

Form 51-102F3
MATERIAL CHANGE REPORT

Item 1. Item 1. Name and Address of Company

Liberty Defense Holdings, Ltd. (“**Liberty**” or the “**Company**”)
200 Granville Street, Suite 1030
Vancouver, British Columbia
V6C 1S4

Item 2. Date of Material Change

March 17, 2021.

Item 3. News Release

A news release was disseminated on March 18, 2021 through the facilities of Marketwired Canada, a copy of which is attached hereto.

Item 4. Summary of Material Change

The Company and DrawDown Detection Inc. announced the closing of a business combination.

Item 5. Full Description of Material Change

5.1 Full Description of Material Change

The Company closed the business combination of DrawDown Detection Inc. (“**DrawDown**”) and the Company (the “**Transaction**”) and the net escrowed proceeds from the previously announced offering of subscription receipts (the “**Offering**”) have been released to the Company. Prior to the closing of the Transaction, the Company consolidated its issued and outstanding common shares on the basis of one post-consolidation share for every 6.2 pre-consolidation shares. DrawDown is now a wholly-owned subsidiary of the Company. Trading of the Company’s common shares will resume at the opening on March 22, 2021 under the ticker symbol “SCAN” on the TSX Venture Exchange (the “**Exchange**”).

Release of Escrowed Proceeds of the Offering

The net proceeds from the Offering have been released to the Company. The Company will use the net proceeds of the Offering to further the combined businesses of the Company and DrawDown, and will include general & administrative expenses, sales & marketing expenses and research & development expenses, as more particularly set out in the Company’s short form prospectus dated March 3, 2021 (the “**Prospectus**”), copies of which are available on the Company’s SEDAR profile at www.sedar.com.

Closing of the Business Combination Transaction.

The Company closed the previously announced Transaction. Pursuant to the Transaction, the Company consolidated its outstanding common shares on a 6.2:1 basis and

DrawDown became a wholly-owned subsidiary of the Company. The common shares of the Company will commence trading on the TSX Venture Exchange as a Tier 2 technology issuer under the symbol “SCAN” on March 22, 2021. After giving effect to the Transaction and the Offering, there will be 47,490,095 common shares of the Company issued and outstanding (calculated on a non-diluted basis). The Company also approved the issuance of 10,773,000 performance shares to certain directors, officer and consultants of the Company, subject to the achievement of certain performance milestones, as described in the Filing Statement.

New Board of Directors and Management Team

The Company welcomes a new board of directors and management team. William Frain, Daryl Rebeck, John McCoach and Arjun Grewal have been appointed as the new directors of the Company. Mr. Rebeck has been appointed as Chairman and Mr. Frain has been appointed as Chief Executive Officer. Additional officer appointments include Michael Lanzaro as Chief Technology Officer, Aman Bhardwaj as Chief Operating Officer and Omar Garcia Abrego as Chief Financial Officer and Corporate Secretary.

Additional details regarding the Transaction and the Offering are provided in the Prospectus and in the Company’s filing statement dated November 13, 2020, copies of which are available on the Company’s SEDAR profile at www.sedar.com.

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

None.

Item 8. Executive Officers

For further information, contact:

William Frain
Chief Executive Officer
Tel: 617.834.7337

Item 8. Date of Report

March 22, 2021



Liberty
Defense

DRAWDOWN
DETECTION



Press Release
March 18, 2021

TSXV: SCAN
Frankfurt: LD2
OTCQB: LDDFF

Liberty and DrawDown and Announce Closing of Business Combination Transaction

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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, is pleased that it has closed the business combination of DrawDown Detection Inc. (“DrawDown”) and the Company (the “Transaction”) and the net escrowed proceeds from the previously announced offering of subscription receipts (the “Offering”) have been released to the Company. Prior to the closing of the Transaction, the Company consolidated its issued and outstanding common shares on the basis of one post-consolidation share for every 6.2 pre-consolidation shares. DrawDown is now a wholly-owned subsidiary of the Company. Trading of the Company’s common shares will resume at the opening on March 22, 2021 under the ticker symbol “SCAN” on the TSX Venture Exchange (the “Exchange”).

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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.

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

On Behalf of Liberty Defense

William Frain
CEO & Director
Telephone: 678-908-2507

More About Liberty Defense Holdings Ltd.

For further information on Liberty, please contact:

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

*Additional information as required can be found in the Liberty filing statement dated November 13, 2020 (the “**Filing Statement**”), the Prospectus and documents incorporated by reference therein and available on SEDAR at www.sedar.com or will be provided by way of a subsequent news release or material change report. Trading in the common shares of the Company on the Exchange will remain halted until such time as the requirements of the Exchange are met.*

Investors are cautioned that, except as disclosed in the Filing Statement and the Prospectus, and press releases of Liberty or DrawDown, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of Liberty should be considered highly speculative.

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, completion of the Transaction, the parties' ability to receive necessary regulatory and Exchange approvals in connection therewith and the terms associated therewith, potential emerging business and market opportunities, the ability of Drawdown to develop and sell its patented Gunpowder Detection Sensor to law enforcement agencies and critical infrastructure providers 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.