

**FORM 51-102F3
MATERIAL CHANGE REPORT**

Item 1 Name and Address of Company

Liberty Defense Holdings, Ltd.
200 Granville Street, Suite 1030
Vancouver, British Columbia
V6C 1S4

(the “**Company**”)

Item 2 Date of Material Change

April 7, 2020

Item 3 News Release

A news release was disseminated on April 7, 2020 through the facilities of Marketwired Canada.

Item 4 Summary of Material Change

The Company announced it had entered into a binding amalgamation agreement (the “**Definitive Agreement**”) with DrawDown Detection Inc. (“**DrawDown**”) pursuant to which the Company will acquire all of the securities of DrawDown in exchange for securities of the Company (the “**Proposed Transaction**”). The Proposed Transaction will constitute a “reverse-takeover” of the Company in accordance with the policies of the TSX Venture Exchange. A copy of the Definitive Agreement is available under the Company’s profile at www.sedar.com.

The Company also announced that it had held its annual general and special meeting (the “**Meeting**”) at which Bill Riker, Damian Towns, John McCoach and Jeremy Morton were re-elected as directors of the Company. The shareholders also approved a continuation of the Company from Ontario, its existing jurisdiction, to British Columbia.

The Company also announced that it had entered into a further amendment to its existing License Agreement with the Massachusetts Institute of Technology (the “**Amendment**”). Pursuant to the Amendment, among other matters, the parties have addressed license fees amounts and timeline, a Beta prototype milestone, and sales timeline. A copy of the Amendment is available under the Company’s profile at www.sedar.com.

As a result of COVID-19, the Company announced that it has implemented a remote working model that enables the team to continue collaborating on the software and other system features. As COVID-19 has also presented funding

constraints in the current market environment, the Company announced that it had implemented a second round of lay-offs at its Atlanta engineering facility to maintain its core engineering assets moving forward through the Proposed Transaction. The Company's team of dedicated professionals continues to make progress on both improving the Active 3D radar imaging quality processing speed and deep learning algorithms for auto threat detection for real-time threat detection.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

Please see attached news release dated April 7, 2020.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

For further information, contact:

Damian Towns
Chief Financial Officer
Telephone: 604-336-9820

Item 9 Date of Report

April 13, 2020



Liberty
Defense

DRAWDOWN
DETECTION



Press Release
April 7, 2020

TSXV: SCAN
Frankfurt: LD2
OTCQB: LDDFF

Liberty Announces Execution of Definitive Agreement with DrawDown Detection Inc. and Provides Corporate Update

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Vancouver, BC and Atlanta, GA – [Liberty Defense Holdings Ltd.](#) (“Liberty” or the “Company”) (TSXV: SCAN, FRANKFURT: LD2, OTCQB: LDDFF), a leading concealed weapons detection company, wishes to provide an update on its proposed reverse-takeover by with DrawDown Detection Inc. (“DrawDown”) announced on [January 28, 2020](#) and other corporate matters.

Definitive Agreement

The Company announces that it has now entered into a binding amalgamation agreement dated April 2, 2020 (the “**Definitive Agreement**”) with DrawDown pursuant to which the Company will acquire all of the issued and outstanding securities of DrawDown (the “**Transaction**”), as more particularly described below under “Proposed Reverse Take Over”.

Liberty Corporate Update

The Company held an annual and special shareholders meeting (the “**Meeting**”) today. At the Meeting, the following directors were reappointed; Mr Riker, Mr Towns, Mr McCoach and Mr Morton, Mr Marshall did not stand for reappointment. It is envisaged that these directors will remain in place until the conclusion of the Transaction. In addition, at the Meeting the shareholders have approved a continuation of the Company from Ontario, its existing jurisdiction, to British Columbia (the “**Continuation**”). The Company anticipates completing the Continuation this month following filing of the final documentation.

The Company has also entered into a further amendment to its existing License Agreement with Massachusetts Institute of Technology (the “**Amendment**”). Pursuant to the Amendment, among other matters, the parties have addressed license fees amounts and timeline, a Beta prototype milestone, and sales timeline. A copy of the Amendment will be filed under the Company’s profile at [www.sedar.com](#).

As of March 31, 2020, under the terms of the Definitive Agreement, US\$1.03 million of the secured loan from the aggregate amount of US\$2.0 million was transferred to fund Liberty’s working capital requirements.

Liberty Centre of Excellence Update

To help protect our employees and their families while preserving the development activity during the COVID-19 challenges, the Company has also implemented a remote working model that enables the team to continue collaborating on the software and other system features.

As COVID-19 has also presented funding constraints in the current market environment, Liberty has implemented a second round of lay-offs at its Atlanta engineering facility to maintain its core engineering assets moving forward through the Transaction. This move retains the key technical expertise, engineering facility, Alpha prototypes, Active 3D Imaging IP and preserves both the documented intellectual property and relationship with MIT Technology Licenses Office and MIT Lincoln Lab.

The Company's team of dedicated professionals continues to make progress on both improving the Active 3D radar imaging quality processing speed and deep learning algorithms for auto threat detection for real-time threat detection. Most recently, the Company demonstrated the end to end system connection from the antenna to the transceiver, data capture, image reconstruction and then hand-off to the neural network for threat analysis / decision and output to the User Interface. This integration is a significant achievement because it validates how the system will operate and further de-risks the product function that is needed to tie the end-to-end system together.

Proposed Reverse Take Over

Upon completion, the Transaction will constitute an arm's length reverse takeover of the Company by DrawDown in accordance with Policy 5.2 (the "**Policy**") of the TSX Venture Exchange (the "**Exchange**"). The resulting company (the "**Resulting Issuer**") is expected to resume trading on the Exchange under the name "Liberty Defense Holdings, Ltd." or such other name as the parties may reasonably agree upon and as is acceptable to the Exchange and the corporate registrar. The Transaction is subject to a number of terms and conditions as set forth in the Definitive Agreement, including (among other things) the approval of the Exchange.

Pursuant to the Definitive Agreement, the parties will complete a three-cornered amalgamation whereby 1246043 B.C. Ltd. ("**Liberty Subco**"), a wholly-owned subsidiary of Liberty, will amalgamate with DrawDown, and the Company will acquire all of the issued and outstanding common shares in the capital of DrawDown and all of the securities of DrawDown convertible into common shares of DrawDown. The amalgamated corporation resulting from the amalgamation of Liberty Subco and DrawDown will be wholly-owned by the Resulting Issuer.

All of the outstanding common shares of DrawDown will be exchanged for common shares of Liberty on a one for one basis, post-Consolidation (as defined below). In addition, all of the outstanding convertible securities of DrawDown will, in accordance with their terms, cease to represent a right to acquire DrawDown common shares and will instead provide the right to acquire Liberty common shares on a one for one basis post-Consolidation and on the same economic terms and conditions.

Immediately after the closing of the Transaction, it is expected that:

- the outstanding share capital of the Resulting Issuer will consist of 60,154,322 common shares, 10,092,102 warrants, 256,781 units and 2,215,753 stock options (excluding the securities issued in exchange for the securities of DrawDown issued pursuant to the Bridge Financing and the Concurrent Financing); and
- the existing shareholders of DrawDown will hold approximately 64.31% of the common shares of the Resulting Issuer on an undiluted basis (excluding the securities issued in exchange for the securities of DrawDown issued pursuant to the Bridge Financing and the Concurrent Financing).

In connection with the Transaction, DrawDown completed a bridge financing (the "**Bridge Financing**") of \$954,750 principal amount 10% convertible debentures (the "**DrawDown Convertible Debentures**"). The DrawDown Convertible Debentures will automatically be converted immediately prior to the closing of the Transaction into DrawDown units (the "**DrawDown Units**") at a conversion price per DrawDown Unit equal to a 20% discount to the DrawDown common shares to be issued pursuant to the Concurrent Financing. Each DrawDown Unit will consist of one DrawDown common share and one-half of one DrawDown warrant. Upon completion of the Transaction: (i) the DrawDown common shares issued upon conversion of the DrawDown Units will be exchanged for common shares of Liberty; and (ii) the DrawDown warrants issued to upon conversion of the DrawDown Units will cease to represent a right to acquire DrawDown common shares and will instead provide the right to acquire Liberty common shares on a one for one basis post-Consolidation and on the same economic terms and conditions.

It is intended that, concurrent with the closing of the Transaction, DrawDown will complete a financing (the “**Concurrent Financing**”) by way of a private placement of DrawDown common shares. The DrawDown common shares issued pursuant to the Concurrent Financing will be exchanged for common shares of Liberty upon completion of the Transaction. The details of the Concurrent Financing, once determined, will be disclosed by Liberty in a subsequent news release.

Liberty had previously engaged Laurentian Bank Securities Inc. (“**Laurentian**”) as its exclusive financial advisor and, upon completion of the Transaction, has agreed to pay Laurentian \$50,000 cash and issue Laurentian 596,323 Liberty common shares on a post-Consolidation (as defined below) basis.

Upon completion of the Transaction, the Resulting Issuer will carry on the combined businesses currently conducted by Liberty and DrawDown.

It is anticipated that trading of the Company's shares will remain halted on the Exchange until completion of the Transaction.

Conditions to Completion

The Transaction is conditional upon, among other things:

- the representations and warranties of each of the Company and DrawDown, as set out in the Definitive Agreement, being true and correct in all material respects at the closing of the Transaction;
- the absence of any material adverse change in the business of each of the parties;
- the parties receiving all requisite regulatory approval, including the approval of the Exchange, and any third party approvals and authorizations;
- the Company and DrawDown obtaining the requisite shareholder approvals for the Transaction;
- the parties obtaining requisite board approvals for the Transaction;
- the Transaction being effective on or prior to July 31, 2020;
- Liberty completing a consolidation (the “**Consolidation**”) of the outstanding common shares of Liberty and all of the outstanding securities convertible in common shares of Liberty on a 3.1:1 basis;
- DrawDown completing the Bridge Financing;
- DrawDown completing the Concurrent Financing; and
- the delivery by each of the parties of customary closing documents.

Until the completion of the Transaction:

- certain of Liberty's expenses must be approved by a designated appointee of DrawDown; and
- there is a standard fiduciary out clause in favour of Liberty (the “**Fiduciary Out**”).

If Liberty terminates the Definitive Agreement pursuant to the Fiduciary Out, Liberty will pay to DrawDown a termination fee of US\$1,500,000.

Resulting Issuer Board of Directors

It is intended that concurrent with the closing of the Transaction, the board of directors and management of the Company will be reconstituted. The first directors of the Resulting Issuer will be Daryl Rebeck, William Frain and Kevin Hackett. The first officers of the Resulting Issuer will be William Frain as Chief Executive Officer (“**CEO**”), Omar Garcia Abrego as Chief Financial Officer (“**CFO**”), Michael Lanzaro as Chief Technology Officer (“**CTO**”) and Aman Bhardwaj as Chief Operating Officer (“**COO**”). Additional biographic information about the proposed directors and officers of the Resulting Issuer is provided below.

William Frain, proposed CEO and Director of the Resulting Issuer. Mr. Frain, has 25 years of management experience and was the former Senior Vice President for L-3 Security & Detection Systems (NYSE – LHX), the world’s leading supplier of security inspection systems. In this role Mr. Frain led global sales, business development and key account management. Prior to this, Mr. Frain was the CFO at Vivid Technologies before the acquisition by PerkinElmer which led to the eventual sale of the security and detection systems division to L-3 Technologies.

Omar Garcia Abrego, proposed CFO of the Resulting Issuer. Mr. Garcia Abrego has over 20 years of progressive international accounting experience within the public and private markets. Mr. Garcia possesses a demonstrated ability to streamline business processes, develop and implement financial controls to improve efficiency and accuracy of the financial information. In addition, Mr. Garcia Abrego is proficient in all technical aspects of accounting, financial reporting and regulatory filing compliance for public companies. Mr. Garcia Abrego is currently the CFO of Telson Mining Company, a TSX Venture Exchange listed company. Mr. Garcia Abrego also has significant experience in business acquisition transactions. Mr. Garcia Abrego has served as an officer or employee of Auryn Resources Inc., Cayden Resources Inc. (which was sold to Agnico Eagle Mining Limited for \$205 million in November 2014), Farallon Mining Ltd. (which was also sold to Nyrstar NV for \$409 million in January 2011), Graymont Limited and Deloitte LLP.

Michael Lanzaro, proposed CTO of the Resulting Issuer. Mr. Lanzaro, has more than 25 years of management experience in leading large high-tech organizations with product development, research and development, marketing, and profit and loss responsibilities. Mr. Lanzaro was Vice President, Engineering, for L3 SDS. As Vice President of Engineering, Mr. Lanzaro oversaw all the technology, research and development, and engineering development for the Security and Detection Systems business. One of the key product developments during Mr. Lanzaro’s tenure at L3 SDS, was the ProVision Millimeter Wave Body Scanner resulting in 100% market share for US airports in addition to global application.

Aman Bhardwaj, proposed COO of the Resulting Issuer.

Mr. Bhardwaj is a product development and operations executive with over 25 years of experience in bringing consumer electronics products and services to market in mobile phone, Smart TV and e-learning industries. Mr. Bhardwaj has built and led global teams in U.S, Canada, China, and India for large multi-national and start up companies such as Panasonic, Flextronics, Educo, Hisense and Liberty Defense. Mr. Bhardwaj holds both a Bachelor and Master of Science Degree in Electrical Engineering from Georgia Institute of Technology specializing in RF and Electromagnetics. He also received an Executive MBA from Georgia State University and currently pursuing a Doctorate in Business Administration from Northcentral University.

Daryl Rebeck, proposed Director of the Resulting Issuer. Mr. Rebeck has over 20 years of capital market experience in retail investment, corporate finance and public company management. Mr. Rebeck was a Vice President and Senior Investment Advisor with Canada’s largest independent investment bank, Canaccord Genuity, raising significant risk capital for growth companies. From there he has founded, funded and grown many rapid-growth public companies.

Kevin Hackett, proposed Director of the Resulting Issuer. Mr. Hackett recently retired as Assistant Commissioner from the Royal Canadian Mounted Police (“**RCMP**”). The majority of his 31-year career with the RCMP focused on organized crime. In 2014, Mr. Hackett became the Chief Officer of the Combined Forces Special Enforcement Unit of British Columbia (CFSEU-BC), the province’s “anti-gang police agency” and the largest integrated police program in Canada. In 2018, he was appointed the Criminal Operations

Officer for Federal, Investigative Services and Organized Crime. Mr. Hackett obtained a Bachelor of Science degree in History and Political Science from Eastern Michigan University. He is currently a member of the International Association of Chiefs of Police and an alumnus of the Leadership In Counter Terrorism Program.

About DrawDown Detection Inc.

DrawDown Detection Inc. is a privately-held corporation incorporated on October 26, 2018 under the *Business Corporations Act* (British Columbia), and is a weapons detection technology company that commercializes intellectual property for use in the public safety market. The Company is in the development stage of a handheld device to detect smokeless gunpowder (the “**Gunpowder Detection Sensor**”). The Company’s business plan is to develop and sell its patented Gunpowder Detection Sensor to law enforcement agencies and critical infrastructure providers, including but not limited to schools, sporting venues, hotels, places of worship and private business markets globally. The Gunpowder Detection Sensor technology is being developed in the United States. DrawDown is widely held and does not have any controlling shareholders.

DrawDown is authorized to issue an unlimited number of common shares. As of the date hereof, there are 38,686,670 DrawDown common shares outstanding. In addition, DrawDown has 875,000 stock options, 3,726,000 warrants and \$954,750 principal amount of DrawDown Convertible Debentures outstanding.

Financial Information Concerning DrawDown

The audited financial statements of DrawDown, together with other required financial information, will be included in the Company’s filing statement prepared in connection with the Transaction. In addition, summary financial information, once available, will be disclosed by Liberty in a subsequent news release.

Sponsorship

The Transaction is subject to the Exchange’s sponsorship requirements as set out in Exchange Policy 2.2 and does not qualify for the exemptions from such requirements contained in Exchange Policy 2.2. Accordingly, the Company intends to make application for a waiver from the Exchange’s sponsorship requirements.

Shareholder Approval

The Company will seek the written approval of a majority of its shareholders for the Transaction.

About Liberty Defense Holdings Ltd.

Liberty provides security solutions for concealed weapon detection in high volume foot traffic areas and has secured an exclusive license from Massachusetts Institute of Technology (MIT), as well as a technology transfer agreement, for patents related to active 3D radar imaging technology that are packaged into the HEXWAVE product. The system is designed to provide discrete, modular and scalable protection to provide layered, stand-off detection capability. This is intended to provide a means to proactively counter evolving urban threats. The sensors with active 3D radar imaging and Artificial Intelligence (AI)-enhanced automatic detection are designed to detect metal and non-metal firearms, knives, explosives and other threats. Liberty is committed to protecting communities and preserving peace of mind through superior security detection solutions. Learn more: LibertyDefense.com

As of the date hereof, Liberty has 66,549,721 common shares issued and outstanding. Further, as of the date hereof, Liberty has 19,733,055 warrants, 796,022 units (the “**Liberty Units**”) and 4,156,333 options outstanding. Each Liberty Unit is exercisable into one Liberty common share and one Liberty warrant. Upon completion of the Consolidation, Liberty will have 21,467,552 common shares, 6,365,502 warrants, 256,781 Liberty Units and 1,340,753 options outstanding.

On Behalf of Liberty Defense

Bill Riker
CEO & Director
Telephone: 604-336-9820

More About Liberty Defense Holdings Ltd.

For further information on Liberty, please contact:

Liberty Investor Relations:
Telephone: 604-336-9820 x1
Email: info@libertydefense.com

More About DrawDown Detection Inc.

For further information on DrawDown, please contact:

DrawDown Investor Relations:
Email: info@drawdowndetection.com
or visit www.drawdowndetection.com

Cautionary Notes about the Transaction

Completion of the Transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and if applicable, disinterested shareholder approval. The Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in any management information circular or filing statement to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in securities of Liberty should be considered highly speculative.

All information contained in this press release with respect to DrawDown, its business and operations was supplied by DrawDown for inclusion herein. Liberty has not conducted due diligence on the information provided and does not assume any responsibility for the accuracy or completeness of such information.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) has in any way passed on the merits of the Transaction, and neither has in any way approved or disapproved of the contents of this press release.

Forward-Looking Information Disclaimer

Certain statements included in this news release constitute forward-looking information or statements (collectively, "forward-looking statements"), including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend", "may", "should" and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts but reflect current expectations regarding future results or events. This news release contains forward looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Any statements about DrawDown's business plans, closing of the Transaction, expected terms of the Transaction, the number of securities of the Company that may be issued in connection with the Transaction, the ownership and the directors of the Company, the requirement to obtain shareholder approval, the parties' ability to satisfy any and all other closing conditions including but not limited to completion of the Consolidation, completion of the Bridge Financing and completion of the Concurrent Financing, and the parties' ability to receive necessary regulatory and Exchange approvals in connection therewith and the terms associated therewith and any additional reorganizational transactions are all forward-looking information. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are

difficult to predict. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which the Company will operate in the future, including, anticipated costs, and the ability to achieve its goals.

Factors that could cause the actual results to differ materially from those in the forward-looking statements include, failure to obtain regulatory approval, the continued availability of capital and financing, and general economic, market or business conditions, changes in legislation and regulations, increase in operating costs, equipment failures, failure of counterparties to perform their contractual obligations, litigation, the loss of key directors, employees, advisors or consultants and fees charged by service providers. Forward-looking statements contained in this news release are expressly qualified by this cautionary statement. These statements should not be read as guarantees of future performance or results. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those implied by such statements. Although such statements are based on management's reasonable assumptions, there can be no assurance that the Transaction will occur or that, if the Transaction does occur, it will be completed on the terms described above, nor can there be any assurance that the listing of the common shares of the Company upon completion of the Transaction will occur. The Company assumes no responsibility to update or revise forward-looking information to reflect new events or circumstances unless required by law. Readers should not place undue reliance on the Company's forward-looking statements.

This press release does not constitute an offer to sell or a solicitation of an offer to buy any securities in the United States. The securities described herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws, and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. This press release is not for distribution to U.S. newswire services nor for dissemination in the United States. Any failure to comply with this restriction may constitute a violation of U.S. securities laws.