



PATRIOT ONE TECHNOLOGIES INC.

Management's Discussion and Analysis

Three months ended October 31, 2017

The following Management's Discussion and Analysis ("MD&A") is prepared as of December 28, 2017 and is intended to assist in understanding the results of operations and financial condition of Patriot One Technologies Inc. (the "Company"). Throughout the MD&A, reference to the Company is on a consolidated basis. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended October 31, 2017 which are prepared in accordance with IAS 34, *Interim Financial Reporting*, and the audited financial statements for the fiscal year ended July 31, 2017 which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are expressed in Canadian Dollars unless otherwise indicated.

Forward-Looking Information

This MD&A contains forward-looking information that involves material assumptions and known and unknown risks and uncertainties, certain 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 Reorganization

On November 9, 2016, the Company completed the acquisition (the "Transaction") of Patriot One Detection Ltd. ("Patriot One Detection"). The Transaction constituted a reverse-takeover and is accounted for with Patriot One Detection being identified as the accounting acquirer and the net assets of the Company being recorded at fair value at the date of the transaction.

Corporate Profile

Patriot One Detection was incorporated in the province of British Columbia, on March 7, 2016. The principal business of the Company is to commercialize a system to detect concealed weapons utilizing radar technologies. The system is an innovative radar technology providing first responders and security personnel valuable time in active threat scenarios. The Company has not commenced commercial operations and has no assets other than cash. At present, the Company has no current operating income.

The Company has licensed Cognitive Microwave Radar technology ("CMR-1") developed at McMaster University. The license is to develop, license, manufacture and market the CMR-1 systems worldwide and the Company intends to use such technology to create an automatic warning system for screening of on-body concealed weapons (e.g., handguns, knives, grenades, explosive vests, etc.). The CMR-1 uses low power impulse radar system for the stand-off detection of on-body concealed weapons. The technology currently has a 3 metre detection range, such that it can be concealed and deployed in high traffic areas, such as entryways, hallways, stairwells and other public spaces in airports, stadiums, schools and similar spaces. The Company aims to adapt its CMR-1 systems to recognize various weapons and non-threat targets (i.e., unarmed civilians) before deployment and believes this technology has extensive potential for use in enhancing military and/or law enforcement capabilities.

The CMR-1 concealed weapons detection system has now received both Industry Canada certification for commercial use in Canada (August 29, 2017) and United States Federal Communications Commission (FCC) Declaration of Conformity certification (September 30, 2017)

The CMR-1 may need to comply with additional regulatory requirements prescribed for users of Walk-Through Metal Detectors (“WTMDs”) and Ultra Wide Band Emission devices. Like several other electronic devices, WTMDs must meet certain environmental standards and electrical safety requirements. Furthermore, any detection equipment that is deployed for use at airports must comply with guidelines prescribed by the Transportation Security Administration (“TSA”), Federal Aviation Administration (“FAA”), and related international standards, regulations and test certifications.

The Company currently plans to outsource production of CMR-1 to reduce capital expenditures and has secured statements of work with Macadamian Technologies Inc. (“Macadamian”) for development of the CMR-1 user interface, integration of hardware and commercialization of the Company's program algorithm. Copper Mountain Technologies (“Copper Mountain”) has agreed to modify their current vector network analyzer to provide the Company with a commercially ready beta prototype for use in pilot programs and for initial customers.

Macadamian is collaborating with the Company to bring commercialized threat detection technology to the market. Management expects that proposed pilot project will install the CMR-1 at multiple facilities and will test the technology with real participants and security teams. These pilot locations will be critical in assessing the viability and scalability of this technology. The data collected in the pilots will be utilized to improve the design of the technology, as the Company prepares for the alpha launch.

Patriot anticipates that it will earn revenues from three (3) sources. The hardware will be provided to the marketplace at a price of \$10,000 USD per unit to resellers based on configuration. Management believes that this price point is competitive with WTMDs from current companies providing solutions in this market. In addition to the hardware solution, Patriot will offer a monthly subscription of up to \$500USD per device for software updates and signatures of new weapons. This subscription will be paid monthly for the useful life of the device. Lastly, Patriot will provide training in security procedures related to active shooter and terrorist threats. Management expects that these service components of the business will account for no more than 20% of total revenues.

Patriot plans to distribute products and services through a channel model, partnering with leading providers of security products and services. Management is in conversations with large security services companies to resell and promote CMR-1 as part of security installations globally. The Company anticipates that CMR-1 can be positioned in public and private spaces used by a large number of persons, who can enjoy unhindered access. Some of the spaces identified as compromised entrance points are:

- (1) airports, subways and other general public transportation systems;
- (2) public schools and school buses;
- (3) embassies, consulates and trade offices;
- (4) athletic and entertainment-focused stadiums/arenas; and
- (5) places of worship.

Overall Performance

Selected Financial Data - Summary of Quarterly Results

	Three months ended					March 7, 2016
	Oct 31, 2017	July 31, 2017	April 30, 2017	January 31, 2017	October 31, 2016	to July 31, 2016
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses						
Research and development	\$ 464,091	\$ 438,959	\$ 216,314	\$ 237,328	\$ 299,662	\$ 250,985
Personnel	497,389	498,938	203,971	195,561	84,232	129,080
Business development, advertising and marketing	290,604	266,073	282,314	172,517	65,258	-
Other cash costs	257,115	222,272	311,225	116,579	236,221	224,177
	1,509,199	1,426,242	1,013,824	721,985	685,373	604,242
Other non-cash costs	179,225	1,630,864	82,403	2,176,131	-	-
Loss and comprehensive loss	\$ 1,688,424	\$ 3,057,106	\$ 1,096,227	\$ 2,898,116	\$ 685,373	\$ 604,242
Basic and diluted loss per share	\$ 0.03	\$ 0.06	\$ 0.02	\$ 0.06	\$ 0.03	\$ 0.18
Working capital (deficiency)	\$ 15,463,592	\$ 5,511,455	\$ 1,841,423	\$ 1,550,047	\$ (117,649)	\$ (3,752)
Total assets	\$ 15,947,544	\$ 6,176,713	\$ 2,197,915	\$ 2,061,999	\$ 265,882	\$ 225,357
Non-current liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note: Patriot One Detection was incorporated on March 7, 2016. Prior to the three months ended October 31, 2016, Patriot One Detection was a private company and was not required to and did not produce quarterly financial statements.

Overall cash costs for the three months ended October 31, 2017 were \$1,509,199, which was on par with the \$1,426,242 incurred in the prior three-month period. Personnel costs and research and development expenses continue to be the largest expenditures, which was consistent with the prior quarter, as the Company progresses through the development stage. Business development, advertising and marketing expenses have remained fairly consistent over the past three quarters. Other cash expenses were also consistent with prior quarters.

Significant non-cash costs include share-based compensation relating to the granting of stock options and listing expenses for the Transaction.

Quarter to quarter comparisons in the financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. The quarterly information is unaudited, but reflects all adjustments of a normal recurring nature, which are, in the opinion of management, necessary to present a fair statement of results of operations for the periods presented.

Liquidity and Capital Resources

As at October 31, 2017, the Company had working capital of \$15,463,592, which included cash of \$15,451,189 available to meet current liabilities of \$456,176 and other short-term business requirements. 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 no long-term debt.

During the three months ended October 31, 2017, the Company had positive cash flow from operations, investing and financing activities of \$10,266,285, and a net loss from operations of \$1,688,424 as the Company has not yet achieved commercial operations and continues with the research and development and marketing of its technology and products. Included in the net loss from operations was non-cash share-based compensation of \$179,225.

Prior to July 31, 2017, the Company share subscriptions of \$4,628,750 pursuant to a special warrant financing. Subsequent to July 31, 2017, the Company issued 6,612,500 units (the "Units") for gross pursuant to this brokered private placement. Each unit consisted of one common share and one half of a common share purchase warrant (each whole common share purchase warrant, a "Warrant"). These 3,306,500 Warrants allow the holders to acquire an additional common share at \$1.25 per share until July 13, 2020. In addition, the Company issued the agents 32,250 common shares valued at \$22,575 and 16,125 warrants which allow the holder to purchase an additional 16,125 common shares at an exercise price of \$1.25 per share until July 13, 2020. Further, the agents received an additional 53,571 common shares as a corporate finance fee and 462,875 warrants (the "Broker Warrants"). The Broker Warrants may be converted into 462,875 common shares at an exercise price of \$1.00 per share until July 13, 2020. Finally, the Company paid the agents a cash commission of \$301,438, a corporate finance fee of \$37,500 and \$65,500 for legal costs of the agents.

In October 2017, the Company issued 9,602,500 units (the "Units") for gross proceeds of \$11,523,000 pursuant to a bought deal equity financing. Each Unit consisted of one common share and one half of a common share purchase warrant (each whole common share purchase warrant, a "Warrant"). These 4,801,250 Warrants allow the holders to acquire an additional common share at \$1.70 per share until October 31, 2020. In addition, the agents received 672,175 agent warrants that allow holders to acquire 672,175 common shares at \$1.20 per share until October 31, 2019. Finally, the Company paid the agents a cash commission of \$806,610 and \$84,143 for legal costs of the agents.

At present, the Company has no earnings from operations. The primary source of cash flows for the Company have been equity private placements. The primary uses of cash are operating expenses, including product research and development. The Company intends to finance its future cash requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favourable terms.

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 our 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. In order to maintain or adjust our capital structure, we may issue shares, such as through private placements described below. The Board of Directors does not establish quantitative return on capital criteria for management. The Company is not subject to any externally imposed capital requirements.

Contractual Commitments

As of October 31, 2017, the Company has contractual commitments as follows:

	Total	Within 1 year	1 to 3 years	4 to 5 years	After 5 years
Trade and other payables	\$ 456,176	\$ 456,176	\$ -	\$ -	\$ -
Operating leases	132,099	67,074	65,025	-	-
	<u>\$ 588,275</u>	<u>\$ 523,250</u>	<u>\$ 65,025</u>	<u>\$ -</u>	<u>\$ -</u>

Our objective in managing capital is to safeguard our ability to continue as a going concern and to sustain future development of the business. In the management of capital, we include shareholders' equity, excluding accumulated other comprehensive income. Our objective is met by retaining adequate equity to provide for the possibility that cash flows from operations will not be sufficient to meet future cash flow requirements. In order to maintain or adjust our capital structure, we may issue shares. The Board of Directors does not establish quantitative return on capital criteria for management. The Company is not subject to any externally imposed capital requirements and our overall strategy with respect to capital management remains unchanged from the fiscal year ended July 31, 2017.

The Company has entered into an agreement with Bullrun Capital Inc. ("Bullrun") wherein Bullrun agreed to assign to the Company its option (the "Option Agreement") to obtain from McMaster University ("McMaster") a worldwide exclusive license to use or cause to be used certain radar technology used to detect concealed weapons (the "License Agreement") invented, developed and/or acquired by McMaster. Pursuant to this Option Agreement, the Company granted Bullrun a 2% royalty (the "Bullrun Royalty") to be paid on net sales of all commercial products developed under the License Agreement between McMaster and the Company. This royalty payable to Bullrun are in addition to any royalties to be paid to McMaster by the Company.

The Company has entered into a license agreement with McMaster University ("McMaster"). In consideration, the Company paid an up-front license fee of \$10,000 and issued 1,560,000 common shares with a fair value of \$78,000 to McMaster. In addition, the Company agreed to pay a royalty percentage of 3.5% on net sales.

Thereafter, no additional shares shall be due to McMaster. As well, the Company agreed to make minimum annual royalty payments of \$2,500 for each of the first two years, \$5,000 for the third year and \$7,500 for the fourth year and subsequent years.

Financial Instruments and other instruments

The Company's only material financial instrument is cash.

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

Liquidity risk

Our objective in managing liquidity risk is to ensure sufficient liquidity to meet financial obligations when due by maintaining sufficient cash and cash equivalents to settle current liabilities and meet anticipated working capital requirements. As of October 31, 2017, the Company had cash of \$15,451,189 to settle current liabilities of \$456,176. Further discussion regarding our ability to manage our liabilities is discussed in the Liquidity and Capital Resources section above.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. We manage credit risk by requiring payment from customers prior to shipment, where possible.

Market risk

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

(a) Interest rate risk

The Company has cash balances and no debt and therefore is not significantly exposed to fluctuating interest rates. Our current policy is to invest excess cash in a savings account or guaranteed investment certificates at our banking institution.

(b) Foreign currency risk

The Company enters into certain transactions denominated in US dollars for which the related accounts payable balances are subject to exchange rate fluctuations. As of this time, we do not hedge our exposure to foreign currency risk using financial instruments.

(c) *Price risk*

The Company is exposed to price risk with respect to equity prices. 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 closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Critical Accounting Estimates and Recent Accounting Pronouncements

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 period. Actual results may differ from these estimates.

The International Accounting Standards Board (IASB) has published new standards and amendments or interpretations to existing standards which are mandatory for periods beginning on or after October 31, 2017, as outlined below.

Accounting standards adopted:

a) *Change in accounting policy*

There were no new standards effective August 1, 2017 that have had a material impact on the Company's condensed consolidated interim financial statements.

b) *New standards and interpretations not yet adopted*

At the date of approval of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company. These standards will be adopted at the effective date. Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first year beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued, but are not expected to have an impact on the Company's consolidated financial statements.

IFRS 9 – Financial Instruments ("IFRS 9")

In July 2014, the International Accounting Standards Board ("IASB") issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the project to replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities. IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early application is permitted. The Company does not intend to adopt this standard early and is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Amendments to IFRS 2 - Share Based Payments ("IFRS 2")

In June 2016, the IASB issued amendments to IFRS 2. The amendments, which were developed through the IFRS Interpretations Committee, provide requirements for accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. They also provide guidance on the accounting for share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2018. Early adoption is allowed and specific transitional provisions apply. The Company does not intend to adopt this standard early and is currently evaluating the impact of adopting these amendments on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers – ("IFRS 15")

In May 2014, the IASB issued IFRS 15, which provides a single, principles-based five-step model for revenue recognition to be applied to all customer contracts, and requires enhanced disclosures. The standard also provides guidance relating to recognition of customer acquisition costs. In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance. This standard will be effective January 1, 2018 and allows early adoption. The Company does not intend to adopt this standard early and is currently evaluating the impact of adopting this standard on the consolidated financial statements.

IFRS 16 - Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17, the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. The Company does not intend to adopt this standard early and is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Amendments to IAS 12 - Income Taxes ("IAS 12")

In January 2016, the IASB issued amendments to IAS 12. The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. These amendments become effective for annual periods beginning on or after January 1, 2017. The Company does not expect the adoption of these amendments to have a material impact on the consolidated financial statements.

Amendments to IAS 7 - Statement of Cash Flows ("IAS 7")

In January 2016, the IASB issued amendments to IAS 7. These amendments require entities to provide disclosures that help users of the financial statements to better understand changes in liabilities that arise from financing activities, including both changes arising from cash flow and non-cash changes. These amendments become effective for annual periods beginning on or after January 1, 2017. The Company does not expect the adoption of these amendments to have a material impact on the consolidated financial statements.

Related Party Balances and Transactions

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company and consist of executive and non-executive members of the Board of Directors and corporate officers. Key management compensation incurred with officers and directors of the Company or to companies controlled by officers and directors of the Company.

During the three months ended October 31, 2017 management fees of \$49,998 (2016 - \$40,332) and share-based compensation of \$Nil (2016 - \$70,710) was incurred with a private company controlled by Dinesh Kandanchatha, the president and director of the Company.

During the three months ended October 31, 2017 management fees of \$45,000 (2016 - \$15,000) and share-based compensation of \$Nil (2016 - \$56,240) was incurred with a private company controlled by Martin Cronin, the chief executive officer and director of the Company, of which \$15,000 was included in accounts payable at October 31, 2017 (July 31, 2017 - \$15,000).

During the three months ended October 31, 2017 management fees of \$32,925 (2016 - \$Nil) and share-based compensation of \$54,180 (2016 - \$Nil) was incurred with the Mike Barnsley, the chief financial officer and corporate secretary, of which \$18,788 was included in accounts payable and accrued liabilities as at October 31, 2017 (July 31, 2017 - \$11,375).

During the three months ended October 31, 2017 management fees of \$30,000 (2016 - \$Nil) and share-based compensation of \$Nil (2016 - \$7,242) was incurred with a private company controlled by a Jeffrey Tindale, a director.

During the three months ended July 31, 2017 share-based compensation of \$Nil (2016 - \$32,125) was incurred with Scott, Shepard, the Chairman of the Board.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Business Risks

Limited Operating History

The Company has no history of earnings. The Company has no present prospect of generating revenue from the sale of products. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Negative Cash Flow for the Foreseeable Future

The Company has a no history of earnings or cashflow from operations. The Company does not expect to generate material revenue or achieve self-sustaining operations for several years, if at all. To the extent that the Company has negative cash flow in future periods, the Company may need to allocate a portion of its cash reserves to fund such negative cash flow.

Reliance on Management

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

Reliance on the successful development of prototype of Cognitive Microwave Radar (CMR-1)

The Company's ability to generate future revenue or achieve or sustain profitable operations is largely dependent on its ability to attract experienced management with the requisite know-how to develop new devices and to partner with larger, more established companies in the industry to successfully commercialize products. Successfully developing a prototype of CRM-1 into a marketable device may take several years and significant financial resources, and the Company may not achieve this objective.

In order to commercialize any product, the Company will need to conduct trials, which may not succeed, and to obtain regulatory approvals, which it may fail to do. Although presently uncertain, CMR-1 may need to comply with regulatory compliance requirements prescribed for users of WTMDs. Like several other electronic devices, WTMDs must meet certain environmental standards and electrical safety requirements. Furthermore, any detection equipment that is deployed for use at airports must comply with guidelines prescribed by the TSA, the FAA and related international standards, regulations and test certifications.

The Company does not know and is unable to predict the nature and frequency of any trials the TSA and FAA will require the Company to conduct before granting any necessary approvals. The development programs may not lead to a commercial product, either because of the failure to demonstrate that product candidates are safe and effective in trials or the failure to obtain necessary approvals from the TSA, FAA and/or similar foreign regulatory agencies or due to inadequate financial or other resources to advance product candidates through the trial process for successful commercialization.

Patriot has a history of losses and the Company may be unable to achieve or sustain profitability

The Company has incurred losses since its inception and has an accumulated deficit of \$3,252,786 as at July 31, 2017. The Company expects to incur a net loss in 2018. Patriot does not know if business operations will become profitable or if the Company will continue to incur net losses beyond 2017. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. The Company expects to incur significant expenses as it develops and expands its business, which will make it harder for the Company to achieve and maintain future profitability. The Company may incur significant losses in the future for a number of reasons, including the other risks described in this Prospectus (including the documents incorporated herein by reference), and the Company may encounter unforeseen expenses, difficulties, complications, delays and other unknown events. Accordingly, the Company may not be able to achieve or maintain profitability.

Negative Cash Flow for the Foreseeable Future

Patriot has no history of earnings or cash flow from operations. The Company does not expect to generate material revenue or achieve self-sustaining operations for several years, if at all. To the extent that the Company has negative cash flow in future periods, the Company may need to allocate a portion of its cash reserves to fund such negative cash flow.

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

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

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

The Company is expected to derive 100% of its revenues in subsequent years from commercial sale and implementation of its CMR-1 weapons detection technology, a relatively new and rapidly evolving market. If this market fails to grow or grows more slowly than the Company currently anticipates, the Company's business would be negatively affected. To date, the Company has targeted markets the Company believes are the most likely to adopt its technology. However, there is no assurance the Company will be successful in these markets or will be able to expand beyond these markets.

Reliance on Third Parties (McMaster University, Kyiv Polytechnic Institute (KPI), Macadamian and Copper Mountain)

If the third parties on whom the Company relies do not properly and successfully carry out their obligations to the Company, it may not be able to develop, obtain regulatory approval for, or commercialize its products.

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

The Company expects to experience substantial growth in its business. This growth has placed and may continue to place significant demands on the Company's management and Company's operational and financial resources. Patriot may not be able to provide the scale of operation necessary to meet the demands associated with its growth. As the Company grows, the Company will need to implement new systems and software to help run the Company's operations. As the Company's operations grow in size, scope and complexity, the Company will need to continue to improve and upgrade the Company's systems and infrastructure to offer an increasing number of customers enhanced services, solutions and features. The Company may choose to commit significant financial, operational and technical resources in advance of an expected increase in the volume of business, with no assurance that the volume of business will increase. Continued growth could also strain the Company's ability to maintain reliable service levels for existing and new customers, which could adversely affect the Company's reputation and business.

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

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

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

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

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

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

The Company expects a number of factors to cause the Company's operating results to fluctuate on a quarterly basis, which may make it difficult to predict the Company's future performance.

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

- the impact of worldwide economic conditions and their impact on levels of security and defense spending;
- certain fixed costs inherent in the Company's business, which limit the Company's ability to adjust for period-to-period changes in demand;
- system interruptions that impair access to the Company's customers, key vendors or communication with the Company's technology and any related impact on the Company's reputation;
- the Company's ability to forecast revenues accurately and appropriately plan the Company's expenses; and
- the impact of fluctuations in currency exchange rates, to the extent that the Company sources material or labour from outside of Canada, sells its products outside of Canada or operates outside of Canada.

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

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

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

It is expected that the Company's system will store, process and transmit some confidential information of its customers. Presently, the Company plans to outsource the storing, processing and transmission of certain information to a third party service provider. It is expected that the Company will rely on encryption, authentication and other technologies licensed from third parties, as well as administrative and physical safeguards, to secure such confidential information. Any compromise of the Company's security or the security of its third party service providers could damage the Company's reputation and brand and expose the Company to risk of loss, costly litigation and liability that would substantially harm the Company's business and operating results. The Company and the Company's third party data center facilities may not adequately assess the internal and external risks posed to the security of the Company's systems and information and may not implement adequate preventative safeguards or take adequate reactionary measures in the event of a security incident. In addition, many jurisdictions have enacted laws requiring companies to notify individuals and often state authorities of data security breaches involving their personal data. These mandatory disclosures regarding a security breach often lead to widespread negative publicity, which may cause the Company's prospective customers to lose confidence in the effectiveness of the Company's data security measures. Any security breach, whether successful or not, would harm the Company's reputation and brand, and may result in the loss of customers.

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

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

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

Because the Company's business depends substantially on the Company's intellectual property, the protection of the Company's intellectual property rights is expected to be crucial to the success of the Company's business. The Company may rely on a combination of patent, trademark, trade secret and copyright laws and contractual restrictions to protect the Company's intellectual property. These afford only limited protection. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Company's technology's features, software and functionality or obtain and use information that the Company considers proprietary. There can be no assurance that the steps taken by the Company to protect proprietary rights will be adequate or that third parties will not infringe or misappropriate the Company's copyrights, trademarks and similar proprietary rights, or that the Company will be able to detect unauthorized use and take appropriate steps to enforce rights. Moreover, policing the Company's proprietary rights is difficult and may not always be effective. In particular, the Company may need to enforce the Company's rights under the laws of countries that do not protect proprietary rights to as great an extent as do the laws of the Canada.

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

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

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

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

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

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

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

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

it to maintain specified liquidity or other ratios. If the Company needs additional capital and cannot raise or otherwise obtain it on acceptable terms, it may not be able to, among other things:

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

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

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

Moreover, the Company believes that its future success is highly dependent on the contributions of Patriot's executive team. Patriot's key employees possess a specialized knowledge of the Company's business and industry and would be extremely difficult to replace. In addition, the loss of any key employee or the inability to attract or retain qualified personnel could harm the market's perception of the Company and the Company's brand. Qualified individuals are in high demand, and the Company may incur significant costs to attract them. The Company may be unable to attract and retain suitably qualified individuals who are capable of meeting its growing operational and managerial requirements, or may be required to pay increased compensation in order to do so. While employment agreements will be used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. If the Company is unable to attract and retain the qualified personnel it will need to succeed, its business will suffer. Moreover, the success of the Company is dependent on management's ability to develop and maintain important relationships with leading academic institutions, companies and thought leaders. Any loss of the services of such individuals or relationships could have a material adverse effect on the Company's business, operating results or financial condition.

The Company's business may require permits and licenses

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that such licenses and permits will be granted.

The Company's business is subject to regulatory changes

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

Low barriers to entry and high competition in the industry

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

Risks associated with brand development of the Company

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

The Company's business is subject to rapid technological change

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

The Company may become engaged in legal proceedings that could cause it to incur unforeseen expenses and could occupy a significant amount of the Company's management's time and attention

The Company may be subject to litigation or claims that could negatively affect the Company's business operations and financial position. The Company may be subject to consumer class action lawsuits. Litigation disputes could cause the Company to incur unforeseen expenses, could occupy a significant amount of management's time and attention and could negatively affect the Company's business operations and financial position.

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

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

business interruption insurance (as and if carried by the Company) may be insufficient to compensate the Company for losses that may occur. As the Company expects to rely heavily on its servers, computer and communications systems and the Internet to conduct the Company's business and provide a high quality customer experience, such disruptions could negatively impact the Company's ability to run the Company's business, which could have an adverse effect on the Company's operating results.

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

Risks Associated with International Operations of the Company

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

Going-Concern Risk

The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing an equity or debt financing or in achieving or maintaining profitability. The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Conflicts of interest of directors and officers of the Company

Certain of the directors and officers of the Company are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Volatility of the Market Price of the Company's Common Shares

The Common Shares are listed on the TSXV under the symbol "PAT". The TSXV is a more limited market than the Toronto Stock Exchange, the New York Stock Exchange or the NASDAQ Stock Market. The quotation of Common Shares on the TSXV may result in a less liquid market available for existing and potential shareholders to trade Common Shares, could depress the trading price of the Common Shares and could have a long-term adverse impact on the Company's ability to raise capital in the future.

Securities of junior companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include

macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Patriot's Common Share price is also likely to be significantly affected by delays experienced in achieving the Company's development plans, a decrease in investor appetite for junior stocks or in adverse changes in the Company's financial condition or results of operations. Other factors unrelated to the Company's performance that could have an effect on the price of the Common Shares include the following:

- (i) the trading volume and general market interest in Patriot's Common Shares could affect a shareholder's ability to trade significant numbers of Common Shares; and
- (ii) the size of the public float in Patriot's Common Shares may limit the ability of some institutions to invest in the Company's securities.

As a result of any of these factors, the market price of the Common Shares at any given point in time might not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company could in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and would divert management's attention and resources.

Future Share Issuances May Affect the Market Price of the Common Shares

In order to finance future operations, the Company may raise funds through the issuance of additional Common Shares or the issuance of debt instruments or other securities convertible into Common Shares. Patriot cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares or the dilutive effect, if any, that future issuances and sales of the Company's securities will have on the market price of the Common Shares.

Issuance of Debt

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

Dividends

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

Difficulty to Forecast

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

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's common shares. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Commercial success of the Company will depend in part on not infringing upon the patents and proprietary rights of other parties and enforcing its own patents and proprietary rights against others. The Company's research and development programs will be in highly competitive fields in which numerous third parties have issued patents and pending patent applications with claims closely related to the subject matter of the Company's programs. The Company is not currently aware of any litigation or other proceedings or claims by third parties that its technologies or methods infringe on their intellectual property.

While it is the practice of the Company to undertake pre-filing searches and analyses of developing technologies, it cannot guarantee that it has identified every patent or patent application that may be relevant to the research, development, or commercialization of its products. Moreover, it cannot assure that third parties will not assert valid, erroneous, or frivolous patent infringement claims.

Uninsurable Risks

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

Intellectual Property Rights

The Company could be adversely affected if it does not adequately protect its intellectual property rights. The Company regards its marks, rights, and trade secrets and other intellectual property rights as critical to its success. To protect its investments and the Company's rights in these various intellectual properties, it may rely on a combination of patents, trademark and copyright law, trade secret protection and confidentiality agreements and other contractual arrangements with its employees, clients, strategic partners, acquisition targets and others to protect proprietary rights. There can be no assurance that the steps taken by the Company to protect proprietary rights will be adequate or that third parties will not infringe or misappropriate the Company's copyrights, trademarks and similar proprietary rights, or that the Company will be able to detect unauthorized use and take appropriate steps to enforce rights. In addition, although the Company believes that its proprietary rights do not infringe on the intellectual property rights of others, there can be no assurance that other parties will not assert infringement claims against the Company. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

The Company will rely on trade secrets to protect technology where it does not believe patent protection is appropriate or obtainable. Trade secrets are difficult to protect. While commercially reasonable efforts to protect trade secrets will be used, strategic partners, employees, consultants, contractors or scientific and other advisors may unintentionally or willfully disclose information to competitors.

If the Company is not able to defend patents or trade secrets, then it will not be able to exclude competitors from developing or marketing competing products, and the Company may not generate enough revenue from product sales to justify the cost of development of products and to achieve or maintain profitability.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. Access to financing has been negatively impacted by the ongoing global economic risks. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Company's Shares on the stock exchange.

Risks Associated with Acquisitions

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

There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require the Company to obtain additional equity or debt financing, which might not be available on terms favourable to the Company, or at all, and such financing, if available, might be dilutive.

Economic Environment

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

Financial Risk Exposures

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

Other

As of the date of this MD&A, the Company has 84,337,688 common shares issued and outstanding. In addition, there are 30,204,355 warrants which may be converted to one common share each at prices ranging from \$0.10 to \$1.70. The Company also has stock options outstanding to purchase an additional 5,709,500 common shares at exercise process ranging from \$0.185 to \$1.47 per share.

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.