PATRIOT ONE TECHNOLOGIES INC.

(formerly Clear Mountain Resource Corp.)

Management's Discussion and Analysis

Three and nine months ended April 30, 2017

The following Management's Discussion and Analysis ("MD&A") is prepared as of June __, 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 and nine months ended April 30, 2017 which are prepared in accordance with IAS 34, *Interim Financial Reporting*, and the audited financial statements for the fiscal year ended July 31, 2016 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 constitutes 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.

While the decision to complete the Transaction was central to our long term strategic and capital plans, this resulted in listing expenses of $1,808,991 for the nine months ended April 30, 2017, of which $1,786,817 was a non-cash expense due to an excess of fair value of the consideration paid over the fair value of net assets of the Company, in accordance with IFRS accounting for reverse take-over transactions.

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. Without additional financing, the Company may not be able to fund its ongoing operations and complete development activities. The Company intends to finance its future 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 favorable terms. These uncertainties cast doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations.

The Company announced its NForce CMR1000 software solution (“NForce”) and related hardware, and has completed internal quality assurance in preparation for a major trade exhibition in April 2017. The hardware already carries the “CE Mark”, which certifies that the product has met with the European Union (“EU”) health, safety and environmental requirements that ensure consumer and workplace safety and allows manufacturers to circulate industrial products freely within the internal market of the EU. The system is now entering precertification testing for Federal Communications Commission (“FCC”) compliance ahead of its product launch at ISC West (International Security Conference) in Las Vegas in April 2017. The product has also been vetted as ready for inclusion in the prestigious New Product Showcase at that conference.

The Company is now optimising its software to enhance performance characteristics and continues to collect additional weapons “signatures” for entry into the NForce proprietary database library. This is being achieved through an extensive law enforcement network which provides controlled access to weapons collections globally.

In addition, the Company has recently developed valuable new IP regarding antenna design, which will result in the filing of additional patents further protecting its technological advantage in the marketplace. Along with the previously announced plans to launch a demonstration location in Orlando, Florida, the Company has initiated a test site at its new office in Burlington, Ontario.

Overall Performance

Selected Quarterly Financial Information

Selected Financial Data - Summary of Quarterly Results

	Three months ended April 30, 2017 $	**Three months ended January 31, 2017 $**	**Three months ended October 31, 2016 $**	**Date of Incorporation of Mar 7, 2016 to July 31, 2016 $**
Revenue	Nil	Nil	Nil	Nil
Research and development expenses	(216,314)	(237,328)	(299,662)	(250,985)
Loss and comprehensive loss	(1,096,227)	(2,945,339)	(638,150)	(604,242)
Basic and diluted loss per share	(0.02)	(0.06)	(0.03)	(0.18)
Working capital (deficiency)	1,841,423	1,550,047	(117,649)	(3,752)
Total assets	2,197,915	2,061,999	265,882	225,357
Non-current liabilities	Nil	Nil	Nil	Nil

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 produce quarterly financial statements.

Three Months Ended April 30, 2017

During the three months ended April 30, 2017, the Company incurred a net loss of $1,096,227 compared to $2,945,339 in the prior three months ended January 31, 2017, which included listing costs of $1,808,991, of which, $1,786,817 was a non-cash charge related to the Transaction. Research and development expenses of $216,314 was relatively consistent with the prior two quarters as the company progresses through the development stage. Other expenses for the three months ended April 30, 2017 were also in line with the prior quarter ended January 31, 2017.

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.

Nine Months Ended April 30, 2017

During the nine months ended April 30, 2017, the Company incurred a net loss of $4,679,716. Patriot One Detection was incorporated on March 7, 2016 so there is no comparable nine month period. The Company's research and development expenses of $753,304 were the most significant use of cash during this period. The Company also commenced hiring additional staff in several departments of the Company such as technical research and development, corporate compliance and business development. Other significant cash outlays during this period include $483,764 for management fees, $292,542 for conferences and trade shows and $311,412 for business development. Significant other expenses included $1,808,991 for listing expense for the Transaction, of which $1,786,817 was a non-cash item and $449,543 for share-based compensation related to option grants during the period.

Liquidity and Capital Resources

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.

At April 30, 2017, the Company had working capital of $1,841,423 which included cash of $2,034,870 available to meet current liabilities of $356,492 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 nine months ended April 30, 2017, the Company had positive cash flow from operations, investing and financing activities of $1,839,780, and a net loss from operations of $4,679,716 as the Company has not yet achieved commercial operations and continues with the research and development and marketing of its products.

Concurrent with the completion of the Transaction on November 9, 2016, the Company completed a private placement financing of 15,700,665 units for proceeds of $2,355,100. Each unit is comprised of one common share of the Company and one share purchase warrant entitling the holder to acquire one common share of the Company at a price of $0.30 for a period of two years, subject to certain acceleration conditions at the option of the Company. The Company paid broker fees of $184,308 and recorded a fair value of $65,500 for the 1,224,853 broker warrants. The fair value of the broker warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions

Expected life		2 years
Expected volatility in market price of shares		100.0%
Expected dividend rate		0%
Risk-free interest rate		0.62%
Weighted average fair value per option granted	$	0.054

At present, the Company has no earnings from operations. The primary source of cash flows for the Company are private placements. The primary uses of cash are operating expenses, including product research and development. Without additional financing, the Company may not be able to fund its ongoing operations and complete research and development activities. The Company intends to finance its future 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. These uncertainties cast significant doubt on the Company's ability to continue as a going concern. The Company will need to raise sufficient working capital to maintain operations. Please see "Business Risks" for more information.

The directors are of the opinion that it is appropriate to prepare the condensed consolidated interim financial statements for the three and nine months ended April 30, 2017 on a going concern basis, which does not include any adjustments or disclosures that would be required if assets are not realized and liabilities and commitments are not settled in the normal course of operations. If we are unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation on a liquidation basis, which could differ materially from the values presented in the condensed consolidated interim financial statements.

Contractual Commitments

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.

Such issuance shall continue until and including the date upon which a total of $2,000,000 in cash shall be received by the Company in exchange for the Company's capital stock. Thereafter, no additional shares shall be due to McMaster. As well, the Company agreed to make minimum annual royalty payments as follows:

- first and second year $2,500;
- third year $5,000; and
- fourth and subsequent years $7,500.

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 April 30, 2017, the Company had cash of $2,034,870 to settle current liabilities of $356,492. 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.

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 Company’s unaudited condensed consolidated interim financial statements for the three and nine months ended April 30, 2017 were prepared using the same accounting policies and methods as those used in the audited financial statements of Patriot One Detection for the period from the date of incorporation, March 7, 2016, to July 31, 2016. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards have been omitted or condensed. 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 April 30, 2017, as outlined below.

Accounting standards adopted:

a) Change in accounting policy

There were no new standards effective August 1, 2016 that have had a material impact on the Company’s condensed consolidated interim financial statements.

b) New standards and interpretations not yet adopted

The significant accounting policies that have been used in the preparation of these condensed consolidated interim financial statements are summarized in Patriot One Detection’s audited financial statements for the period from incorporation to July 31, 2016. There were no new standards effective August 1, 2016 that had an impact on the Company's interim financial statements. In addition to the new standards and interpretations not yet adopted in the Company's audited financial statements, the Company notes below the additional pronouncements during the period ended April 30, 2017.

On June 20, 2016, the IASB issued amendments to IFRS 2 clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; 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. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively, retrospectively, or early application is permitted if information is available without the use of hindsight. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on August 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

The final version of IFRS 9, *Financial Instruments,* was issued by the IASB in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the elements of IFRS 9 related to presentation of gains from changes in an entity's own credit risk can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

The IASB issued IFRS 15, *Revenue Recognition*, in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is in the process of assessing the impact of IFRS 15 and has not yet determined when it will adopt the new standard.

The IASB issued IFRS 16, *Leases*, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15. The Company is in the process of assessing the impact of IFRS 16 and has not yet determined when it will adopt the new standard.

Cash Flows

Operating Activities

Cash outflow from operating activities was $2,638,539 for the nine months ended April 30, 2017. Significant cash outflows during this period related to research and development expenses of $753,304, management fees of $483,764 and conferences and trade shows of $292,542.

Investing Activities

The Company received cash of $22,303 relating to the Transaction during the nine months ended April 30, 2017.

Financing Activities

Cash inflow from financing activities was $4,456,016 for the nine months ended April 30, 2017. Net proceeds from the issuance of common shares was $2,752,267 and proceeds from warrant and stock option exercises were $1,703,749.

Capital Stock

The Company`s authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid and non-assessable.

As at April 30, 2017, the Company had 59,062,883 common shares issued and outstanding, 4,175,000 options outstanding at exercise prices ranging from $0.185 to $1.44 and 29,579,164 share purchase warrants at exercise prices ranging from $0.10 to $1.00.

Details of Issues of Common Shares

On March 7, 2016, Patriot One Detection issued 1 common share at a price of $0.005 in connection with the incorporation of the Company.

On April 7, 2016, Patriot One Detection issued 100,000 common shares at a price of $0.005 per common share for total proceeds of $500.

On June 9, 2016, Patriot One Detection issued 9,025,000 common shares at a price of $0.005 per common share for total proceeds of $45,125.

On July 28, 2016, Patriot One Detection issued 1,560,000 common shares with a deemed value of $78,000 to McMaster University for licensing fees.

On July 29, 2016, Patriot One Detection issued 7,200,000 units at a price of $0.05 per unit for total proceeds of $360,000. Each unit was comprised of one common share and one share purchase warrant. Each common share purchase warrant is exercisable at $0.10 per common share for a period of two years.

On August 22, 2016, Patriot One Detection issued 5,074,924 units at a price of $0.15 per unit for total proceeds of $761,240. Each unit was comprised of one common share and one share purchase warrant. Each share purchase warrant is exercisable at $0.30 per common share for a period of two years.

Pursuant to the share exchange component of the Transaction the Company issued 22,959,925 common shares with a deemed value of $3,443,989.

Pursuant to the Transaction the Company completed a non-brokered private placement of 15,700,665 units at an issue price of $0.15 per unit, for aggregate gross proceeds of $2,355,100 (the "Financing"). Each unit was comprised of one common share of the Company and one share purchase warrant entitling the holder to acquire one common share of the Company at a price of $0.30 for a period of two years, subject to certain acceleration conditions at the option of the Company. The Company paid broker fees of $184,308 and issued 1,224,853 broker warrants at a price of $0.30 per share for a period of two years which were recorded at a fair value of $65,500 using the Black-Scholes valuation method bringing the total cost of the Financing to $249,807.

Following the Financing and pursuant to the Transaction, all Patriot One Detection common shares, share purchase warrants and stock options were exchanged for common shares, share purchase warrants and stock options of the Company on a one for one basis. Based upon the equity issued by the Company to Patriot One Detection, the Transaction was determined to be a reverse takeover. As such, the accounts of Patriot One Detection continue as the reported accounts of the entity. In total, the Company issued 22,959,925 common shares, 12,724,924 share purchase warrants and 3,825,000 stock options to Patriot One Detection securityholders.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Related Party Balances and Transactions

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers. Key management compensation and amounts paid to or accrued for related parties during the nine months ended April 30, 2017 totaled $365,716.

As at April 30, 2017 accounts payable and accrued liabilities includes $26,537 (July 31, 2016 - $5,040) due to officers and directors of the Company or to companies controlled by officers and directors of the Company.

Business Risks

Going concern risk

The condensed consolidated interim financial statements for the three and nine months ended April 30, 2017 have been prepared with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. We have incurred losses as we develop our technology and we have not yet earned revenue from operations. The condensed consolidated financial statements for the three and nine months ended April 30, 2017 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.

To date we have funded losses with private placements. To the extent that we do not achieve positive cash flows from operations in the future or financing is not available or not available on reasonable terms, reductions in expenditures may be required or we may not be able to continue as a going concern. These conditions may raise doubt about the ability of the Company to continue as a going concern. If we are unable to continue as a going concern, then the carrying value of certain assets and liabilities would require revaluation to a liquidation basis, which could differ materially from the values presented in the accompanying condensed consolidated interim financial statements.

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 successful development of prototype of Cognitive Microwave Radar ("CRM-1")

The Company's ability to generate future revenue or achieve profitable operations is largely dependent on the ability to attract the experienced management and 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 those objectives.

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. CMR-1 may need to comply with regulatory compliance requirements prescribed for users of Walk-Through Metal Detectors ("WTMDs") although this isn't certain presently. There are a number of standards set for commercial users of WTMDs. Like several other electronic devices, WTMDs must meet certain environmental standards, Federal Communications Commission ("FCC") compatibility regulations, 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 does not know and is unable to predict what type and how many trials the FCC, TSA and FAA will require the Company to conduct before granting approval for it to market its products. The development programs may not lead to a commercial product, either because failure to demonstrate that product candidates are safe and effective in trials and cannot obtain necessary approvals from the FCC, TSA, FAA and/or similar foreign regulatory agencies or because of inadequate financial or other resources to advance product candidates through the trial process for successful commercialization.

Additional Financing Needs

The Company will require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of the Company's common shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Because of the early stage of the industry in which the Company will operate, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require 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.

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.

Conflicts of Interest

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.

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.

The Market Price of the Company's Common Shares may be Subject to Wide Price Fluctuation

The market price of the Company's common shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Company's common shares.

Dividends

The Company has no earnings or dividend record, and does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

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.

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.

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.

Barriers to Entry and Competition

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

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.

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.

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.

Risks Associated with International Operations

A component of the Company's strategy is to expand internationally. Expansion into the international markets will require management 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.

Protection and Enforcement of Intellectual Property Rights

The Company regards the protection of its copyrights, service marks, trademarks, trade dress and trade secrets as critical to its future success and relies on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect its proprietary rights in products and services. The Company has entered into confidentiality and invention assignment agreements with its employees and contractors, and nondisclosure agreements with parties with which it conducts business in order to limit access to and disclosure of its proprietary information. There can be no assurance that these contractual arrangements or the other steps taken by the Company to protect its intellectual property will prove sufficient to prevent misappropriation of the Company's technology or to deter independent third-party development of similar technologies.

To date, the Company has not been notified that its technologies infringe the proprietary rights of third parties, but there can be no assurance that third parties will not claim infringement by the Company with respect to past, current or future technologies. The Company expects that participants in its markets will be increasingly subject to infringement claims as the number of services and competitors in the Company's industry segment grows. Any such claim, whether meritorious or not, could be time-consuming, result in costly litigation, cause service upgrade delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements might not be available on terms acceptable to the Company or at all. As a result, any such claim could have a material adverse effect upon the Company's business, results of operations and financial condition.

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.

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.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with IFRS. There were no changes in the Company's internal control over financial reporting that occurred during the period ended January 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Because of the inherent limitations in a cost-effective control system, any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements, due to error or fraud, from occurring in the consolidated financial statements.

Other

As of the date of this MD&A, the Company has 60,365,716 common shares issued and outstanding. In addition, there are 28,389,861 warrants which may be converted to one common share each at prices ranging from $0.10 to $1.00. The Company also has stock options outstanding to purchase an additional 5,296,500 common shares at exercise process ranging from $0.185 to $1.44 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.