



Management's Discussion and Analysis
For three months ended October 31, 2022



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") is prepared as of December 6, 2022 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 month period ended October 31, 2022, 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 December 6, 2022, 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 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, currency fluctuations, 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 "OPL" 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 October 31, 2022, 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





Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

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 October 31, 2022

The following is a summary of the key business highlights for the Company for the three month period ended October 31, 2022:

- Accelerated topline growth for our Platform business unit with approximately \$0.4 million of revenue recognized during the period representing a 125% increase in Platform revenue over the same three month period ended October 31, 2021;
- Continued to build the contractual backlog to \$2.6 million, with an additional \$4.0 million pending installation or successful trials that will be recognized as revenues in future periods;
- Signed a contract to protect all entrances of the SAP Center, home of the NHL's San Jose Sharks, and Tech CU Arena, home of the AHL's San Jose Barracuda;
- Announced a new strategic partnership with the Oak View Group ("OVG") which has introduced a new patron screening technology to multiple properties, enabling OVG owned and operated properties to utilize the Company's SmartGateway system to enhance the customer experience and safety; and
- Selected by Oak View Group to protect all entrances of the Angel of the Winds Arena, home of the WHL's Everett Silvertips.

Business Highlights subsequent to the three months ended October 31, 2022

The following is a summary of the key business highlights for the Company subsequent to the three month period ended October 31, 2022:

- Secured a contract with Oak View Group to protect all entrances at Total Mortgage Arena in Bridgeport, Connecticut which is the home of the New York Islanders' AHL team, the Bridgeport Islanders;
- Secured a contract with Oak View Group to protect all entrances at Acrisure Arena in Palm Desert, California. This \$300 million world-class venue is the future home of the Seattle Kraken's AHL team, the Coachella Valley Firebirds;
- Announced a contract with Lakewood School District in Lakewood, New Jersey to help ensure weapons are not brought into schools throughout the Lakewood Township district;



Xtract One Technologies Inc.

Management Discussion & Analysis

For the three months ended October 31, 2022

(Formerly Patriot One Technologies Inc.)

- The Company announced and completed its intention for corporate rebranding including changing the Company's name to Xtract One Technologies; and
- The Company announced that it received two gold awards from American Security Today's ASTORS 2022 Homeland Security Awards in the categories of Best Pedestrian Entrance Control and Best Metal/Weapons Detection.

Business of the Company

The principal business of the Company is to commercialize an integrated, layered, artificial intelligence ("AI") powered threat detection gateway solution, referred to as the "Platform", with the aim of enhancing public safety. The Company's mission is to be one of the foremost global proponents and providers of commercial threat countermeasures for community safety. The Company has two distinct operating segments being its Platform and Xtract business units. The Platform business unit 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, substantial 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 \$426,538 during the quarter. The backlog of sales commitments related to the Platform is now approximately \$1.9 million and continues to grow. This excludes an additional \$4.0 million in signed agreements that are pending installation or successful pilots. As the Company continues to sell its Platform using a subscription model, management expects monthly recurring revenue and sales backlog to increase, providing predictable long term cash flow.

During the quarter, the Company focused on accelerating customer sales and sales-related activities, creating record results for the value of contracts signed in the quarter. Our wins at SAP Centre and Tech CU Arena, were direct results of previous sales and marketing efforts, including on-site customer demonstrations for these, and other, prospective customers. The Company's strategic partnership with OVG is another example of several months of work performing on-site demonstrations and 'red-team' events, allowing OVG to assess our products. Since this partnership, the Company has announced wins at Angel of the Winds Arena, Total Mortgage Arena, and Acrisure Arena, in addition to other OVG venues where our SmartGateway was deployed in prior periods including Rupp Arena and the Moody Centre. The Company expects to continue this growth trend based on ongoing customer engagements, continued interest in additional market verticals such as manufacturing and distribution, as well as the strategic partnership with OVG.

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 early-adopter customers, resellers, and partnership organizations. The Company continues to accelerate its product development roadmaps in response to market opportunities



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

and customer needs, focusing on the industry-specific utility of the various solutions and capabilities under development.

Management is encouraged by the ongoing level of interest in its Platform solution and sees the recent growth in successful deployments, customer commitments, and sales pipeline as validation of its product performance, the addressable market, and a positive and expected trend.

Xtract Operating Segment

During the quarter, the Xtract team continued to dually 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 and entities along with a growing number of private sector parties.

In addition to \$220,268 of revenue recognized during the quarter related to professional service contracts, Xtract maintained a backlog of signed or awarded contracts of approximately \$0.7 million. This innovative AI team continues to build a robust pipeline of opportunities and 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 quarter, the Company continued to invest in research and development activities focused around two specific focus areas to advance the functionality of its product offerings in response to the growing market opportunities and feedback from customers.

AI-Powered Threat Detection Gateway

The first AI-powered threat detection gateway (the "Gateway") was initially released to the market in August 2020, followed by enhanced versions of the Gateway in September 2021 and March 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 a crucial product within the Company's technology portfolio due to the significant market demand for digital threat detection screening solutions. Accordingly, the Company intends to continue to make certain development modifications and enhancements to the Gateway product, to further align the solution to meet the 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, thereby expanding the addressable market for the Gateway beyond the current target markets.

Video Recognition Software Platform

The Company released its first commercial version of its video recognition software ("VRS") to the market in fiscal 2020 and has since continued to invest in the VRS solution to integrate the AI-powered Platform with its Gateway product. This work was substantially completed in October 2021, resulting in new software capabilities and giving security venue operators a new way to make data driven, intelligent decisions about overall security requirements and vulnerabilities and thereby enhancing the overall patron experience.



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

With the successful integration of the VRS platform with our Gateway product, the product is well-positioned to address our current target markets. The Company intends to make certain modifications and enhancements to the VRS Platform to further align the solution to meet the demands of our customers.

Technology Update

During the quarter, the Company focused its efforts on hardening the SmartGateway product in direct response to feedback from field engineers and customers in the live entertainment and sport venue markets. Changes to the hardware were focused on durability, weather proofness and system diagnostics. The Company expects to continue to further improve the technology with planned software updates and new value-add functionality as we gain additional insights in the field and features are identified by our customers following successful deployment.

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 SmartGateway system. 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 SmartGateway systems 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, where the customer has a specific stated need that fits the Company's solution, and where 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 early commitments. 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. These customers prefer to roll out 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 and have started to lead to much larger commitments.

Although the Company is focusing on these target markets in the short term, we intend 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 schools or 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 our 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





Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

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 will more precisely address 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 early customers for further enhancements to the Platform. The effect of this approach has already been seen with a substantial increase in the sales pipeline and 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 early-adopter resellers and end-user customers to ensure that our solutions directly address customer needs.



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

Quarterly Financial Performance

Selected Financial Data - Summary of Quarterly Results

	Three months ended October 31,		
	2022	2021	% Change
Revenue			
Platform	426,538	189,252	125%
Xtract	220,268	520,208	(58%)
Total revenue	\$ 646,806	\$ 709,460	(9%)
Expenses			
Sales and marketing	789,147	320,530	146%
Research and development	2,000,697	(445,846)	(549%)
General and administration	393,909	350,656	12%
Personnel costs	1,571,864	1,004,302	57%
Professional fees	92,440	194,664	(53%)
Hardware	150,278	24,197	521%
Amortization	201,475	201,475	0%
Depreciation	160,746	194,144	(17%)
Share-based compensation	150,471	57,682	161%
	5,511,027	1,901,804	190%
Loss from operations	4,864,221	1,192,344	308%
Unrealized loss (gain) on investments	65,625	(102,083)	(164%)
Interest income	(11,662)	(2,182)	434%
Loss and comprehensive loss	\$ 4,918,184	\$ 1,088,079	352%
Weighted average number of shares	163,179,222	150,860,622	8%
Basic and diluted loss per share	\$ 0.03	\$ 0.01	318%

Overall Quarterly Results

Overall loss and comprehensive loss for three month period ended October 31, 2022, was \$4.9 million compared with \$1.1 million for the same period ended October 31, 2021, representing an increase of \$3.8 million or 352%. The increase in loss for the period ended October 31, 2022, was mainly attributable to the \$2.5 million of non-dilutive funding received in the three month period ended October 31, 2021, as well as increased personnel costs in the current quarter primarily associated with headcount additions within the sales and marketing teams.



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

Revenue

The Company earned revenue of \$646,806 during the three month period ended October 31, 2022, compared with \$709,460 for the same period ended October 31, 2021, representing a decrease of \$62,654 or 9%.

The Company recognized \$426,538 in revenue related to the sale of the Platform during the three month period ended October 31, 2022, as compared to \$189,252 during the same period ended October 31, 2021, representing an increase of \$237,286 or 125%. The Company believes that revenue from this operating segment will grow further in the upcoming periods due to the extensive backlog it has built up as well as the increase in customer site surveys, trials, and deployment activities currently underway and the growth in monthly recurring revenue from our subscription contracts.

The Company recognized revenue of \$220,268 in revenue related to work completed on contracts from the Xtract operating segment for the three month period ended October 31, 2022, as compared to \$520,208 for the same period ended October 31, 2021. The decrease was mainly attributable to timing of contracts being won and the completion of some larger projects.

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

	Less than one year	Greater than one year	As of October 31, 2022	2021	% Change
Platform revenue	\$ 838,979	\$ 1,036,475	\$ 1,875,454	\$ 1,019,078	84%
Xtract revenue	247,478	440,372	687,850	2,034,682	(66%)
Total backlog	\$ 1,086,457	\$ 1,476,847	\$ 2,563,304	\$ 3,053,760	(16%)

The Company recorded Platform backlog of \$1,875,454 as of October 31, 2022, as compared with \$1,019,078 as of October 31, 2021, representing an increase of \$856,376 or 84%. The increase is mainly attributable to several new contracts that the Company secured in recent quarters. The Platform backlog as of October 31, 2022 excludes an additional \$4.0 million in signed agreements that are pending installation or successful pilots 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 \$687,850 as of October 31, 2022, as compared with \$2,034,682 as of October 31, 2021, representing a decrease of 66% or \$1,346,832. 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 healthy backlog of opportunities that it is currently pursuing which is expected to result in additional contracts and backlog for the Company.

Sales and marketing

Sales and marketing costs were \$789,147 for the three month period ended October 31, 2022, as compared with \$320,530 for the same period ended October 31, 2021, representing an increase of 146% or \$468,617. 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. We expect sales and marketing expenses will remain steady as sales activity continues in the upcoming periods.



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

Research and development

Research and development (“R&D”) costs were \$2,000,697 for the three month period ended October 31, 2022, as compared with a negative amount of \$445,846 for the same period ended October 31, 2021, representing an increase of 549% or \$2,446,543. The increase in R&D expenses was primarily attributable to the \$2.4 million of non-dilutive funding received during the three months ended October 31, 2021.

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 for 2021.

	Three months ended October 31,		
	2022	2021	% Change
R&D costs before grants	\$ 2,000,697	\$ 1,920,836	4%
Raytheon ITB program funding	-	(1,767,826)	(100%)
Supercluster funding	-	(410,530)	(100%)
R&D allocation of Covid-19 relief funding	-	(188,326)	(100%)
	-	(2,366,682)	(100%)
R&D costs net of grants	\$ 2,000,697	(\$445,846)	(549%)

R&D costs before grants remained fairly consistent during the three month period ended October 31, 2022, compared to the same period ending October 31, 2021, increasing by 4% or \$79,861. As the various grant funding programs concluded during the year ended July 31, 2022, there are no allocations of grants to offset the R&D costs for the three month period ended October 31, 2022. 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 \$393,909 for the three month period ended October 31, 2022, as compared with \$350,656 for the same period ended October 31, 2021, representing an increase of 12% or \$43,253. The increase was primarily attributable to the cessation of COVID-19 relief funding of \$42,599 on October 31, 2021. The Company is continually looking for opportunities to reduce non-strategic expenses. We expect general and administrative expenses will remain consistent in the upcoming periods.

Personnel costs

Personnel costs, excluding those costs associated with research and development activities, were \$1,571,864 for the three month period ended October 31, 2022, as compared with \$1,004,302 for the same period ended October 31, 2021, representing an increase of 57% or \$567,562.

Personnel costs are presented net of \$86,355 of COVID-19 relief funding from the Canadian government received during the prior three month period ended October 31, 2021. When personnel costs are normalized



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

by removing this offsetting funding for the prior period, the cost increased by 44% or \$481,207 for the three month period ended October 31, 2022, as compared with the same period ended October 31, 2021. 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 as we continue to streamline our operations in future periods.

Professional fees

Professional fees were \$92,440 for the three month period ended October 31, 2022, as compared with \$194,664 for the same period ended October 31, 2021, representing a decrease of 53% or \$102,224. The decrease was primarily due to the Company's ongoing efforts to reduce non-strategic expenditures.

Hardware

Hardware expenses were \$150,278 for the three month period ended October 31, 2022, as compared with \$24,197 for the same period ended October 31, 2021, representing an increase of 521% or \$126,081. The increase was attributable to the increased Platform sales during the period ended October 31, 2022.

Amortization

Amortization costs were \$201,475 for the three month period ended October 31, 2022, unchanged from the same period in 2021.

Depreciation

Depreciation expense was \$160,746 for the three month period ended October 31, 2022, as compared with \$194,144 for the same period ended October 31, 2021, representing a decrease of 17% or \$33,398. The decrease is attributable to previous office leases under IFRS 16 no longer in use, and full amortization of specific office equipment.

Share-based compensation

Share-based compensation was \$150,471 for the three month period ended October 31, 2022, as compared with \$57,682 for the same period ended October 31, 2021, representing an increase of 161% or \$92,789. The increase is attributable to the issuance of employee stock options during the three month period ended October 31, 2022.

Unrealized gain/loss on investments

Unrealized loss on investment was \$65,625 for the three month period ended October 31, 2022, as compared with the unrealized gain of \$102,083 for the same period ended October 31, 2021, representing a decrease of 164% or \$167,708. The decrease is mainly attributable to the change in fair value of the Company's investment in Gemina Laboratories Ltd. ("Gemina Labs") during the three month period ended October 31, 2022.



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

Interest income

Interest income was \$11,662 for the three month period ended October 31, 2022, as compared with \$2,182 for the same period ended October 31, 2021, representing an increase of 434% or \$ 9,480. The increase was due to an increase in market interest rates.

Net loss per share

On a per weighted average share basis, net loss per share was \$0.03 for the three month period ended October 31, 2022, as compared with \$0.01 for the same period October 31, 2021. The increase of \$0.02 or 200% in net loss per share for the three month period ended October 31, 2022, was primarily attributable to the cessation of the various non-dilutive funding in the fiscal year ended July 31, 2022.

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

	Quarter Ended							
	Oct 31, 2022	Jul 31, 2022	Apr 30, 2022	Jan 31, 2022	Oct 31, 2021	Jul 31, 2021	Apr 30, 2021	Jan 31, 2021
Revenue								
Xtract	\$220	\$ 527	\$ 853	\$ 946	\$ 520	\$ 221	\$ 85	\$ 287
Platform	\$427	\$ 267	\$ 85	\$ 232	\$ 189	\$ 46	\$ 68	\$ -
Total revenue	\$ 647	\$ 794	\$ 939	\$ 1,177	\$ 709	\$ 266	\$ 153	\$ 287
Expenses								
Sales and marketing	789	544	498	606	320	336	284	399
Research and development	2,001	2,086	1,944	880	(446)	964	985	589
General and administration	394	782	369	543	351	357	24	374
Personnel costs	1,572	1,749	1,394	1,137	1,004	851	1,248	1,100
Professional fees	92	134	94	349	195	186	87	211
Hardware	150	71	5	177	24	-	28	-
Amortization	201	201	202	202	201	202	201	202
Depreciation	161	179	198	193	194	244	251	241
Share-based compensation	150	325	533	148	58	208	266	311
Loss on inventory write-down	-	334	90	79	-	-	-	-
Loss on retirement of assets	-	-	12	-	-	-	-	-
Adjusted loss from operations¹	4,864	5,611	4,400	3,137	1,192	3,082	3,221	3,140
Impairment of goodwill	-	25,582	-	-	-	-	-	-
Loss from operations	4,864	31,193	4,400	3,137	1,192	3,082	3,221	3,140
Unrealized loss (gain) on fair value investment	66	(15)	(15)	(44)	(102)	3,686	149	118
Other income - Interest	(12)	(17)	(1)	(11)	(2)	124	(56)	(57)
Loss before income taxes	4,918	31,162	4,384	3,083	1,088	6,892	3,314	3,201
Current tax recovery	-	-	-	-	-	-	(110)	(60)
Loss and comprehensive loss	\$ 4,918	\$ 31,162	\$ 4,384	\$ 3,083	\$ 1,088	\$ 6,892	\$ 3,204	\$ 3,141
Adjusted loss and comprehensive loss¹	\$ 4,918	\$ 5,579	\$ 4,384	\$ 3,083	\$ 1,088	\$ 6,892	\$ 3,094	\$ 3,081
Basic and diluted loss per share	\$ (0.03)	\$ (0.19)	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.05)	\$ (0.02)	\$ (0.02)
Adjusted basic and diluted loss per share¹	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.05)	\$ (0.02)	\$ (0.02)
Working capital	\$ 2,261	\$ 6,791	\$ 11,991	\$ 9,473	\$ 12,129	\$ 12,841	\$ 19,175	\$ 21,745
Total assets	\$ 13,694	\$ 18,058	\$ 48,744	\$ 45,146	\$ 48,087	\$ 49,398	\$ 56,234	\$ 59,708
Non-current liabilities	\$ 268	\$ 357	\$ 432	\$ 515	\$ 597	\$ 677	\$ 740	\$ 855

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



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

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. Beginning in fiscal 2021, the Company refined its strategy and began re-allocating resources to focus on strategic expenses and activities leading to near-term revenue or setting the foundation for mid to long-term revenue growth. The Company's primary objective remains the further development and commercialization of an integrated, layered, AI-powered threat detection solution. Throughout fiscal 2021, the Company continued to enhance its Platform solutions and began growing the sales pipeline despite the challenges posed by the COVID-19 global pandemic. 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 October 31, 2022, the Company had working capital of \$2,261,122 which includes current assets of \$5,909,687 to meet current liabilities of \$3,648,565. 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 \$268,032, related to the long-term portion of the capitalized lease liabilities in accordance with IFRS 16.

Selected Financial Data – Summary of results for the three month periods ended October 31

	2022	2021	% Change
Cash beginning of period	\$ 6,277,321	\$ 9,652,493	(35%)
Cash used in operating activities	(3,945,506)	(2,642,408)	49%
Cash used in investing activities	(32,539)	(38,781)	(16%)
Cash received from (used in) financing activities	(93,192)	15,634	(696%)
Change in cash for the period	(4,071,237)	(2,665,555)	53%
Cash end of period	\$ 2,206,084	\$ 6,986,938	(68%)

During the three month period ended October 31, 2022, the Company had negative cash flow from operations, investing and financing activities of \$4.1 million, compared with \$2.7 million for the same period ended October 31, 2021.

The cash flow used in operating activities was \$3.9 million for the three month period ended October 31, 2022, as compared with \$2.6 million for the same period ended October 31, 2021, representing an increase of \$1.3 million or 49%. The increase in negative cash flow from operating activities can be attributed primarily to an increase in the loss for the three month period ended October 31, 2022, partially offset by decrease in non-cash working capital.



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

Cash flow used in investing activities was \$0.03 million for the three month period ended October 31, 2022, as compared with \$0.04 million for the same period in 2021 representing a decrease of \$0.01 million or 16%. The decrease in negative cash flow from investing activities can be attributed primarily to reduced fixed asset purchases during the three month period ended October 31, 2022.

Cash used in financing activities was \$0.09 million for the three month period ended October 31, 2022, as compared to cash inflow of \$0.02 million for the same period ended October 31, 2021. Cash used in financing activities during the three month period ended October 31, 2022, is comprised solely of lease payments compared to stock option exercises in the same period October 31, 2021.

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 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.

Use of Proceeds from Public Offering dated March 17, 2022

On January 5, 2022, the Company filed a short form prospectus allowing the company to raise up to \$50 million. In March 2022, the Company completed a public offering and issued 11,471,850 Units and received net proceeds of approximately \$6,114,000. The intended and actual use of these funds is outlined below.

Use of Proceeds Category	Net Proceeds from Prospectus Supplement	Approximate Spending for the period March 17, 2022 – October 31, 2022	Proceeds unspent as at October 31, 2022
Product Development	\$1,900,000	\$1,900,000	\$-
Sales and Marketing	\$2,030,000	\$2,030,000	\$-
Production and Operations	\$860,000	\$860,000	\$-
General Working Capital	\$1,324,000	N/A	\$1,324,000
Total	\$6,114,000	\$4,790,000	\$1,324,000

In addition to the above-noted expenditures, certain expenditures have been capitalized in accordance with the Company's stated accounting policies. This would include items such as the purchase of property and equipment and changes in working capital, such as capitalized prepaid expenses and the procurement of inventory.

The Company's intention to spend the net proceeds of the offering as set forth above was based on the expectations of management at the time of the financing raises. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. At the current time, there are no significant changes to the business objectives and milestones and the Company believes the current objectives and milestones are achievable with the current spending trajectory.



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

Non-IFRS Financial Performance Measures Reconciliation

This MD&A refers to historical non-IFRS performance measures being, 'Adjusted loss from operations', 'Adjusted loss and comprehensive loss', and 'Adjusted basic and dilutive loss per share'. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other reporting issuers. 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, ongoing operations, and 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 section "Financial Data - Summary of Quarterly Results (in \$000s)". The following tables provides illustration to the calculation of Adjusted loss and comprehensive loss', and 'Adjusted basic and dilutive loss per share' for the three months ended October 31, 2022 and the three months ended July 31, 2022:

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

	Quarter ended	
	October 31, 2022	July 31, 2022
Loss and Comprehensive loss	\$ 4,918	\$ 31,162
Adjusted for:		
Impairment of goodwill	-	25,582
Adjusted loss and comprehensive loss	\$ 4,918	\$ 5,579

Adjusted basic and dilutive loss per share

	Quarter ended	
	October 31, 2022	July 31, 2022
Basic and dilutive loss per share	\$ 0.03	\$ 0.19
Adjusted for:		
Impairment of goodwill per share outstanding	-	0.16
Adjusted basic and dilutive loss per share	\$ 0.03	\$ 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



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

significant judgements 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. Most of the Company's receivables primarily consist of sales tax refundable from the Canada Revenue Agency, trade receivables, and accounts receivable under the Canadian Industrial and Technological Benefits program and are not subject to significant credit risk.

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, so 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. As at October 31, 2022, 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 October 31, 2022, 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 three month period ended October 31, 2022, 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:



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

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



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

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:

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

The IASB has published 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 only be based on rights that are in place "at the end of the reporting period";



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

- (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, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

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 is currently assessing the impact of this amendment to the consolidated financial statements 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 paid to officers and directors of the Company during the three month period ended October 31, 2022, was \$311,870 (2021 - \$297,487). In addition, share-based compensation expense relating to key management for the three month period ended October 31, 2022, was \$57,674 (2021 - \$78,511).

As at October 31, 2022, \$69,895 (October 31, 2021- \$nil) in accounts payable and accrued liabilities is 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 three month period ended October 31, 2022.

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 October 31, 2022, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized, and reported within the time periods specified under applicable securities legislation.



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

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 three month period ended October 31, 2022, 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.

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 163,181,722 common shares issued and outstanding. In addition,



Xtract One Technologies Inc.

Management Discussion & Analysis
For the three months ended October 31, 2022
(Formerly Patriot One Technologies Inc.)

there are 12,253,561 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 9,690,062 common shares with exercise prices ranging from \$0.38 to \$2.48 per share.