many customers and was able to build up its backlog of Platform subscription contracts. Some of the Company's initial sales began as smaller commitments from large enterprise customers, which is starting to lead to much larger installations as evidenced by announcements with Tachi Palace Casino and Sentara Health during the year. Many customers prefer a phased approach with a roll out of the Platform to a few entrances to ensure they are comfortable with their related security protocols before using it throughout their venues. The Company is focused on the success of these initial deployments which have started to lead to much larger commitments.

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

The total addressable market available to the Company in the physical security space is 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 patron 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 of these problems far better than anything else in the market today.

The Company is currently expanding its reseller base, covering larger geographical territories and their respective end-user clientele. In furtherance of these initiatives, the Company also uses a direct to end-user sales model which more precisely addresses our target industry groups. This gives more 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 Platform. 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. In parallel, we are building a program to support the recruitment of strategic alliance partners that offer complementary technologies where we can develop integrations and connect our products to offer more complete solutions together. This will provide us with access to a larger install base and promote direct sales.

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

The Company has also instituted competitive sales programs and pricing schemes in close coordination with resellers and end-user customers to ensure that go to market strategy is competitive and directly addresses market needs.

Quarterly Financial Performance

Selected Financial Data - Summary of Quarterly Results

	Three months ended April 30,			Nine months ended April 30,		
	2023	2022	% Change	2023	2022	% Change
Revenue						
Platform	802,559	85,253	841%	1,950,431	506,040	285%
Xtract	72,837	853,431	(91%)	386,695	2,319,323	(83%)
Total revenue	$ 875,396	$ 938,684	(7%)	$ 2,337,126	$ 2,825,363	(17%)
Expenses						
Sales and marketing	528,979	497,792	6%	1,790,320	1,424,502	26%
Research and development	1,297,590	1,944,283	(33%)	4,749,415	2,377,958	100%
General and administration	414,845	368,728	13%	1,215,767	1,262,609	(4%)
Personnel costs	1,351,164	1,393,957	(3%)	4,163,390	3,535,599	18%
Professional fees	172,678	94,101	84%	596,419	637,989	(7%)
Hardware	244,159	5,245	4555%	657,494	206,748	218%
Amortization	201,475	201,475	-	604,425	604,425	-
Depreciation	158,755	198,405	(20%)	481,153	585,961	(18%)
Share-based compensation	280,724	533,166	(47%)	810,666	738,680	10%
Loss on inventory	1,974	89,661	(98%)	316,077	168,574	88%
Loss on retirement of assets	22,967	36,352	(37%)	104,241	36,352	187%
	4,675,310	5,363,165	(13%)	15,489,367	11,579,397	34%
Loss from operations	3,799,914	4,424,481	(14%)	13,152,241	8,754,034	50%
Unrealized loss (gain) on investments	58,334	(14,583)	(500%)	(58,333)	(160,417)	(64%)
Interest and other income	(31,468)	(1,582)	1889%	(77,574)	(14,298)	443%
Loss and comprehensive loss	$ 3,826,780	$ 4,408,316	(13%)	$ 13,016,334	$ 8,579,319	52%
Weighted average number of shares	183,575,821	157,311,819	17%	169,778,811	153,229,620	11%
Basic and diluted loss per share	$ 0.02	$ 0.03	(29%)	$ 0.08	$ 0.06	37%

Overall Quarterly Results

Overall loss and comprehensive loss for three month period ended April 30, 2023, was $3.8 million compared with $4.4 million for the same period ended April 30, 2022, representing a decrease of $0.6 million or 13%. Overall loss and comprehensive loss for the nine month period ended April 30, 2023 was $13.0 million compared with $8.6 million for the same period ended April 30, 2022, representing an increase of $4.4 million or 52%. The increase in loss for the nine month period ended April 30, 2023 was mainly attributable to the $3.3 million of non-dilutive funding received in the nine month period ended April 30, 2022, a decrease in revenue from Xtract, and an increase in hardware costs in connection with increased Platform revenue further discussed below.

Revenue

The Company earned overall revenue of $875,396 during the three month period ended April 30, 2023, compared with $938,684, for the same period ended April 30, 2022, representing a decrease of $63,284 or 7%. The Company earned revenue of $2,337,126 during the nine month period ended April 30, 2023, compared with $2,825,363 for the same period ended April 30, 2022, representing a decrease of $488,237 or 17%.

The Company recognized Platform revenue of $1,950,431 during the nine month period ended April 30 2023, as compared to $506,040 during the same nine month period ended April 30, 2022. The Company believes that revenue from this operating segment will continue to grow in the upcoming periods due to the extensive backlog it has built up from Platform subscription contracts 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 recognized $386,695 in revenue related to work completed on contracts from the Xtract operating segment for the nine month period ended April 30, 2023, as compared to $2,319,323 for the same period ended April 30, 2022. The decrease was mainly attributable to the timing of the completion of some larger projects, as well as the continual focus on the Platform segment.

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

	Less than one year	Greater than one year	As of April 30, 2023	2022	% Change
Platform revenue	$ 1,394,539	$ 1,733,626	$ 3,128,165	$ 1,203,973	160%
Xtract revenue	332,054	189,368	521,422	1,435,240	(64%)
Total backlog	$ 1,726,593	$ 1,922,994	$ 3,649,587	$ 2,639,213	38%

The Company recorded Platform backlog of $3.1 million as of April 30, 2023, as compared with $1.2 million as of April 30, 2022, representing an increase of $1.9 million or 160%. The increase is mainly attributable to several new contracts that the Company secured in recent quarters. The Platform backlog as of April 30, 2023, excludes an additional $7.9 million in signed agreements that are pending installation, which has grown substantially from the $1.9 million of signed contracts that existed as of July 31, 2022. As the Company continues to sell its Platform using a subscription model, management expects a continued increase in sales backlog, providing predictable long term cash flow.

The Company recorded Xtract backlog of $0.5million as of April 30, 2023, as compared with $1.4 million as of April 30, 2022, representing a decrease of 64% or $0.9 million. The decrease was mainly attributable to timing of contracts being won as well as the completion of some larger projects. The Xtract division continues to have a backlog of opportunities that it is selectively pursuing which is expected to result in additional contracts and backlog for the Company.

Sales and marketing

Sales and marketing costs were $528,979 for the three month period ended April 30, 2023, as compared with $497,792 for the same period ended April 30, 2022, representing an increase of 6% or $31,187. Sales and marketing costs were $1,790,320 for the nine month period ended April 30, 2023 as compared with $1,424,502 for the same period ended April 30, 2022, representing an increase of 26% or $365,818. The increase in these costs during the period was primarily attributable to the Company's growing investment in sales and marketing activities and a higher number of marketing campaigns and trade shows. We expect sales and marketing expenses will remain steady or increase slightly as sales activity continues in the upcoming periods.

Research and development

Research and development ("R&D") costs were $1,297,590 for the three month period ended April 30, 2023, as compared with $1,944,283 for the same period ended April 30, 2022, representing a decrease of 33% or $646,693. R&D costs were $4,749,415 for the nine month period ended April 30, 2023 as compared with $2,377,958 for the same period ended April 30, 2022, representing an increase of 100% or $2,371,457. The change in R&D expenses was primarily attributable to the $3.2 million of non-dilutive funding received from various grants during the nine month period ended April 30, 2022.

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

The following table details our gross R&D costs net of grants:

	Three months ended April 30,			Nine months ended April 30,		
	2023	2022	% Change	2023	2022	% Change
R&D costs before grants	$ 1,294,590	$ 1,944,283	(33%)	$ 4,749,415	$ 5,529,813	(14%)
Raytheon ITB program funding	-	-	%	-	(2,553,000)	(100%)
Supercluster funding	-	-	%	-	(410,530)	(100%)
R&D allocation of Covid-19 relief funding	-	-	%	-	(188,326)	(100%)
	-	-	0%	-	(3,151,856)	(100%)
R&D costs net of grants	$ 1,294,590	$1,944,283	(33%)	$ 4,749,415	$2,377,958	100%

R&D costs before grants during the nine months period ended April 30, 2023, compared to the same period ending April 30, 2022, decreased by 14% or $780,378, due to the Company's shift in focus from research and development activities to ongoing development improvements and sale activities. As the Company continues to invest in R&D activities to refine and improve our Platform solutions, the Company will also pursue non-dilutive funding opportunities that may be available in the future.

General and administration

General and administrative costs were $414,845 for the three month period ended April 30, 2023, as compared with $368,728 for the same period ended April 30, 2022, representing an increase of 13% or $46,115. General and administrative costs were $1,215,767 for the nine month period ended April 30, 2023 as compared with $1,262,609 for the same period ended April 30, 2022, representing a decrease of $46,843 or 4%. The reduction in these costs during the period was primarily attributable to management's ongoing effort to cut non-strategic discretionary expenditures. 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.

Personnel costs

Personnel costs, excluding those costs associated with research and development activities, were $1,351,164 for the three month period ended April 30, 2023 as compared with $1,393,957 for the same period ended April 30, 2022, representing a decrease of 3% or $42,793. Personnel costs, excluding those costs associated with research and development activities, were $4,163,390 for the nine month period ended April 30, 2023 as compared with $3,535,599 for the same period ended April 30, 2022, representing an increase of 18% or $627,791. This increase was primarily due to broad upward pressure on wages during the latter part of 2022 in addition to the expansion of the sales and marketing team as the Company continues to focus on accelerating sales. The Company believes that these costs will remain steady or increase slightly as we continue to grow our operations in the upcoming quarters.

Professional fees

Professional fees were $172,678 for the three month period ended April 30, 2023, as compared with $94,101 for the same period ended April 30, 2022, representing an increase of 84% or $78,577. Professional fees were $596,419 for the nine month period ended April 30, 2023, as compared with $637,989 for the same period ended April 30, 2022, representing a decrease of 7% or $41,570. The decrease was primarily attributable to the costs associated with the prospectus financing for the nine month period ended April 30, 2022. The Company believes these costs will remain stable in the upcoming quarters.

Hardware

Hardware expenses were $244,159 and $657,494 for the three and nine month periods ended April 30, 2023, respectively, as compared to $5,245 and $206,748 for the same periods ended April 30, 2022. The increase of $450,746 or 218% in hardware expense for the nine month period ended April 30, 2023 as compared with the same period April 30, 2022, was attributable to the associated costs of our increased Platform sales.

Amortization

Amortization costs were $201,475 and $604,425 for the three and nine month periods ended April 30, 2023, which remained unchanged from the same periods in fiscal 2022.

Depreciation

Depreciation expense was $158,755 for the three month period ended April 30, 2023, as compared with $198,405 for the same period ended April 30, 2022, representing a decrease of 20% or $39,650. Depreciation expense was $481,153 for the nine month period ended April 30, 2023, as compared with $585,961 for the same period ended April 30, 2022, representing a decrease of 18% or $104,808. The decrease is attributable to certain disposals of fixed assets and office leases recorded under IFRS 16 which are no longer in use.

Share-based compensation

Share-based compensation was $280,724 for the three month period ended April 30, 2023, as compared with $533,166 for the same period ended April 30, 2022, representing a decrease of 47% or $252,442. Share-based compensation was $810,666 for the nine month period ended April 30, 2023, as compared with $738,680 for the same period ended April 30, 2022, representing an increase of 10% or $71,986. The increase was primarily attributable to new issuances of employee stock options during the nine month period ended April 30, 2023.

Loss on retirement of assets

During the three and nine month periods ended April 30, 2023, the Company wrote down $22,967 and $104,241 respectively, worth of obsolete fixed assets that were disposed of as compared to $36,352 for three and nine month periods ended April 30, 2022. Management continuously reviews the fixed assets it holds for indications of impairment or obsolescence.

Loss on inventory

During the three and nine month periods ended April 30, 2023, the Company wrote down $1,974 and $316,077 worth of inventory compared to $89,661 and $168,574 during the three and nine month periods ended April 30, 2022. These write downs related to technology upgrades for the Company's Gateway product and continual assessment of the net realizable value of older technology. Management continuously reviews the inventory it holds for signs of impairment or obsolescence.

Unrealized loss (gain) on investments

Unrealized loss on investments was $58,334 for the three month period ended April 30, 2023, as compared with the unrealized gain of $14,583 for the same period ended April 30, 2022. Unrealized gain on investment was $58,333 for the nine month period ended April 30, 2023, as compared with the unrealized gain of $160,417 for the same period ended April 30, 2022. The unrealized gains are attributable to fair value fluctuations in the Company's investment in Gemina Laboratories Ltd ("Gemina Labs") during the nine month period ended April 30, 2023.

Interest and other income

Interest and other income were $31,468 for the three month period ended April 30, 2023, as compared with $1,582 for the same period ended April 30, 2022, representing an increase of 1,889% or $29,886. Interest and other income were $77,574 for the nine month period ended April 30, 2023, compared to $14,298 for the same period ended April 30, 2022, representing an increase of 443% or $63,276. The increase was due to a $20,000 loan forgiveness provided by the Government of Canada for the early repayment of a Canada Emergency Business Account loan, and an increase in market interest rates compared to the previous period.

Net loss per share

On a per weighted average share basis, basic and diluted net loss per share was $0.02 and $0.08 for the three and nine month periods ended April 30, 2023, respectively, as compared with $0.03 and $0.06 for the comparative periods in 2022. The increase of $0.02 or 37% in net loss per share for the nine month ended April 30, 2023 was primarily attributable to the cessation of $3.3 million of non-dilutive funding received in fiscal 2022.

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

	Quarter Ended							
	Apr 30, 2023	Jan 31, 2023	Oct 31, 2022	Jul 31, 2022	Apr 30, 2022	Jan 31, 2022	Oct 31, 2021	Jul 31, 2021
Revenue								
Platform	$ 803	$ 721	$ 427	$ 267	$ 85	$ 232	$ 189	$ 46
Xtract	$ 73	$ 94	$ 220	$ 527	$ 853	$ 946	$ 520	$ 221
Total revenue	$ 876	$ 815	$ 647	$ 794	$ 938	$ 1,178	$ 709	$ 267
Expenses								
Sales and marketing	529	472	789	544	498	606	320	336
Research and development	1,298	1,451	2,001	2,086	1,944	880	(446)	964
General and administration	415	407	394	782	369	543	351	357
Personnel costs	1,351	1,240	1,572	1,749	1,394	1,137	1,004	851
Professional fees	173	331	92	134	94	349	195	186
Hardware	244	263	150	71	5	177	24	-
Amortization	201	201	201	201	202	202	201	202
Depreciation	159	162	161	179	198	193	194	244
Share-based compensation	281	379	150	325	533	148	58	208
Loss on inventory	2	314	-	334	90	79	-	-
Loss on retirement of assets	23	81	-	-	12	-	-	-
Adjusted loss from operations[1]	3,800	4,488	4,864	5,611	4,401	3,136	1,192	3,081
Impairment of goodwill	-	-	-	25,582	-	-	-	-
Loss from operations	3,800	4,488	4,864	31,193	4,401	3,136	1,192	3,081
Unrealized loss (gain) on fair value investments	58	(182)	66	(15)	(15)	(44)	(102)	3,686
Interest and other income	(31)	(34)	(12)	(17)	(1)	(11)	(2)	124
Loss and comprehensive loss	$ 3,827	$ 4,271	$ 4,918	$ 31,162	$ 4,385	$ 3,082	$ 1,088	$ 6,891
Adjusted loss and comprehensive loss[1]	$ 3,827	$ 4,271	$ 4,918	$ 5,579	$ 4,385	$ 3,082	$ 1,088	$ 6,891
Basic and diluted loss per share	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.19)	$ (0.03)	$ (0.02)	$ (0.01)	$ (0.05)
Adjusted basic and diluted loss per share[1]	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.03)	$ (0.03)	$ (0.02)	$ (0.01)	$ (0.05)
Working capital	$ 8,358	$ (1,870)	$ 2,261	$ 6,791	$ 11,991	$ 9,473	$ 12,129	$ 12,841
Total assets	$ 18,750	$ 11,121	$ 13,694	$ 18,058	$ 48,744	$ 45,146	$ 48,087	$ 49,398
Non-current liabilities	$ 154	$ 183	$ 268	$ 357	$ 432	$ 515	$ 597	$ 677

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

Quarterly Results Trend Analysis

The quarterly expenditure trend across the previous eight fiscal quarters above reflects the evolution of the Company's revamped strategy to accelerate revenue growth for our Platform operating unit. The Company's primary objective has been the further development and commercialization of an integrated, layered, AI-powered threat detection solution. In fiscal 2022, the Company began to see the results of its enhanced marketing and sales efforts through increased revenue, sales commitments, and qualified sales pipeline. In fiscal 2023, the Company has begun to make strategic partnerships and customer relationships that have grown the sales pipeline, with the anticipation of long-term recurring revenue.

The Company has no discontinued operations.

Liquidity and Capital Resources

As at April 30, 2023, the Company had a working capital of $8.4 million which includes current assets of $11.3 million to meet current liabilities of $2.9 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 $0.2 million, related to the long-term portion of the capitalized lease liabilities in accordance with IFRS 16.

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

	2023	2022	% Change
Cash beginning of period	$ 6,277,321	$ 9,652,493	(35%)
Cash used in operating activities	(10,725,894)	(5,006,460)	114%
Cash used in investing activities	(32,539)	(119,954)	(73%)
Cash received from financing activities	13,032,025	6,084,652	114%
Change in cash for the period	2,273,592	958,238	137%
Cash end of period	$ 8,550,913	$ 10,610,731	(19%)

During the nine month period ended April 30, 2023, the Company had net increase in cash flow from operations, investing, and financing activities of $2.3 million, compared with $1.0 million for the same period ended April 30, 2022.

The cash flow used in operating activities was $ 10.7 million for the nine month period ended April 30, 2023, as compared with $5.0 million for the same period ended April 30, 2022, representing an increase of $5.7 million or 114%. The increase in negative cash flow from operating activities can be attributable to the increase in net loss, which was primarily due to the non-recurring $3.3 million in non-dilutive funding received in the nine month period ended April 30, 2022, partially offset by a decrease in non-cash working capital.

Cash flow used in investing activities was $0.03 million for the nine month period ended April 30, 2023, as compared with $0.1 million for the same period in 2022 representing a decrease of $0.07 million or 73%. The decrease in negative cash flow from investing activities can be attributed to a reduction of fixed asset purchases during the nine month period ended April 30, 2023.

Cash received in financing activities was $13.0 million for the nine month period ended April 30, 2023, as compared to cash inflow of $6.1 million for the same period ended April 30, 2022, representing an increase of $6.9 million or 114%. The increase in financing activities in the current period relates to proceeds received from the issuance of Units to MSG Sports, net of lease payments.

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. Our objective is met by retaining adequate cash reserves to provide for the possibility that cash flows from operations will not be sufficient to meet future cash flow requirements. To maintain or adjust our capital structure, we may issue shares, such as through private placements or other possible 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.

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 total value of signed contracts awarded to the Company that has 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.

Non-IFRS measures included in this MD&A are, 'Adjusted loss from operations', 'Adjusted loss and comprehensive loss', and 'Adjusted basic and dilutive loss per share'. Management believes that these non-IFRS performance measurements provide investors with useful information as it excludes an amount that is not indicative of the core operating results, and ongoing operations, and further, provides a consistent basis for comparison between periods. The Company has adjusted its loss from operations and loss and comprehensive loss pertaining to the year ended July 31, 2022, to exclude a non-routine, non-cash impacting impairment loss relating to goodwill. Adjusted loss from operations is reconciled within the section "Financial Data – Summary of Quarterly Results (in $000s)". The following tables provides an illustration of the calculation of 'Adjusted loss and comprehensive loss', and 'Adjusted basic and dilutive loss per share' for the three months ended April 30, 2023, and the three months ended July 31, 2022:

Adjusted loss and comprehensive loss (in $000's)

	Three months ended	
	April 30, 2023	July 31, 2022
Loss and comprehensive loss	$ 3,827	$ 31,162
Adjusted for:		
Impairment of goodwill	-	25,582
Adjusted loss and comprehensive loss	**$ 3,827**	**$ 5,579**

Adjusted basic and dilutive loss per share

	Three months ended	
	April 30, 2023	July 31, 2022
Basic and dilutive loss per share	$ 0.02	$ 0.19
Adjusted for:		
Impairment of goodwill per share outstanding	-	0.16
Adjusted basic and dilutive loss per share	**$ 0.02**	**$ 0.03**

Financial Instruments and Other Instruments

The Company's only material financial instruments are cash, receivables, and its investment in Gemina Labs.

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company 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 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 receivables.

Market risk

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

Interest rate risk
Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company currently has no interest-bearing financial instruments other than cash, 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. Most of the Company's assets and liabilities are denominated in Canadian dollars, however, the Company holds some cash balances in USD. As at April 30, 2023, the Company did not have any material monetary assets or

liabilities denominated in a foreign currency and consequently is not exposed to significant foreign currency risk.

Price risk
Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company did not hold material equity investments as at April 30, 2023, and therefore, exposure to price risk is insignificant.

Critical Accounting Policies and Estimates

For a complete description of the Company's significant accounting policies, please see the accompanying notes to the condensed consolidated interim financial statements for the nine month period ended April 30, 2023, and the audited consolidated financial statements for the year ended July 31, 2022.

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

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.

Estimated useful lives and 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 take into account 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

Xtract contract revenue is recognized in proportion to the stage of completion of each contract. Significant assumptions are used to determine the stage of completion and changes in these assumptions could impact the revenue recognized during the period. Revenue arising from the sale of or subscription to use the Platform 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 condensed consolidated interim 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 to generate profit through its operations. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company or that profitable operations are not achieved. These matters result in material uncertainties which may cast significant doubt on whether the Company will continue as a going concern.

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

The 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:

Disclosures of accounting policies (Amendments to IAS 1)

The IASB has published Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) to guide companies in applying materiality judgements to accounting policies disclosures.

The amendments:

(i) Require companies to disclose their material accounting policies rather than their significant accounting policies; and
(ii) With the corresponding amendments to IFRS Practice Statement 2, provides further guidance and examples on how to apply the materiality process to identify material accounting policy information that should be disclosed compared to policies that do not.

This amendment is effective for annual periods beginning on or after January 1, 2023, and are to be applied prospectively. Earlier application is permitted. The Company does not expect the adoption of this amendment to have a significant impact on the consolidated financial statement disclosures.

Definition of Accounting Estimates (Amendments to IAS 8)

The IASB has published the Definition of Accounting Estimates (Amendments to IAS 8), in which a new definition of accounting estimates was established.

The amendments:
(i) Define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty";
(ii) Clarify what changes in accounting estimates are; and
(iii) Clarify the distinction between changes in accounting estimates, accounting policies, and correction of errors.

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

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

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

The amendments:

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

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The Company does not expect the adoption of this new amendment to have a significant impact on the consolidated financial statements and its respective disclosures.

Related Party Balances and Transactions

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers. Key management compensation earned by officers and directors of the Company during the nine month period ended April 30, 2023, was $939,561 (2022 - $ 883,547). In addition, share-based compensation expense relating to key management for the nine month period ended April 30, 2023, was $578,068 (2022 - $ 183,027).

As at April 30, 2023 there are no outstanding amounts (July 31, 2022 - $nil) 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, 2023.

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, 2023, 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, 2023, that have materially affected or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

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

Risk and Uncertainties

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

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

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Subsequent Events

Subsequent to the period ended April 30, 2023, 2,630,700 warrants and 36,500 stock options were exercised and converted to Common Shares for gross proceeds of $1,973,025 and $22,650 respectively.

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 197,779,517 common shares issued and outstanding. In addition, there are 41,548,456 warrants which may be converted to one common share each at prices ranging from

$0.60 to $0.75. The Company also has stock options outstanding to purchase an additional 9,865,848 common shares with exercise prices ranging from $0.38 to $2.48 per share.