



Management's Discussion and Analysis  
For the year ended July 31, 2022

## Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") is prepared as of October 20, 2022 and is intended to assist in understanding the results of operations and the 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 audited consolidated financial statements for the year ended July 31, 2022, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). The policies applied in the audited consolidated financial statements are based on IFRS policies effective as of October 20, 2022, the date the Board of Directors approved the consolidated financial statements. All amounts in this MD&A are expressed in Canadian Dollars unless otherwise indicated. The business of the Company is subject to a number of risks and uncertainties. Please refer to the Company's annual information form (the "AIF") for the year ended July 31, 2022, available under the Company's profile at [www.sedar.com](http://www.sedar.com), for more information about these risks and uncertainties.

## Forward Looking Information

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

## Corporate Structure and Profile

The Company's common shares are listed for trading on the TSX under the trading symbol "PAT", under the trading symbol "PTOTF" 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.

As at July 31, 2022, the Company had five wholly-owned subsidiaries, Patriot One Detection Ltd., a limited company incorporated under the laws of British Columbia, Canada, Patriot One (UK) Limited, a limited company incorporated under the laws of England and Wales, United Kingdom, Patriot One Detection Technologies Inc. ("Patriot Detection Technologies"), a limited company incorporated under the laws of the state of Colorado, United States of America, EhEye Inc. ("Eh-Eye"), a limited company incorporated under the laws of the province of New Brunswick, Canada and Xtract Technologies Inc. ("Xtract"), a limited company incorporated under the laws of British Columbia, Canada.

The Company, through Patriot Detection Technologies, has a 49% interest in Sotech Secure, LLC ("Sotech"), an incorporated entity formed under the laws of the State of Delaware.

## **Business Highlights for the Fiscal Year Ended July 31, 2022**

The following is a summary of the key business highlights for the Company for the year ended July 31, 2022:

- Accelerated topline growth with approximately \$3.6 million of revenue recognized during the fiscal year; representing a 235% increase over the prior year;
- Continued to build the contractual backlog to \$2.2 million, with an additional \$1.9 million pending installation or successful trials that will be recognized as revenue in future periods;
- Began expansion into the manufacturing market with contracts signed with two US-based automotive companies for four total locations including a contract with Kia Georgia to provide patron screening solutions for their entire facility to enhance the existing guard service;
- Selected by Oak View Group to protect all entrances at Austin's new world-class live entertainment venue, Moody Center, the new home of the University of Texas' basketball team;
- Selected by Oak View Group to secure the entrances at Central Bank Center's Lexington Opera House and Rupp Arena, the home of the University of Kentucky Wildcats;
- Secured and completed a \$1.0 million contract with Canada's Department of National Defense (DND), to further develop an artificial intelligence ("AI")-enabled full-motion video analytics application;
- Secured a \$1.0 million contract with Innovation Solutions Canada to provide AI-based solutions to improve situational awareness for first responders and firefighters;
- Commercially released an enhanced version of the Company's AI-powered threat detection gateway solution with technology enhancements for increased accuracy, flexibility, ease of deployment, and practicality for sports and entertainment venues;
- Raised \$6.9 million of gross proceeds through the completion of a public offering, providing further capital in support of the Company's operations;
- Subsequent to year end, 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;
- On October 5, 2022, subsequent to the fiscal year end, the Company announced that the Oak View Group, is introducing new patron screening technology to multiple properties as a result of a new partnership with the Company, enabling Oak View Group owned and operated properties to utilize the Company's SmartGateway system to enhance the customer experience and increase safety and security; and
- On October 11, 2022, subsequent to the fiscal year end, the Company was selected by Oak View Group to protect all entrances of the Angel of the Winds Arena, home of the WHL's Everett Silvertips.

## Business of the Company

The principal business of the Company is to commercialize an integrated, layered, AI-powered threat detection gateway solution, referred to as the “Platform” (previously referred to as the “PATSCAN” or “PATSCAN 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.

## COVID-19 Impact on Operations

The COVID-19 global pandemic, with its discrete economic, political, and social challenges, necessitated the Company to take a comprehensive and holistic assessment of the impact such a profoundly impactful development has made on its planned strategic initiatives. The Company, not alone in its challenge, experienced delays in its ability to fully satiate reseller, customer, and other end-user performance obligations according to originally planned timeframes. Over the past year, the United States lifted many of its lockdown restrictions and began returning to a degree of normalcy. This has helped generate strong interest for our Platform solutions and allowed us to commence many delayed pilots and deployments. The Company is hopeful that the conditions related to the pandemic will continue to improve which will continue to drive sales momentum. Although the recent steps towards reopening are encouraging, the Company continues to experience uncertainty in near-term planning as it relates to sales, supply chain management, and implementation activities as a result of the ongoing pandemic.

## Outlook and Overall Performance

### Platform Operating Segment

During the year, substantial progress was made in the commercialization of the Company’s Platform solutions. In recent months, the Company has secured multiple contracts for its gateway products and is currently in negotiation for several additional agreements. Some of these smaller 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 \$773,274 during the fiscal year 2022. The backlog of sales commitments related to the Platform is now approximately \$1.3 million and continues to grow. This excludes an additional \$1.9 million in signed agreements that are pending 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.

Over the past fiscal year, the Company completed multiple third-party evaluations and certifications on behalf of the Pro-Sports leagues. These evaluations were conducted through multi-phased programs to validate the solution, develop league best practices, and prepare the leagues and teams for deployment. The most notable of these being the operational exercise completed by the National Center for Spectator Sports Safety and Security (NCS<sup>4</sup>) which has generated immense inbound interest.

In the last six months of the fiscal year, the Company has seen an increase in market activity for patron screening solutions in the Company's primary markets. The Company attributes this to the completion of numerous customer demonstrations at multiple locations for assorted National Football League, National Hockey League, National Basketball Association, and live entertainment organizations and the release of our SmartGateway solution which was designed specifically for this market. Our recent win during the fiscal year at Moody Center, along with our wins at the SAP Centre and Tech CU Arena subsequent to year end, were direct results of these activities. The Company expects to continue this growth trend based on ongoing customer engagements, and the recently announced strategic partnership with Oak View Group. We continue to expect that these successful league events and phased activities will be a key factor in the positive decision process by multiple sports and commercial organizations for the delivery of their security screening solution. Further, during the fiscal year, the Company began its expansion into the manufacturing and distribution market with contracts signed to protect all entrances at four manufacturing locations, including a contract with Kia Georgia to upgrade and replace the current security solution for their entire manufacturing facility. The Company has seen a significant increase in its sales pipeline directly related to this market vertical and will continue to work with manufacturing companies to help them ensure the safety of their employees.

The Company has continued 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 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 in the fourth quarter as validation of its product performance, the addressable market, and a positive and expected trend.

### **Xtract Operating Segment**

In September 2019, the Company acquired AI company Xtract, a highly talented and award-winning team of AI experts, as part of an ongoing strategic initiative to bring together leading-edge technologies and services to enhance the Company's Platform. Xtract's development and deployment of AI solutions is built upon an understanding of deep neural networks. Xtract has developed novel neural network architecture and fusion techniques that are more robust, efficient, and require lower memory than comparable standards. Xtract's video solutions use proprietary algorithms to apply human understanding to video and its analysis and have been successfully deployed for the military, health and emergency services, and environmental applications. Xtract's text solutions automate the digitization, parsing, and understanding of large collections of text data, allowing users to address complex real-world challenges.

The Xtract team continues 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 \$2.8 million of revenue recognized during the fiscal year 2022 related to professional service contracts, Xtract had a backlog of signed or awarded contracts of \$0.9 million as of July 31, 2022.

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 fiscal year, the Company continued to invest in research and development activities focused around two specific project 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. During the year, the Company 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.

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.

In October 2021, the Company entered into an agreement with Raytheon Technologies Corporation ("Raytheon") and received US\$2 million in non-dilutive cash funding as a part of Canada's Industrial and Technological Benefits ("ITB") program for the further development of these product offerings.

## Technology Update

In fiscal 2022, the Company focused its efforts on developing and hardening the latest version of the Gateway, and released SmartGateway in the spring of 2022 as a direct response to feedback from customers in the live entertainment and sport venue markets. The Company undertook extensive customer engagement trials and used the feedback to design and build SmartGateway. This new version of the Gateway has onboard computing resources with a built-in AI engine allowing for real-time threat inference, a comprehensive set of peripherals including high resolution display panels, speakers, and a built-in camera, making the system easier to deploy and operate in a stand-alone manner in the field. 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 and Eh-Eye 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. Simultaneously, the Company continues to improve the efficacy of its video analytics solutions, including VRS. The Company's unified AI-powered security platform remains unique in the marketplace and is now bolstered with enterprise Gateway 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 made meaningful progress with many customers and was able to build up its backlog. Some of the Company's initial sales are 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 \$135 billion and is expected to experience rapid growth and transformation. Organizations are becoming increasingly concerned about employee and patron safety while being unwilling to sacrifice the patron experience. These organizations are looking for creative solutions to 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 on 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 year, 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 recently 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.

# Financial Performance

## Selected Financial Data – Summary of Results

	For the year ended July 31,		
	2022	2021	% Change
<b>Revenue</b>	\$ 3,619,214	\$ 1,081,975	235%
<b>Expenses</b>			
Sales and marketing	1,968,641	1,472,209	34%
Research and development	4,463,527	2,757,491	62%
General and administration	2,044,536	1,387,245	47%
Personnel costs	5,284,255	4,362,471	21%
Professional fees	772,091	861,239	(10%)
Hardware	277,286	28,054	888%
Amortization	805,900	832,817	(3%)
Depreciation	765,126	979,922	(22%)
Share-based compensation	1,063,840	1,180,231	(10%)
Loss on inventory write-down	502,397	-	100%
Loss on retirement of assets	12,155	-	100%
	17,959,754	13,861,679	30%
<b>Adjusted loss from operations<sup>1</sup></b>	14,340,540	12,779,704	12%
Impairment of goodwill	25,582,433	-	100%
<b>Loss from operations</b>	39,922,973	12,779,704	212%
Unrealized loss (gain) on investments	(175,000)	3,977,450	104%
Interest income	(31,284)	(24,934)	25%
<b>Loss before income taxes</b>	\$ 39,716,689	\$ 16,732,220	137%
Current tax recovery	-	(169,886)	n/a
<b>Loss and comprehensive loss</b>	\$ 39,716,689	\$ 16,562,334	140%
<b>Adjusted loss and comprehensive loss<sup>1</sup></b>	\$ 14,134,256	\$ 16,562,334	(15%)
<b>Weighted average number of shares</b>	155,744,354	150,728,622	
<b>Basic and diluted loss per share</b>	\$ 0.25	\$ 0.11	(123%)
<b>Adjusted basic and diluted loss per share<sup>1</sup></b>	\$ 0.09	\$ 0.11	(17%)

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

## Overall annual results

Adjusted loss and comprehensive loss for the year ended July 31, 2022, was \$14.1 million compared with \$16.6 million for the year ended July 31, 2021, representing a decrease of \$2.5 million or 18%. The decrease in adjusted loss and comprehensive loss for the year ended July 31, 2022 was mainly attributable to an increase in revenue of \$2.5 million, partially offset by lower non-dilutive financing for the year ended July 31, 2022.

## Revenue

The Company earned revenue of \$3,619,214 during the year ended July 31, 2022, as compared with \$1,081,975 for the prior year ended July 31, 2021, representing an increase of \$2,537,239 or 235%.

The Company recognized \$773,274 in revenue related to the sale of the Platform during the year ended July 31, 2022, as compared to \$113,342 during the year ended July 31, 2021. 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.

The Company recognized revenue of \$2,845,940 in revenue related to work completed on contracts from the Xtract operating segment for the year ended July 31, 2022, as compared to \$968,633 for the year ended July 31, 2021. The increase was attributable to an increased number of contracts being won and worked on in fiscal 2022.

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

	Less than one year	Greater than one year	As of July 31,		% Change
			2022	2021	
Platform revenue	\$ 596,990	\$ 720,248	\$ 1,317,238	\$ 1,241,828	6%
Xtract revenue	451,747	456,371	908,118	1,206,635	-25%
<b>Total backlog</b>	<b>\$ 1,048,737</b>	<b>\$ 1,176,619</b>	<b>\$ 2,225,356</b>	<b>\$ 2,448,463</b>	<b>-9%</b>

The Company recorded Platform backlog of \$1,317,238 as of July 31, 2022, as compared with \$1,241,828 as of July 31, 2021, representing an increase of 6% or \$75,410. The increase is mainly attributable to several new subscription contracts the Company has secured. The Platform backlog as of July 31, 2022, excludes an additional \$1.9 million in signed agreements that are pending successful pilots. 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. In addition, the Company has secured a number of contracts subsequent to the fiscal year that are expected to further increase the Company's sales backlog.

The Company recorded Xtract backlog of \$908,118 as of July 31, 2022, as compared with \$1,206,635 as of July 31, 2021, representing a decrease of 25% or \$298,517. The decrease was mainly attributable to timing of contracts being won as well as revenue recognized in the year for contracts.

During the current fiscal year, the Company newly signed total contract value of approximately \$6.0 million, as compared with \$1.7 million for the year ended July 31, 2021, representing an increase of 253%

year over year. The Company continues to invest heavily into sales and marketing to accelerate growth in signed contracts further to drive future revenue.

### Sales and marketing

Sales and marketing costs were \$1,968,641 for the year ended July 31, 2022, as compared with \$1,472,209 for the year ended July 31, 2021, representing an increase of 34% or \$496,432. The increase in these costs during the year 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 or increase slightly as sales activity continues to grow in the upcoming periods.

### Research and development

Research and development ("R&D") costs were \$4,463,527 for the year ended July 31, 2022, as compared with \$2,757,491 for the year ended July 31, 2021, representing an increase of 62% or \$1,706,036. The increase in R&D expenses was primarily attributable to the cessation of non-dilutive funding received from COVID-19 and Supercluster programs.

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 and non-dilutive funding from Raytheon, as well as Supercluster funding for the development of COVID-19 response solutions.

The following table details the Company's gross R&D costs and related non-dilutive funding:

	Years ended July 31,		
	2022	2021	% Change
<b>R&amp;D costs before grants</b>	\$ 7,615,382	\$ 8,024,686	(5%)
Raytheon ITB program funding	(2,553,000)	(478,700)	433%
Supercluster funding	(410,530)	(2,796,094)	(85%)
R&D allocation of Covid-19 relief funding	(188,326)	(1,992,401)	(91%)
	(3,151,855)	(5,267,195)	(40%)
<b>R&amp;D costs net of grants</b>	\$ 4,463,527	\$ 2,757,491	62%

R&D costs before grants were \$7,615,382 for the year ended July 31, 2022, as compared with \$8,024,686 for the year ended July 31, 2021, representing a decrease of 5% or \$409,304. The decrease is primary attributable to the cessation of Supercluster projects and related spending. The Company will continue to invest in R&D activities to refine and improve the Platform solutions.

COVID-19 relief, Supercluster, and Raytheon non-dilutive funding of \$3,151,855 was recorded as an offset to R&D costs during the year ended July 31, 2022, as compared with \$5,267,195 for the year ended July 31, 2021. The decrease was primarily attributable to a decrease in the COVID-19 relief and Supercluster fundings, as these programs officially concluded as of October 31, 2021. The Company will continue to pursue non-dilutive funding opportunities.

### **General and administration**

General and administrative costs were \$2,044,536 for the year ended July 31, 2022, as compared with \$1,387,245 for the year ended July 31, 2021, representing an increase of 47% or \$657,291. The increase was primarily attributable to the cessation of COVID-19 relief funding 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 \$5,284,255 for the year ended July 31, 2022, as compared with \$4,362,471 for the year ended July 31, 2021, representing an increase of 21% or \$921,784.

Personnel costs are presented net of COVID-19 relief funding from the Canadian government. When personnel costs are normalized by removing this offsetting funding, these costs decreased by 6% for the year ended July 31, 2022, as compared with the year ended July 31, 2021. This decrease was primarily due to the termination of a number of consultants and contractors as part of the Company's ongoing efforts to reduce non-strategic expenditures.

COVID-19 relief funding of \$86,355 was recorded as an offset to personnel costs during the year ended July 31, 2022, as compared with \$1,326,644 for the year ended July 31, 2021. The COVID-19 relief funding concluded on October 31, 2021. The Company will continue to pursue non-dilutive funding opportunities in the future.

### **Professional fees**

Professional fees were \$772,091 for the year ended July 31, 2022, as compared to \$861,239 for the year ended July 31, 2021, representing a decrease of 10% or \$89,148. The decrease was primarily due to the Company's ongoing efforts to reduce non-strategic expenditures, which were partially offset by costs incurred for the base shelf prospectus and public offering completed during the second and third quarters of fiscal 2022.

### **Hardware**

Hardware expenses were \$277,286 for the year ended July 31, 2022, as compared to \$28,054 for the year ended July 31, 2021, an increase of 888% or \$249,232. The increase in hardware expense was attributable to the associated costs of our Platform sales during the year ended July 31, 2022.

### **Amortization**

Amortization costs were \$805,900 for the year ended July 31, 2022, as compared with \$832,817 for the year ended July 31, 2021, representing a decrease of 3% or \$26,917. The decrease in amortization expense relates to the amortization of specific government contracts in fiscal 2021 obtained in the Xtract acquisition in fiscal 2020.

### **Depreciation**

Depreciation expense was \$765,126 for the year ended July 31, 2022, as compared with \$979,922 for the year ended July 31, 2021, representing a decrease of 22% or \$214,796. The decrease is primarily

attributable to certain research and development assets and office leases recorded under IFRS 16 that are no longer in use.

### **Share-based compensation**

Share-based compensation was \$1,063,840 for the year ended July 31, 2022, as compared with \$1,180,231 for the year ended July 31, 2021, representing a decrease of 10% or \$116,391. The decrease was attributable to a decrease in the number and fair value of stock options issued and outstanding during the year ending July 31, 2022.

### **Loss on inventory write-down**

During the year ended July 31, 2022, the Company wrote down \$502,397 worth of obsolete inventory. This inventory primarily represents early versions of the Gateway that has since been discontinued due to the release of SmartGateway. No inventory was written down during the year ended July 31, 2021. Management continuously reviews the inventory it holds for signs of impairment or obsolescence.

### **Impairment of goodwill**

During the year ended July 31, 2022, the Company recorded an impairment of goodwill in the amount of \$25,582,433 (2021 - \$nil) following its annual impairment test. The Company considers the proper valuation techniques, significant assumptions, and applies sensitivity when testing goodwill for impairment. For the year ended July 31, 2022, an impairment of goodwill was present primarily due to an increase in the discount rate, which has been adjusted to reflect changing market conditions, cost of borrowing and risk profile for the technology sector.

### **Loss on retirement of assets**

During the year ended July 31, 2022, the Company wrote down \$12,155 worth of obsolete fixed assets that were disposed during the year. No fixed assets were written down during the year ending July 31, 2021. Management continuously reviews the fixed assets it holds for indications of impairment or obsolescence.

### **Unrealized gain on investments**

Unrealized gain on investment was \$175,000 for the year ended July 31, 2022, as compared with an unrealized loss on investment of \$3,977,450 for the year ended July 31, 2021, representing an increase of 104% or \$4,152,450. The increase is mainly attributable to the write-down of the investment balance in Sotech as at July 31, 2021, partially offset by an increase in fair value of the Company's investment in Gemina Labs during the year ended July 31, 2022.

### **Interest income**

Interest income remained fairly consistent during the year ended July 31, 2022, compared to the year ended July 31, 2021, increasing slightly by 25% or \$6,350.

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

	Quarter Ended							
	July 31, 2022	Apr 30, 2022	Jan 31, 2022	Oct 31, 2021	Jul 31, 2021	Apr 30, 2021	Jan 31, 2021	Oct 31, 2020
Xtract Platform	\$ 527	\$ 853	\$ 946	\$ 520	\$ 221	\$ 85	\$ 287	\$ 376
<b>Total Revenue</b>	<b>794</b>	<b>939</b>	<b>1,177</b>	<b>709</b>	<b>266</b>	<b>153</b>	<b>287</b>	<b>376</b>
<b>Expenses</b>								
Sales and marketing	544	498	606	320	336	284	399	452
Research and development	2,086	1,944	880	(446)	964	985	589	219
General and administration	782	369	543	351	357	24	374	633
Personnel costs	1,749	1,394	1,137	1,004	851	1,248	1,100	1,163
Professional fees	134	94	349	195	186	87	211	377
Hardware	71	5	177	24	-	28	-	-
Amortization	201	202	202	201	202	201	202	228
Depreciation	179	198	193	194	244	251	241	245
Share-based compensation	325	533	148	58	208	266	311	394
Loss on inventory write-down	334	90	79	-	-	-	-	-
Loss on retirement of assets	-	12	-	-	-	-	-	-
<b>Adjusted loss from operations<sup>1</sup></b>	<b>5,611</b>	<b>4,400</b>	<b>3,137</b>	<b>1,192</b>	<b>3,082</b>	<b>3,221</b>	<b>3,140</b>	<b>3,335</b>
Impairment of goodwill	25,582							
<b>Loss from operations</b>	<b>31,193</b>	<b>4,400</b>	<b>3,137</b>	<b>1,192</b>	<b>3,082</b>	<b>3,221</b>	<b>3,140</b>	<b>3,335</b>
Proportionate share of loss on investment	-	-	-	-	-	-	-	-
Unrealized loss (gain) on fair value investment	(15)	(15)	(44)	(102)	3,686	149	118	26
Other income - Interest	(17)	(1)	(11)	(2)	124	(56)	(57)	(36)
<b>Loss before income taxes</b>	<b>31,162</b>	<b>4,384</b>	<b>3,083</b>	<b>1,088</b>	<b>6,892</b>	<b>3,314</b>	<b>3,201</b>	<b>3,325</b>
Current tax recovery	-	-	-	-	-	(110)	(60)	-
<b>Loss and comprehensive loss</b>	<b>\$ 31,162</b>	<b>\$ 4,384</b>	<b>\$ 3,083</b>	<b>\$ 1,088</b>	<b>\$ 6,892</b>	<b>\$ 3,204</b>	<b>\$ 3,141</b>	<b>\$ 3,325</b>
<b>Adjusted loss and comprehensive loss<sup>1</sup></b>	<b>\$ 5,579</b>	<b>\$ 4,384</b>	<b>\$ 3,083</b>	<b>\$ 1,088</b>	<b>\$ 6,892</b>	<b>\$ 3,094</b>	<b>\$ 3,081</b>	<b>\$ 3,325</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.19)</b>	<b>\$ (0.03)</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>\$ (0.05)</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>
<b>Adjusted basic and diluted loss per share<sup>1</sup></b>	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>\$ (0.05)</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>
<b>Working capital</b>	<b>\$ 6,791</b>	<b>\$ 11,991</b>	<b>\$ 9,473</b>	<b>\$ 12,129</b>	<b>\$ 12,841</b>	<b>\$ 19,175</b>	<b>\$ 21,745</b>	<b>\$ 24,523</b>
<b>Total assets</b>	<b>\$ 18,058</b>	<b>\$ 48,744</b>	<b>\$ 45,146</b>	<b>\$ 48,087</b>	<b>\$ 49,398</b>	<b>\$ 56,234</b>	<b>\$ 59,708</b>	<b>\$ 63,188</b>
<b>Non-current liabilities</b>	<b>\$ 357</b>	<b>\$ 432</b>	<b>\$ 515</b>	<b>\$ 597</b>	<b>\$ 677</b>	<b>\$ 740</b>	<b>\$ 855</b>	<b>\$ 947</b>

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

### Quarterly results trend analysis

The quarterly expenditure trend across the previous eight fiscal quarters above reflects the evolution of the Company's newly revamped strategy to accelerate revenue growth. Beginning in fiscal 2021, the Company refined its strategy and began cutting non-strategic expenses to focus its spending on 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 platform-based technology solution, using various sensor technologies. 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.

The Company has no discontinued operations.

## Fourth Quarter Results

### Revenue

During the three months ended July 31, 2022, the Company recognized total revenue of \$793,851, as compared to \$266,435 for the three month period ended July 31, 2021, representing an increase of \$527,416 or 198%. Revenue of \$267,234 was attributable to the Platform operating segment for the three months ended July 31, 2022, in comparison with \$45,813 for the three month period ended July 31, 2021. The increase compared to the previous year is mainly attributable to higher number of subscription sales contracts during the last quarter of the fiscal year, including Central Bank Center's Lexington Opera House, Rupp Arena and the Moody Center.

Revenue recognized relating to the Xtract operating segment during the three months ended July 31, 2022, was \$526,617, as compared with the \$220,622 for the same period in July 31, 2021, representing an increase of 139% or \$305,995. The increase was mainly attributable to the timing of large prospective contracts being awarded and completed.

### Adjusted loss and comprehensive loss

During the three months ended July 31, 2022, the Company recognized a total adjusted loss and comprehensive loss of \$5,579,134 as compared to \$6,892,229 for the year ended July 31, 2021, representing a decrease of \$1,313,095 or 19%. The decrease was mainly attributable to an increase in revenue during the three months ended July 31, 2022, and partially offset by lower non-dilutive financing received during the three months ended July 31, 2022, compared to the same period in 2021. See *Reconciliation of Non-IFRS Financial Performance Measures*.

## Liquidity and Capital Resources

As of July 31, 2022, the Company had a working capital of \$6,790,993 which included cash of \$6,277,321 available to meet current liabilities of \$3,156,168. 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 \$356,841 related to the long-term portion of the capitalized lease liabilities in accordance with IFRS 16.

*Selected Financial Data – Summary of Results for the years ended July 31, 2022 and 2021*

	2022	2021	% Change
<b>Cash beginning of year</b>	\$ 9,652,493	\$ 22,407,251	(57%)
Cash used in operating activities	(9,271,441)	(11,694,837)	(21%)
Cash used in investing activities	(95,757)	(544,957)	(82%)
Cash from (used in) financing activities	5,992,026	(514,964)	1264%
<b>Change in cash for the year</b>	(3,375,172)	(12,754,758)	(74%)
<b>Cash end of year</b>	\$ 6,277,321	\$ 9,652,493	(35%)

During the year ended July 31, 2022, the Company had a negative cash flow from operations, investing, and financing activities of \$3.4 million, compared with negative cash flow from operations, investing, and financing activities of \$12.8 million for the year ended July 31, 2021.

The cash flow used in operating activities was \$9.3 million for the year ended July 31, 2022, as compared with \$11.7 million for the year ended July 31, 2021, representing a decrease of \$2.4 million or 21%. The decrease in negative cash flow from operating activities can be attributed primarily to an increase in the loss for the year of \$23.2 million and an increase of non-cash operating expenses of \$21.6 million. This is partially offset by an increase in non-cash working capital of \$4.0 million.

Cash flow used in investing activities was \$0.1 million for the year ended July 31, 2022, as compared with \$0.5 million for the year ended July 31, 2021, representing a decrease of \$0.4 million or 82%. The decrease in negative cash flow from investing activities can be attributed primarily to reduced fixed asset purchases during the year ended July 31, 2022.

Cash flow from financing activities was \$5.9 million for the year ended July 31, 2022, as compared to cash flow used in financing activities of \$0.5 million for the year ended July 31, 2021, representing an increase of \$5.4 million or 1,264%. Cash received from financing activities for the current year mainly relates to the proceeds on the issuance of share capital from a prospectus financing, net of issuance costs.

On March 17, 2022, the Company issued 10,743,450 units (the "Units") for gross proceeds of \$6,446,070 pursuant to a prospectus financing. On March 25, 2022, the Company issued an additional 41,700 Units for gross proceeds of \$25,020. On March 31, 2022, the Company further issued an additional 686,700 Units for gross proceeds of \$412,020 pursuant to the partial exercise of the over-allotment option. Each Unit consisted of one common share and one common share purchase warrant (the "Warrants"). These 11,471,850 Warrants allow the holders to acquire an additional common share at \$0.75 per share until March 17, 2025. The Company paid cash commissions of \$468,150 and \$320,370 for other share issue costs. The Company issued 781,711 broker warrants exercisable at \$0.60 per share until March 17, 2024. The fair value of these broker warrants was \$144,460, which along with the other costs of the financing was deducted from the value of the common shares issued.

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 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 Bought Deal Financings

<b>Use of Proceeds Category</b>	<b>Net Proceeds from October 2017, February 2018 and November 2018 Bought Deal Financings</b>	<b>Approximate spending allocation for the period October 25, 2017 – July 31, 2022</b>	<b>Proceeds unspent as at July 31, 2022</b>
Product Development	\$29,108,000	\$18,550,000	\$10,558,000
Reserved for Potential Acquisitions of Complementary Technology	\$6,900,000	\$14,000,000	(\$7,100,000)
Sales and Marketing	\$8,786,000	\$10,323,000	(\$1,537,000)
Production and Operations	\$8,795,000	\$17,502,000	(\$8,707,000)
General and Administration	\$9,770,000	\$13,205,000	(\$3,435,000)
International Business Development	\$6,344,000	\$3,445,000	\$2,899,000
Working Capital	\$7,322,000	N/A	\$7,322,000
<b>Total</b>	<b>\$77,025,000</b>	<b>\$77,025,000</b>	<b>\$ 0</b>

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.

## 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.

<b>Use of Proceeds Category</b>	<b>Net Proceeds from Prospectus Supplement</b>	<b>Approximate Spending for the period March 17, 2022 – July 31, 2022</b>	<b>Proceeds unspent as at July 31, 2022</b>
Product Development	\$1,900,000	\$1,277,000	\$623,000
Sales and Marketing	\$2,030,000	\$1,026,000	\$1,004,000
Production and Operations	\$860,000	\$833,000	\$27,000
General Working Capital	\$1,324,000	N/A	\$1,324,000
<b>Total</b>	<b>\$6,114,000</b>	<b>\$3,136,000</b>	<b>\$2,978,000</b>

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.

## Reconciliation of Non-IFRS Financial Performance Measures

This MD&A includes non-IFRS performance measures 'adjusted loss from operations', 'adjusted loss and comprehensive loss', and 'adjusted basic and diluted 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 provides 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 for the year to exclude a non-routine, non-cash impacting impairment loss relating to goodwill. The following tables provides illustration to the calculation of adjusted loss from operations, adjusted loss and comprehensive loss, and adjusted basic and diluted loss per share, for the years ended July 31, 2022, and 2021:

### Adjusted loss from operations

	2022	2021
<b>Loss from operations</b>	\$ 39,922,973	\$ 12,779,704
Adjusted for:		
Impairment of goodwill	25,582,433	-
<b>Adjusted loss from operations</b>	<b>\$ 14,340,540</b>	<b>\$ 12,779,704</b>

**Adjusted loss and comprehensive loss**

	2022	2021
<b>Loss and comprehensive loss</b>	\$ 39,716,689	\$ 16,562,334
Adjusted for:		
Impairment of goodwill	25,582,433	-
<b>Adjusted loss and comprehensive loss</b>	<b>\$ 14,134,256</b>	<b>\$ 16,562,334</b>

**Adjusted basic and dilutive loss per share**

	2022	2021
<b>Basic and dilutive loss per share</b>	\$ 0.25	\$ 0.11
Adjusted for:		
Impairment of goodwill	0.16	-
<b>Adjusted basic and dilutive loss per share</b>	<b>\$ 0.09</b>	<b>\$ 0.11</b>

## Financial Instruments and Other Instruments

The Company's only material financial instruments are cash, receivables, and its investment in Gemina Laboratories Ltd. ("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 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 judgements and estimates while determining forecasted cashflows and is dependent on the Company's ability to obtain financing. As of July 31, 2022, the Company had cash of \$6,277,321 to settle current liabilities of \$3,156,168. Most of the Company's financial liabilities have contractual maturities of 30 days or less and are subject to normal trade terms.

### 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 receivable and grant funding from the Canadian Government, and accounts receivable under the Canadian ITB 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 of July 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*

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 investment as at July 31, 2022, so its 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 audited consolidated financial statements for the years ended July 31, 2022, and July 31, 2021.

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.

## 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";

- (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.

*Provisions, contingent liabilities and contingent assets (Amendments to IAS 37)*

The IASB has published Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) to clarify the definition of the ‘cost of fulfilling’ a contract. The amendments:

- (i) Clarify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’; and
- (ii) Clarify that the costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The Company does not expect the adoption of this new amendment to have a significant impact on the consolidated financial statements.

*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 includes 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 year ended July 31, 2022, was \$1,229,492 (2021 - \$1,761,642). In addition, share-based compensation expense relating to key management for the year ended July 31, 2022, was \$502,692 (2021 - \$575,984).

As of July 31, 2022, there is no outstanding amount (July 31, 2021 - \$nil) in accounts payable and accrued liabilities due to officers and directors of the Company or to companies controlled by directors and officers of the Company. There were no other related party transactions during the year ending July 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 July 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.

### **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 year ended July 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](http://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 163,179,222 common shares issued and outstanding. In addition, 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 10,466,313 common shares with exercise prices ranging from \$0.38 to \$2.48 per share.