
Consolidated financial statements of Plurilock Security Inc.

Years ended December 31, 2020 and 2019

Independent Auditor's Report	3-5
Consolidated statement of financial position	6
Consolidated statement of loss and comprehensive loss	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9-10
Notes to the consolidated financial statements	11-45



Deloitte LLP
939 Granville Street
Vancouver BC V6B 1L3
Canada

Tel: 604-669-4466
Fax: 778-374-0496
www.deloitte.ca

To the Shareholders and the Board of Directors of
Plurilock Security Solutions Inc.

Opinion

We have audited the consolidated financial statements of Plurilock Security Solutions Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement

of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report

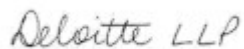
to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Leigh Derksen.

A handwritten signature in blue ink that reads "Deloitte LLP".

Chartered Professional Accountants
Vancouver, British Columbia
April 28, 2021

Plurilock Security Inc.**Consolidated statement of financial position**

(Expressed in Canadian dollars)

	Notes	December 31, 2020	December 31, 2019
		\$	\$
Assets			
Current			
Cash and cash equivalents		1,721,179	147,433
Trade and other receivables	5	118,796	532,016
Tax credits receivable		69,243	178,036
Prepaid expenses and deposits	6	207,559	37,869
		2,116,777	895,354
Non-current			
Equipment	7	27,618	4,310
Right of use asset	8	14,129	28,253
Intangible assets	10	70,000	75,000
		2,228,524	1,002,917
Liabilities			
Current			
Trade and other payables	11	409,616	340,629
Unearned revenue	12	94,700	138,659
Short-term loans	13	—	401,033
Loans payable to related parties	14	—	52,164
Lease liability-current	9	16,857	15,893
		521,173	948,378
Non-current			
Government loan	15	30,000	—
Lease liability-non-current	9	—	16,856
		551,173	965,234
Shareholders' equity			
Share capital	16	10,131,702	4,637,663
Equity reserve		208,999	5,460
Foreign currency translation reserve		(19,092)	(8,406)
Contributed and other surplus		755,409	209,859
Accumulated deficit		(9,399,667)	(4,806,893)
		1,677,351	37,683
		2,228,524	1,002,917

Subsequent events

25

The accompanying notes are an integral part of the financial statements.

Approved by the Board

"Robert Kiesman"

Robert Kiesman, Director

"Ian Paterson"

Ian Paterson, Director

Plurilock Security Inc.
Consolidated statement of loss and comprehensive loss

(Expressed in Canadian dollars)

		Years ended December 31,	
		2020	2019
	Notes	\$	\$
Revenue	19	479,329	646,900
Cost of sales		(78,541)	(79,959)
Gross profit		400,788	566,941
Operating expenses			
Research and development	20	430,004	562,800
Sales and marketing	20	861,982	497,793
General and administrative	20	1,355,254	761,400
Share-based compensation	16(d)	787,004	30,148
		3,434,244	1,852,141
Operating loss		(3,033,456)	(1,285,200)
Other income (expenses)			
Foreign exchange gain		14,727	391
Listing costs	4, 21	(1,557,016)	—
Government assistance income	15	10,000	—
Interest expense		(32,489)	(52,320)
		(1,564,778)	(51,929)
Net loss for the year		(4,598,234)	(1,337,129)
Other comprehensive loss			
Items that may be subsequently reclassified to net loss			
Foreign exchange translation difference		(10,686)	(8,841)
Other comprehensive loss		(10,686)	(8,841)
Comprehensive loss for the year		(4,608,920)	(1,345,970)
Basic and diluted loss per share	23	(0.16)	(0.07)

The accompanying notes are an integral part of the financial statements.

Plurilock Security Inc.
Consolidated Statement of Changes in Equity

(Expressed in Canadian dollars)

		Share capital		Contributed and other surplus	Equity reserve	Foreign currency translation reserve	Accumulated deficit	Total
Note	#	\$	\$	\$	\$	\$	\$	\$
Balance, January 1, 2019	4, 16(b)	19,177,723	3,747,362	179,711	10,010	435	(3,478,914)	458,604
Shares issued for cash	4, 16(b)	3,446,457	932,801	—	—	—	—	932,801
Share issuance costs		—	(42,500)	—	—	—	—	(42,500)
Recognition of share-based payments		—	—	30,148	—	—	—	30,148
Equity component of convertible debt		—	—	—	(4,550)	—	9,150	4,600
Net loss for the period		—	—	—	—	—	(1,337,129)	(1,337,129)
Other comprehensive loss		—	—	—	—	(8,841)	—	(8,841)
Balance, December 31, 2019	4, 16(b)	22,624,180	4,637,663	209,859	5,460	(8,406)	(4,806,893)	37,683
Shares issued for cash	16(b)	959,920	240,625	—	—	—	—	240,625
Share issuance costs		—	(63,690)	—	—	—	—	(63,690)
Shares and warrants issued pursuant to concurrent financing private placement	16(b)	8,678,162	2,560,058	—	43,391	—	—	2,603,449
Shares issued to consultants	16(b)	200,000	58,000	—	—	—	—	58,000
Shares and warrants issued as a result of convertible debt settlement	16(b)	5,810,550	1,272,975	—	34,400	—	—	1,307,375
Stock options and warrants converted into shares	16(b)	1,232,978	241,454	(241,454)	—	—	—	—
Shares and warrants issued to acquire Libby K	16(b)	5,550,000	1,609,500	—	132,589	—	—	1,742,089
Share issuance costs pursuant to concurrent financing private placement		—	(469,967)	—	12,611	—	—	(457,356)
Recognition of share-based payments		—	—	787,004	—	—	—	787,004
Exercise of warrants	16(b)	155,462	45,084	—	(13,992)	—	—	31,092
Equity component of convertible debt		—	—	—	(5,460)	—	5,460	—
Net loss for the period		—	—	—	—	—	(4,598,234)	(4,598,234)
Other comprehensive loss		—	—	—	—	(10,686)	—	(10,686)
Balance, December 31, 2020		45,211,252	10,131,702	755,409	208,999	(19,092)	(9,399,667)	1,677,351

The accompanying notes are an integral part of the financial statements.

Plurilock Security Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		Years ended December 31,	
		2020	2019
Operating activities			
Net loss for the year	Notes	(4,598,234)	(1,337,129)
Adjustments for			
Amortization	20	23,872	22,227
Share-based compensation	16(d)	787,004	30,148
Interest expense - short term loans		26,050	40,490
Interest expense - loans payable to related parties	14	4,204	6,740
Interest expense - lease liability	9	2,407	3,846
Listing costs	21	1,557,016	—
Transaction costs	16(b)	58,000	—
Forgiveness of government loans	15	(61,109)	—
Changes in working capital and other items			
Trade and other receivables		413,220	(416,127)
Tax credits receivable		108,793	8,446
Prepaid expenses and deposits		(169,690)	(22,981)
Trade and other payables		68,987	193,273
Unearned revenue		(43,959)	105,112
Net cash flows from operating activities		(1,823,439)	(1,365,955)
Investing activities			
Acquisition of equipment	7	(28,055)	(5,171)
Net cash flows from investing activities		(28,055)	(5,171)
Financing activities			
Cash acquired upon Qualifying Transaction		576,944	—
Proceeds from issuance of shares, net of issuance cost		2,235,223	890,301
Proceeds from issuance of warrants, net of issuance cost		37,334	—
Proceeds from warrant exercises		31,092	—
Proceeds from convertible debt		1,307,375	—
Proceeds from short-term loans		—	400,000
Proceeds from government loans	15	93,038	—
Repayment of short-term loans		(379,974)	(150,699)
Advances from related parties		—	50,000
Repayment to related parties	14	(56,368)	(72,648)
Payment of listing costs	4, 21	(389,442)	—
Lease payments	9	(18,300)	(16,775)
Net cash flows from financing activities		3,436,922	1,100,179
Foreign exchange effect on cash		(11,682)	(8,841)
Net increase (decrease) in cash and cash equivalents		1,585,428	(270,947)
Cash and cash equivalents, beginning of period		147,433	427,221
Cash and cash equivalents, end of year		1,721,179	147,433

The accompanying notes are an integral part of the financial statements.

Plurilock Security Inc.**Consolidated Statement of Cash Flows**

(Expressed in Canadian dollars)

Supplemental cash flow information

Non-cash financing activities

		Years ended December 31,	
		2020	2019
		\$	\$
Settlement of short-term loans through issuance of equity	Note 13	47,000	-
Warrants issued as brokers fee pursuant to Concurrent Financing	16(e)	18,668	-
Issuance of common shares as finders fee	16(b)	533,657	-
Shares and warrants issued to acquire Libby K	4	1,742,089	-

1. Nature of operations and continuance of business

Plurilock Solutions Inc. ("**Plurilock**") or the "**Company**", formerly Libby K Industries Inc. ("**Libby K**"), was incorporated under the BC Business Corporations Act on July 5, 2018 and completed its TSX Venture Exchange ("**TSX-V**") initial public offering (the "**IPO**") on February 8, 2019. The Company's head office and principal place of business is located at Suite 330 - 700 Fort Street, Victoria, British Columbia, Canada V8W 1H2.

The Company is an identity-centric cybersecurity company providing continuous multi-factor authentication ("**MFA**") solutions. Plurilock's software leverages behavioral-biometric, environmental, and contextual technologies to provide invisible, adaptive, and risk-based MFA, device and malware protection, and identity assurance.

The Company has one wholly owned subsidiary, Plurilock Security Solutions Inc. ("**PL**"), which was formed following the amalgamation of PL and 1243540 B.C. Ltd. on September 17, 2020 pursuant to a Qualifying Transaction ("**QT**"). PL in turn has one wholly owned subsidiary, Plurilock Security Corp. ("**PLUS**"). PLUS was incorporated on November 15, 2017 in the State of Delaware, USA.

On September 17, 2020, the Company and PL completed the QT pursuant to the policies of the TSX-V. The QT was effected pursuant to a three-cornered amalgamation whereby Libby K's wholly owned subsidiary, 1243540 B.C. Ltd., amalgamated with PL under the *Business Corporations Act* (British Columbia) and the amalgamated entity adopted the name "Plurilock Security Solutions Inc." and PL became a wholly owned subsidiary of the Company. On the same day, the Company changed its name from "Libby K Industries Inc." to "Plurilock Security Inc." and the newly appointed Company Board of Directors ratified changing Plurilock's year end to coincide with that of PL and PLUS. In connection with the QT, the Company and PL completed concurrent brokered private placements (the "**Concurrent Financings**") for aggregate proceeds of \$2.6 million. See also Qualifying Transaction below.

On September 24, 2020, the Company's common shares resumed trading on the TSX-V as a Tier 2 technology issuer under the ticker symbol "TSX-V: PLUR".

2. Basis of presentation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued and effective as of December 31, 2020. The Company's significant accounting policies are presented in Note 2 to the consolidated financial statements for the year ended December 31, 2020 and have been consistently applied in the preparation of these consolidated financial statements.

These consolidated financial statements were authorized for issue by the Board of Directors on April 28th, 2021.

Basis of presentation

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, except for certain items not carried at historical cost as noted below. These financial statements are presented in Canadian dollars.

3. Significant accounting policies

Principles of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries, PL (100% owned Canadian entity) and PLUS (100% PL owned United States entity).

Plurilock consolidates subsidiaries controlled by the Company. Control exists when the Company is exposed, or has the rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany balances, transactions, revenues and expenses are eliminated.

Foreign currency translation

The presentation currency for the consolidated financial statements is the Canadian dollars. Items included in these consolidated financial statements of the Company and its subsidiary are measured using the currency of the primary economic environment in which the individual entity operates (the “**functional currency**”). The functional currency of the Company is the Canadian dollar and the functional currency of the Company’s subsidiary is U.S. dollar.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Company’s foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve. Accumulated amounts in the foreign currency translation reserve will be recognized in profit or loss in the period in which the foreign operation is disposed of.

Transactions in currencies which are not the entity’s functional currency are translated at the exchange rate in effect at the time of the transaction. At each financial position reporting date, the foreign currency denominated monetary assets and liabilities are translated to the functional currency at the exchange rate in effect at the date of the financial position. Foreign currency denominated non-monetary assets and liabilities are translated to the functional currency at the historical exchange rates in effect on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the period in which they arise.

Financial instruments

The Company classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss (“**FVTPL**”) : Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of comprehensive loss in the period in which they arise.

3. Significant accounting policies (continued)

- Financial assets at fair value through other comprehensive income (“**FVTOCI**”): Equity instruments that are not held for trading may be irrevocably designated as FVTOCI on initial recognition, on an investment by investment basis, and any subsequent changes in the instruments fair value are recognized in other comprehensive income. Debt instruments that are not designated as FVTPL can be recognized as FVTOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.
- Financial assets at amortized cost: All other financial assets not categorized as FVTPL or FVTOCI are considered financial assets at amortized cost. Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liability and equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after reducing all its liabilities. Equity instruments issued by the Company are recognized as proceeds are received, net of direct issue costs.

The component parts of convertible financial liabilities issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument’s maturity date. Transaction costs are allocated to the liability and equity components in proportion to the allocation of the gross proceeds.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to deficit. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

3. Significant accounting policies (continued)

The Company's classification and measurement basis of its financial instruments are as follows:

Financial instruments	Classification and measurement basis
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Short-term loans	Amortized cost
Loans payable to related parties	Amortized cost

Estimated fair values for financial instruments are designed to approximate amounts at which the instruments could be exchanged in a current arm's-length transaction between knowledgeable willing parties.

The Company classifies and discloses fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are:

Level 1 – Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid, low risk investments with maturity of three months or less from the date of acquisition.

3. Significant accounting policies (continued)

Trade and other receivables

Trade and other receivables are recognized initially at the amount determined under IFRS 15 and subsequently measured at amortized cost less provision for impairment. A provision for impairment of trade receivable is established based on a forward-looking "expected loss" impairment model. The carrying amount of the trade receivables is reduced using the provision for impairment account, and the amount of any increase in the provision for impairment is recognized in the consolidated statement of loss and comprehensive loss. When a trade receivable is uncollectible, it is written off against the provision for impairment account for trade receivable. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of loss and comprehensive loss.

Tax credits receivable

Amounts received or receivable resulting from government assistance programs are reflected as reductions to the cost of the assets or expenses to which they relate when the Company becomes eligible to accrue them, provided there is reasonable assurance the benefits will be realized.

Equipment

Equipment is recorded at cost, less accumulated depreciation, and any impairment charges. When the cost of replacing part of an item of equipment is capitalized, the carrying amount of the replaced part is derecognized. Maintenance and repair expenditures that do not improve or extend productive life are expensed in the period incurred. On an annual basis, the assets' residual values and useful lives are reviewed, and adjusted if appropriate. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates. The Company amortizes the equipment over their estimated useful lives using the straight-line method and the following duration:

Computer equipment	3 years
--------------------	---------

Intangible assets

Intangible assets consist of patents covering certain aspects of the Company's behavioral biometric algorithms. Patents acquired from third parties are recorded at cost. Their finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Research costs are charged to operations when they are incurred. Development costs are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. At December 31, 2020, the Company has not capitalized any development costs.

The Company amortizes its intangible assets over their estimated useful lives using the straight-line method and the following durations:

Patents	20 years
---------	----------

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated

3. Significant accounting policies (continued)

in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Impairment of assets

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss, or any reversal of a previously recognized impairment loss, is recognized immediately in profit or loss.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract due to modification that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset, which is included in equipment, and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Impairment assessment for leases follows the same process as discussed above under Impairment of assets.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;

3. Significant accounting policies (continued)

- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to loss in the period incurred.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to loss on a straight-line basis over the lease term.

Income taxes

The tax expense for the period comprises current and deferred income tax. Taxation is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the tax is recognized in equity.

Current income tax is generally the expected income tax payable on the taxable income for the year calculated using rates substantively enacted at the date of the statement of financial position in the countries where the Company or its subsidiary operate and generate taxable income, and includes any adjustment to income tax payable or recoverable in respect of previous years.

Uncertain income tax positions are accounted for using the standards applicable to current income tax assets and liabilities; i.e. both liabilities and assets are recorded when probable at the Company's best estimate of the amount.

Deferred income tax is recognized using the liability method, based on temporary differences between consolidated financial statement carrying amounts of assets and liabilities and their respective income tax bases. Deferred income tax is determined using tax rates that have been substantively enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled. The amount of deferred income tax recognized is based on the expected manner and timing of realization or settlement of the carrying amount of assets and liabilities. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets are reviewed at each date of the consolidated statement of financial position and amended to the extent that it is no longer probable that the related tax benefit will be realized.

Current income tax assets and liabilities are offset when the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Normally the Company would only have a legally enforceable right to set off a current tax asset against a current tax liability when they relate to income taxes levied by the same taxation authority and the taxation authority permits the Company to make or receive a single net payment. Deferred income tax assets and liabilities are offset when the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

3. Significant accounting policies (continued)

Share capital

Share capital is presented at the value of the shares issued. Costs related to issuing the Company's common shares, share options or warrants are reported net of tax as a deduction from the proceeds from the issue.

Revenue recognition

Revenue is recognized when control of a good or service transfers to a customer in accordance with a five-step model to determine if revenue should be recognized:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

The Company derives revenues from two main sources: (1) product licenses, and (2) professional services. It obtains the majority of its customer arrangements through reseller partners, most of which are in North America and direct sales. All revenues are recorded at the net amount received from the reseller, if applicable, provided that all significant contractual obligations have been satisfied. For direct sales, revenues are recorded at the amount received from the end customer.

The Company's subscription service arrangements are non-cancelable and do not contain refund-type provisions.

(1) License revenues

License and support revenues are comprised of fees that provide customers with access to software licenses and related support and updates during the term of the arrangement. License revenues are recognized on a straight-line basis over the contract terms beginning on the commencement date of each contract, which is the date the service is made available to customers. The Company typically executes a new contract for subsequent renewals or follow on orders. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

(2) Government revenues

The Company's government contracts are generally on either a fixed fee, milestone based or subscription basis. These revenues are recognized on a proportional performance basis for fixed price contracts, and rateably over the contract term for subscription managed government contracts.

3. Significant accounting policies (continued)

Multiple-deliverable arrangements

Multiple deliverables included in an arrangement are separated into components and the relative fair value is allocated to the identified components of the arrangement. Generally, such contracts may include product subscription and other professional services. If the deliverables have standalone value upon delivery, each deliverable is accounted for separately. Product subscription is generally sold separately and has a standalone value. For other professional services, such as training and project management, a time and material charge may be charged for the time spent. Consideration will also be made based on availability of the services from other vendors, the nature of the professional services, and the timing of when the professional services contract was signed in comparison to the product subscription service start date.

Cost of sales

The primary components of cost of sales are the allocation of the related employee compensation and benefits, costs related to the operation of the Company's SaaS-hosted infrastructure, services, and any operating supplies.

Research and development

The primary components of research and development expenses are staff compensation and benefits, professional services, communications, and travel, which are offset by any tax credits received.

Sales and marketing

The primary components of sales and marketing are staff compensation and benefits, third-party marketing programs, office and communications, travel, and professional services.

General and administration

The primary components of general and administration are staff compensation and benefits, communications, travel, insurance, professional services, and amortization of equipment.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. For government grants that are provided for with no specific purposes and is to be used at the Company's management's discretion, the government grant is recognized under other income.

Share-based compensation plans

The Company has a stock option plan and accounts for share options using the fair value-based method. Under the fair value-based method, share-based compensation cost is measured at fair value at the grant date and is expensed over the award's vesting period. The fair value of stock options is measured using the Black Scholes option pricing model. A corresponding increase in share-based payment reserve is recorded when stock options are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in share-based payment reserve.

3. Significant accounting policies (continued)

Loss per share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted income per share is calculated using the treasury stock method, which assumes that cash that would be received on the exercise of stock options is applied to purchase shares at the average price during the period. The difference between the shares issued on the exercise of the stock options and the number of shares purchased under this computation, on a weighted average basis, is added to the number of shares outstanding. Anti-dilutive stock options are not considered in computing diluted income per share. Stock options are typically dilutive when the Company has income for the year and the average market price of the common shares during the year exceeds the exercise price of the options.

Main sources of estimation uncertainty and critical judgements by management

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amount of assets and liabilities, and disclosures of contingent assets and liabilities as at the date of the consolidated financial statements, and the recorded amount of revenues and expenses for the reporting period. These estimates are changed periodically, and as adjustments become necessary, they are reported in profit or loss in the period in which they become known.

The significant accounting policies subject to such estimates that, in the Company's opinion, could significantly affect the reported results or financial position, are as follows:

➤ *Going concern considerations*

The Company has financed its operating cash requirements primarily through the issuance of share capital. The Company's ability to realize the carrying value of its assets and to continue as a going concern is based upon the continued support from the Company's shareholders and the successful execution of the Company's strategic plan to improve the scale and profitability of its business to achieve future profitable operations. It will be necessary for the Company to raise additional funds from time to time for the continued execution of its strategic plan. These funds may come from sources which include the issuance of shares, the issuance of debt or alternative sources of financing. Subsequent to December 31, 2020, the Company completed two rounds of non-brokered private placement financing totaling \$5.16 million (Note 25). As a result of the increase in cash and working capital as a result of the subsequent financing as well as the anticipated cash flows expected to be achieved from execution of the Company's strategic plan in 2021, Management has concluded that there is no material uncertainty with respect to the Company's ability to continue as a going concern for at least the next year.

➤ *Revenue recognition, contracts with multiple performance obligations*

The Company enters into contracts with its customers that may include promises to transfer multiple subscription services and services. A performance obligation is a commitment in a contract with a customer to transfer products or services that are distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment.

The Company's subscription services are distinct as such services are often sold separately. In determining whether services are distinct, the Company considers the following factors for each type of services agreement: the availability of the services from other vendors; the nature of the services; and the timing of when the services contract was signed in comparison to the start date of any related subscription services.

3. Significant accounting policies (continued)

The Company allocates the transaction price to each distinct performance obligation on a relative standalone selling price ("**SSP**") basis. The SSP is the price at which the Company would sell a promised product or service separately to a customer. Judgment is required to determine the SSP for each distinct performance obligation. In certain cases, the Company is able to establish SSP based on observable prices of products or services sold separately in comparable circumstances to similar customers. The Company generally uses a range of SSP when it has observable prices.

If SSP is not directly observable, for example when pricing is highly variable, the Company uses a range of SSP. The Company determines the SSP range using information that may include market conditions or other observable inputs. The Company may have more than one SSP for individual products and services due to the stratification of those products and services by customer size, geography, and the other factors noted above.

➤ *Valuation of share-based compensation*

The Company uses the Black-Scholes model to value share options issued to employees. The model's estimates include inputs that require management estimates and judgement, such as volatility of the underlying equity instruments, forfeiture rate and expected life of stock options.

➤ *Carrying values of allowances for unrecoverable accounts receivable*

Management estimates the allowance for doubtful accounts as it relates to trade and other receivables based on the expected credit losses.

➤ *Recoverability of tax credits*

The Company regularly accrues refundable incentive tax credits earned through the Scientific Research and Experimental Development ("**SRED**") program administered through the Canada Revenue Agency ("**CRA**"). The recoverability of qualified expenditures is based on the results of the assessment by the CRA. Management estimates the recoverable amount of research and development costs based on experience with prior assessments under the program.

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimates above, that has the most significant effect on the amounts in the Company's consolidated financial statements, are related to:

- Determination of the functional currency of the Company and its subsidiaries;
- Determination of the stand-alone selling prices for the licenses.

3. Significant accounting policies (continued)

The following standards are applicable for periods beginning on or after January 1, 2020. These policies have been adopted and there has been no material impact to the consolidated financial statements.

a) Amendments to IAS 1 - Presentation of financial statements ("IAS 1") and IAS 8 - Accounting policies, changes in accounting estimates and errors ("IAS 8")

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after January 1, 2020.

b) Amendments to references to the conceptual framework in IFRS standards

Together with the revised conceptual framework, which became effective upon publication on March 29, 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to various IFRS standards.

The amendments are effective for annual periods beginning on or after January 1, 2020.

c) Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations ("**IFRS 3**") to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarified the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test.

The amendments to IFRS 3 are effective for business combinations or asset acquisitions with acquisition dates on or after January 1, 2020.

4. Qualifying Transaction

The QT was completed on September 17, 2020 by way of a three-cornered amalgamation whereby the Company's wholly owned subsidiary amalgamated with PL under the Business Corporations Act (British Columbia) and PL became a wholly owned subsidiary of the Company.

In connection with the QT, PL and Libby K completed the Concurrent Financings for aggregate proceeds of \$2.6 million.

The Libby K brokered component consisted of 1,262,000 units of the Company (the "**Libby K Units**") at a price of 30 cents per unit, for aggregate gross proceeds of \$378,600. Each Libby K Unit consisted of one share of the Company and one-half of a warrant of the Company, and each

4. Qualifying Transaction (continued)

whole warrant is exercisable for one share at an exercise price of 40 cents until September 17, 2022, all on a post consolidation basis. The shares and warrants issued under the Libby K brokered component, as well as any shares issued upon exercise of such warrants, are subject to a hold period and may not be traded until January 18, 2021, except as permitted by applicable securities legislation and the rules and policies of the TSX-V.

The PL brokered component consisted of 7,416,162 subscription receipts of PL at a price of 30 cents per subscription receipt, for aggregate gross proceeds of approximately \$2,224,849. Pursuant to the terms of the QT (and after giving effect to the consolidation), each subscription receipt was effectively converted into one Libby K Unit for a total of 7,416,162 Libby K Units.

In accordance with the Amalgamation Agreement dated June 23, 2020, as amended and immediately before completion of the share exchange ("**Share Exchange**"): (a) all of the in-the-money stock options and warrants of PL were deemed to be exercised into 900,524 common shares of PL on a cashless basis; and (b) each outstanding preferred share of PL was cancelled and converted into 2,514,692 common shares of PL. After completion of such transactions, and before the Share Exchange and the completion of the PL brokered component, there were an aggregate of 27,515,637 common shares of PL issued and outstanding. All stock options of PL that were not in-the-money were cancelled.

The amalgamated entity formed pursuant to the QT is now a wholly owned subsidiary of Plurilock, and the outstanding securities of PL were exchanged for securities of Plurilock immediately before the completion of the QT, as follows:

- Each outstanding common share of PL held by certain shareholders that formed the founder trust distribution in 2020 were exchanged for 1.655 shares of Plurilock on a post consolidation basis.
- All securities issued pursuant to the PL's financings were exchanged for one Libby K Unit, at a discounted price of 22.5 cents per unit, for an aggregate of 6,879,992 Libby K Units.
- Each outstanding PL share that (i) is not held by 1.655 exchange ratio PL holders and (ii) does not comprise a portion of the financings units was exchanged for 0.8152 Plurilock share.

After the Share Exchange, each outstanding common share of PL was exchanged for one Plurilock share.

As a result of the QT, on September 17, 2020, there were an aggregate of 45,055,790 Plurilock shares issued and outstanding, of which the previous shareholders of the Company held approximately 12.2 per cent, the purchasers under the Concurrent Financings held approximately 19.7 per cent, the purchasers under the bridge financings of PL held approximately 15.3 per cent, and the former shareholders of PL held approximately 52.8 per cent, respectively. In substance, the QT involves former PL shareholders obtaining control of the Company; accordingly, the QT is a reverse acquisition.

For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3, Business Combinations, since prior to the QT, Libby K did not constitute a business operation and was incorporated for the purpose of identifying, evaluating and then acquiring an interest in a business or assets with a view of competing a QT. The QT is accounted for in accordance with IFRS 2, Share-based Payment ("**IFRS 2**"), whereby PL is deemed to have issued shares, share purchase options, and warrants in exchange for the net assets of Libby K together with its listing status at the fair value of the consideration received by PL. The accounting for this transaction resulted in the following:

- The consolidated financial statements of the combined entities are issued under the legal parent but are considered a continuation of the consolidated financial statements of PL.

4. Qualifying Transaction (continued)

- Since PL is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying valudes.

Since the share and share-based consideration allocated to the former shareholders of Libby K on closing the Transaction is considered within the scope of IFRS 2, and PL cannot identify specifically some or all of the goods or service received in return for the allocation of the shares, options, and warrants, the value in excess of the net identifiable assets or obligations of Libby K acquired on closing is expensed in the consolidated statement of comprehensive loss.

Net working capital acquired:	\$
Cash	576,944
Other assets	134
Trade and other payables	(2,563)
Net asset acquired	574,515
Consideration:	
Common shares and warrants deemed to be issued	1,609,500
Options and warrants deemed to be issued	132,589
Total Consideration	1,742,089
Listing related share-based consideration	1,167,574
Other professional fees related to RTO	353,510
Total RTO related listing expenses	1,521,084

The fair value of the 5,550,000 common shares deemed to be issued amounted to \$1,609,500, based on the fair market value of the shares upon the completion of the QT at \$0.29 per share.

The fair value of the options and warrants was estimated using the Black-Scholes Option Pricing Model, applying a market price of a share of \$0.29, exercise price of \$0.2, expected volatility of 100%, expected life from 0.36 years to 3 years, risk free interest rate of 0.27% and expected dividend yield of 0%. Thus, the fair value of the options and warrants deemed to be issued by PL is determined as follows:

- For 555,000 post Consolidation options issued to the former directors, consultants, senior officers and employees of Libby K, exercisable at \$0.20 per Company share until February 8, 2024, the fair value is \$110,089;
- For 250,000 post Consolidation warrants issued to former consultants of Libby K, exercisable at \$0.20 per Company share until February 8, 2021, the fair value is \$22,500.

5. Trade and other receivables

The Company's trade and other receivables are comprised of the following:

	December 31, 2020	December 31, 2019
	\$	\$
Trade receivables	40,450	508,154
Other receivables	78,346	23,862
	118,796	532,016

At December 31, 2020, nil of the Company's trade receivables balance is over 90 days past due (44% as at December 31, 2019) and 100% (98% as at December 31, 2019) of the trade receivable balances are owing from 1 customer (4 customers as at December 31, 2019). The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. At December 31, 2020, the Company recorded \$145,800 as allowance for doubtful accounts (nil as at December 31, 2019 for the same customer).

6. Prepaid expenses and deposits

	December 31, 2020	December 31, 2019
	\$	\$
Prepaid service contracts	202,961	33,271
Deposits	4,598	4,598
	207,559	37,869

Prepaid service contracts consist of various prepaid agreements including online subscriptions, insurance, membership fees, and consulting services for corporate finance and investor relations purposes. The increase year over year results from increased corporate finance and investor relations activities after the RTO.

Deposits consists of fees paid to one consultant and an office space lease damage deposit.

Plurilock Security Inc.
Notes to the consolidated financial statements

December 31, 2020 and 2019

(Expressed in Canadian dollars)

7. Equipment

Equipment consists of computer equipment and is broken down as follows:

	\$
Cost	
Balance January 1, 2019	21,159
Additions	5,171
Disposals	-
Balance December 31, 2019	26,330
Additions	28,055
Disposals	-
Balance December 31, 2020	54,385
Accumulated amortization	
Balance January 1, 2019	18,921
Amortization for the period	3,099
Disposals	-
Balance December 31, 2019	22,020
Amortization for the period	4,747
Disposals	-
Balance December 31, 2020	26,767
Net book value	
At January 1, 2019	2,238
At December 31, 2019	4,310
At December 31, 2020	27,618

8. Right of use asset

Right of use asset relates to an office space lease for the Company. The following table provides a reconciliation of this right of use asset:

	December 31, 2020	December 31, 2019
	\$	\$
Opening balance	28,253	42,380
Less: amortization during the year	(14,124)	(14,127)
Balance at end of the year	14,129	28,253

Plurilock Security Inc.**Notes to the consolidated financial statements**

December 31, 2020 and 2019

(Expressed in Canadian dollars)

9. Lease liability

Lease liability relates to the lease of an office space, which has a remaining lease term of one year, and was discounted using an interest rate of 10%. During the year ended December 31, 2020, the Company recognized \$2,408 in interest expense on lease liability (2019: \$3,846), which is included in interest expense.

	December 31, 2020	December 31, 2019
	\$	\$
Opening balance	32,749	45,678
Add: interest during the year	2,407	3,846
Less: payments during the year	(18,300)	(16,775)
Balance at end of the year	16,856	32,749
Less: current portion of lease liability	(16,856)	(15,893)
Non-current portion of lease liability	—	16,856

10. Intangible assets

Intangibles consist of patent costs incurred in 2015 related to (3) three 20-year patents covering certain aspects of our behavioral biometric algorithms. The values are broken down as follows:

	\$
Cost	
Balance January 1, 2019	100,000
Additions	-
Disposals	-
Balance December 31, 2019	100,000
Additions	-
Disposals	-
Balance December 31, 2020	100,000
Accumulated amortization	
Balance January 1, 2019	20,000
Amortization for the period	5,000
Disposals	-
Balance December 31, 2019	25,000
Amortization for the period	5,000
Disposals	-
Balance December 31, 2020	30,000
Net book value	
At January 1, 2019	80,000
At December 31, 2019	75,000
At December 31, 2020	70,000

11. Trade and other payables

The Company's trade and other payables are comprised of the following:

	December 31, 2020	December 31, 2019
	\$	\$
Trade payables	208,789	103,398
Accrued liabilities	174,721	119,841
Payroll liabilities	26,106	117,390
	409,616	340,629

Trade payables include deferred consulting fees to the Chief Financial Officer of nil as at December 31, 2020 (December 31, 2019: \$34,020). Accrued liabilities and payroll liabilities include deferred compensation to the Chief Executive Officer, Chief Financial Officer and Chief Technology Officer of \$35,730 as at December 31, 2020 (December 31, 2019: \$83,025).

12. Unearned revenue

	December 31, 2020	December 31, 2019
	\$	\$
Opening balance	138,659	33,547
Amounts received	159,502	516,463
Revenue recognized	(203,461)	(411,351)
Closing balance	94,700	138,659

Unearned revenue consists of customer contract revenue earned for goods or services which have not yet been delivered and are expected to be provided in the next twelve months.

13. Short-term loans

	December 31, 2020	December 31, 2019
	\$	\$
Promissory Notes (a)	—	223,088
Bridge loan (b)	—	177,945
	—	401,033
Due for settlement in under 12 months	—	(401,033)
Due for settlement after 12 months	—	—

Continuity of promissory notes	December 31, 2020	December 31, 2019
Opening balance	223,088	115,842
Proceeds on promissory notes in the year	—	200,000
Less: allocation to equity for conversion option	4,600	(4,600)
Interest expense	9,912	16,215
Conversion to equity	(47,000)	—
Repayments during the year	(190,600)	(104,369)
Total	—	223,088
Less: current portion of promissory notes	—	(223,088)

Continuity of bridge loan	December 31, 2020	December 31, 2019
Opening balance	177,945	—
Proceeds on bridge loan in the year	—	200,000
Interest expense	11,399	24,274
Repayments during the year	(189,344)	(46,329)
Total	—	177,945
Less: current portion of promissory notes	—	(177,945)
Long-term portion of promissory notes	—	—

- a)** As at December 31, 2020, promissory notes balance was nil (\$223,088 on December 31, 2019). These promissory notes carried interest rates ranging between 12% - 14% per annum. Promissory notes were repaid in their entirety during Q3 2020.
- b)** As at December 31, 2020, the Company's bridge loan balance was nil (\$177,945 on December 31, 2019). The bridge loan was secured by a first priority General Security Agreement ("**GSA**"), current and all future SRED claims from CRA and all future Industrial Research Assistance Program ("**IRAP**") claims and carried interest at a rate of 1.6% per month compounded monthly. On May 19, 2020, the Company repaid in full the bridge loan outstanding. The related GSA was discharged shortly thereafter.

14. Loans payable to related parties

	December 31, 2020	December 31, 2019
	\$	\$
Loans payable to related parties	—	52,164

Continuity of loans payable to related parties	December 31, 2020	December 31, 2019
Opening balance	52,164	68,072
Proceeds on loans in the year	—	50,000
Interest expense	4,204	6,740
Repayments during the year	(56,368)	(72,648)
Total	—	52,164
Less: current portion of loans payable to related parties	—	(52,164)
Long-term portion of loans payable to related parties	—	—

Loans payable to related parties as at December 31, 2020 was nil (\$52,164 on December 31, 2019). The loan included a short-term promissory note of \$50,000 owed to the former Chairman of the Company ("**Lender**"). The amount was secured by certain accounts receivable and carried an interest rate at 14% per annum. The loan and all accrued interest were paid in full during Q3 of 2020.

15. Government loan

In March 2020, the World Health Organization declared the coronavirus (specifically identified as "**COVID-19**") a global pandemic.

On April 14, 2020, the Company entered into a loan agreement with the Silicon Valley Bank for \$53,038 (US\$39,072) ("**PPP Loan**") pursuant to the U.S. Small Business Administration Paycheck Protection Program ("**PPP**"). The PPP was established as part of the U.S. Coronavirus Aid, Relief and Economic Security Act ("**CARES Act**"). The Loan was subject to forgiveness to the extent proceeds are used for payroll costs, including payments required to continue group health care benefits and certain rent, utility, and mortgage interest expenses (collectively, "Qualifying Expenses"), pursuant to the terms and limitations of the PPP. The Company used the Loan amount for payroll costs. During the fourth quarter of 2020, the Company applied for and received full forgiveness of the PPP. The PPP amount has been recognized on a net basis as a reduction of salaries and benefits.

On April 15, 2020, the Company was approved for a \$40,000 line of credit ("**LOC**") with Royal Bank of Canada under the Canada Emergency Business Account ("**CEBA**") program funded by the Government of Canada to aid with economic effects resulting from the Coronavirus pandemic. The CEBA LOC is non-interest bearing, can be repaid at any time without penalty until December 31, 2022. The Company has drawn \$40,000 from the CEBA LOC on May 11, 2020. On January 1, 2021, the outstanding balance of the CEBA LOC will automatically convert to a non-revolving term loan ("**CEBA Term Loan**"). The CEBA Term Loan will bear interest at 5% per annum starting January 1, 2023 and mature on December 31, 2025. The CEBA Term Loan may be repaid at any time without notice to the lender or the payment of any penalty. If 75% of the CEBA Term Loan at the CEBA Term Loan Commencement Date is repaid on or before December 31, 2022, the repayment

of the remaining 25% of such CEBA Term Loan shall be forgiven ("**Early Payment Credit**"). As of December 31, 2020, the management is planning to repay 75% of the CEBA Term Loan by December 31, 2022, therefore, 25% of the loan (or \$10,000) has been recognized as Government Assistance and recorded as other income.

16. Share capital

(a) Authorized

Unlimited number of common shares without par value and without special rights or restrictions attached.

(b) Issued and outstanding

On February 25, 2020, the Company raised approximately \$1 million in a non-brokered private placement (the "**Bridge #1 Financing**"). On June 18, 2020, the Company raised approximately \$548,000 in a second non-brokered private placement (the "**Bridge #2 Financing**"). On September 17, 2020, the Company completed the QT and closed the concurrent financing for proceeds of \$2.6 million (\$932,801 in 2019 through a common share round of financing and a series seed preferred share round of financing). Common shares issued through Bridge #1 and Bridge #2 financing were at \$0.225 per share, and common shares issued through QT concurrent financing were at \$0.29 per share (\$0.25 in 2019) and resulted in 22,431,610 (3,446,457 in 2019) common shares.

3,050,000 common shares are subject to CPC Escrow Agreement dated January 16, 2019. 10% of the common shares were released on September 22, 2020 ("**Release Date**") and another 15% of the common shares will be released every 6 months thereof. As at December 31, 2020, there were 2,745,000 common shares held in escrow under the CPC Escrow Agreement.

2,986,838 common shares are subject the QT Tier 2 Surplus Security Escrow Agreement dated September 17, 2020. 5% of the common shares were released on the Release Date, another 5% will be released on March 22, 2021, 10% will be released on the 12 and 18 month anniversaries of the Release Date, 15% will be released on the 24 and 30 month anniversaries of the Release Date and 40% will be released on the 36 month anniversary of the Release Date. As at December 31, 2020, there were 2,837,496 common shares held in escrow under the QT Tier 2 Surplus Security Escrow Agreement.

5,070,614 common shares are subject to the QT Tier 2 Value Security Escrow Agreement dated September 17, 2020. 10% of the common shares were released on the Release Date and another 15% of the common shares will be released every 6 months thereafter. As at December 31, 2020, there are 4,563,553 common shares held in escrow under the QT Tier 2 Value Security Escrow Agreement.

1,262,000 restricted common shares had a four-month holding period since the completion of the QT expiring on January 18, 2021.

16. Share capital (continued)

(b) Issued and outstanding (continued)

Share issuance costs during the year totaled \$521,046 (\$42,500 in 2019) and are recorded as a reduction to share capital.

The Company's series seed preferred shares were convertible into common shares of the Company without payment of additional consideration at any time at the option of the shareholder. The series seed preferred shares were converted into common shares upon the Qualifying Transaction.

Number of shares prior to the QT were converted at conversion ratios described in Note 4.

The following table summarizes the Company's issued and outstanding share capital:

	Number of common shares #	Number of preferred shares #	Number of shares #	\$
Balance, January 31, 2019	19,177,723	—	19,177,723	3,747,362
Shares issued for cash	1,315,154	2,131,303	3,446,457	932,801
Share issuance costs	—	—	—	(42,500)
Balance, December 31, 2019	20,492,877	2,131,303	22,624,180	4,637,663
Shares issued for cash - prior to QT	959,920	—	959,920	240,625
Share issuance costs - prior to QT	—	—	—	(63,690)
Shares issued for cash - Concurrent financing	8,678,162	—	8,678,162	2,560,058
Shares issued in exchange of Plurilock preferred shares	2,131,303	(2,131,303)	—	—
Shares issued to acquire Libby K	5,550,000	—	5,550,000	1,609,500
Shares issued as a result of convertible debt settlement	5,810,550	—	5,810,550	1,272,975
Shares issued in exchange of Plurilock options and warrant	1,232,978	—	1,232,978	241,454
Shares issued to consultants	200,000	—	200,000	58,000
Share issuance costs QT	—	—	—	(469,967)
Exercise of warrants	155,462	—	155,462	45,084
Balance, December 31, 2020	45,211,252	—	45,211,252	10,131,702

(c) Stock option plan

PL established a stock option plan ("PL Plan") in 2015 whereby eligible employees, consultants, and directors were granted stock options to purchase common shares in PL. The maximum number of non-voting shares available for issuance under the PL Plan was fixed at 5,500,000 by the PL Board of Directors in 2018. The options expired 10 years from the grant date and generally vested over a three-year period from the date of the grant. All outstanding in the money stock options of PL were converted into common shares upon the completion of the QT. All out of the money stock options were canceled upon completion of the QT. The PL Plan was terminated at the same time.

Libby K established a stock option plan ("Libby K Plan") in 2018 whereby eligible employees, consultants, and directors were granted stock options to purchase common shares in Plurilock. The maximum number of non-voting shares available for issuance under the Libby K Plan was 10% of the issued and outstanding common shares. The options expire 10 years from the grant date and generally vested at the date of the grant. Prior to the completion of the QT, Libby K had 1,110,000 stock options granted to directors, consultants, senior officers and employees. Upon the completion of the QT, the 1,110,000 outstanding options of Libby K were converted to Plurilock 555,000 options.

16. Share capital (continued)

(c) Stock option plan (continued)

On October 26, 2020, the Plurilock Board of Directors approved the replacement of the Libby K Plan with a new Plurilock stock option plan ("**Plurilock Plan**") for the purchase of an aggregate of 6,105,657 common shares to employees, officers, directors and consultants of the Company, pursuant to the terms of the Plurilock Plan. The Plurilock Plan is subject to shareholder's approval, which will be requested at the Company's next shareholder meeting. The stock options are exercisable at \$0.34 per share, expire in 10 years from the date of grant, and vest over 36 months such that one-third of the stock options will vest on the date of grant and two-thirds of the stock options will vest quarterly starting from one (1) year following the date of grant.

On December 8, 2020, the Plurilock Board of Directors granted, subject to shareholders approval, stock options for the purchase of an aggregate of 1,480,000 common shares to officers, employees, a new advisor and a new consultant of the Company, pursuant to the Plurilock Plan. The stock options are exercisable at \$0.35 per share, expire in 10 years from the date of grant with various vesting schedules.

The following table summarizes the continuity of stock options:

	Number of options #	Weighted average exercise price \$
Balance, January 1, 2019	4,990,181	0.25
Granted	684,458	0.25
Forfeited	(446,488)	0.25
Balance, December 31, 2019	5,228,151	0.25
Granted	8,150,657	0.33
Converted	(5,328,151)	0.25
Cancelled	(86,000)	0.34
Balance, December 31, 2020	7,964,657	0.33

16. Share capital (continued)

(c) Stock option plan (continued)

Additional information concerning stock options outstanding as at December 31, 2020 and 2019 as follows:

	2020			2019		
	Exercise price \$	Number of options #	Weighted average remaining contractual life Years	Exercise price \$	Number of options #	Weighted average remaining contractual life Years
2020	0.33	7,964,657	9.38			
2019	—	—	—	0.25	237,970	0.46
2018	—	—	—	0.25	2,221,254	3.82
2017	—	—	—	0.25	1,311,427	2.01
2016	—	—	—	0.25	882,500	1.18
2015	—	—	—	0.25	575,000	0.66
	0.33	7,964,657	9.38	0.25	5,228,151	8.13

The weighted average remaining contractual life of stock options outstanding as at December 31, 2020 was 9.38 years (8.13 years in 2019).

Fair values – option plan

The average fair value per option granted under the Option Plan in the year ended December 31, 2020 was \$0.27 (\$0.03 in 2019).

The total fair value of the options granted under the Option Plan in the year ended December 31, 2020 was \$2,127,415 (\$2,724 in 2019).

The weighted average exercise price of stock options outstanding as at December 31, 2020 was \$0.33 (\$0.25 in 2019).

The estimated fair value of each option granted under the Option Plan was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions. The volatility used is based on volatilities of a peer group of companies. The increase in volatility as at December 31, 2020 as compared to December 31, 2019 is due to the Company using a peer group of comparable public companies subsequent to the QT:

	December 31, 2020	December 31, 2019
Risk-free interest rate	0.25%-0.53%	1.63%
Dividend yield	—	—
Expected life (in years)	3-7	3-10
Volatility	100	13.00

16. Share capital (continued)

(d) *Stock-based payment reserve*

Total stock-based compensation cost recognized in income was \$787,004 (\$30,148 in 2019) and is credited to contributed surplus.

The total stock-based compensation expense in the year ended December 31, 2020 is comprised of the expense related to stock options issued to related parties of \$616,449 (\$26,721 in 2019) and to other employees of \$170,555 (\$3,427 in 2019).

(e) *Warrants*

There are 8,565,247 warrants as at December 31, 2020 (1,001,632 as of December 31, 2019).

The following table summarizes the continuity of the warrants:

	Number of warrants #	Weighted average exercise price \$
Balance, January 1, 2019	3,364,057	0.25
Expired	(2,362,425)	0.25
Balance, December 31, 2019	1,001,632	0.25
Expired	(926,632)	0.25
Special warrants	534,720	0.45
Converted upon QT	(75,000)	0.25
Finder's fee for Bridge #2 financing	69,400	0.40
Converted from convertible debt	2,905,256	0.40
Concurrent financing	4,339,081	0.40
Broker's fee for concurrent financing	622,252	0.30
Libby K warrants	250,000	0.20
Exercised	(155,462)	0.20
Balance, December 31, 2020	8,565,247	0.39

Plurilock Security Inc.**Notes to the consolidated financial statements**

December 31, 2020 and 2019

(Expressed in Canadian dollars)

17. Capital risk management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents, short-term loans, loans payable to related parties, and equity comprised of issued share capital, and share-based payment reserve:

	December 31, 2020	December 31, 2019
	\$	\$
Cash and cash equivalents	1,721,179	147,433
Short-term loans	-	401,033
Loans payable to related parties	-	52,164
Government loan	30,000	-
Share capital	10,131,702	4,637,663
Contributed and other surplus	755,409	209,859
	12,638,290	5,448,152

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances, short-term loans, loans payable to related parties, or by undertaking other activities as deemed appropriate under the specific circumstances.

18. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, and government loan.

Cash and cash equivalents, tax credits receivable and trade and other receivables are classified as financial assets at amortized cost and are initially recognized at fair value and subsequently carried at amortized cost less any impairment. The carrying value of these financial assets approximates their fair value due to the relatively short period to maturity.

Trade and other payables and government loan are classified as financial liabilities at amortized cost and recognized at fair value and subsequently carried at amortized cost. The carrying value of these other financial liabilities approximates fair value due to the relatively short period to maturity.

Financial risk management

Management and monitoring of financial risks is performed by the Company's management, which manages all financial exposures. The Company is exposed to various financial risks through its financial instruments: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risk). The following analysis enables users to evaluate the nature and extent of the risks at the end of each reporting period.

18. Financial instruments (continued)

Financial risk management (continued)

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's significant financial assets include cash and cash equivalents, accounts receivable, and tax credits receivable. The Company mitigates credit risk on cash by placing it at a credit-worthy financial institution. Tax credits receivable and other receivables are due from the Government of Canada. The carrying amounts of the financial assets represent the Company's maximum credit exposure:

	December 31, 2020 \$	December 31, 2019 \$
Cash and cash equivalents	1,721,179	147,433
Accounts receivable	118,796	532,016
Tax credits receivable	69,243	178,036
	1,909,218	857,485

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rates of the Company's short-term loans and loans payable to related parties are fixed; as a result, the Company is not subject to significant interest rate risk. Interest rate on the Company's cash deposits and guaranteed income certificates held at the bank is nominal.

(c) Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due or can only do so at excessive costs. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short term borrowing. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due, through cash flows from its operations and anticipating any investing and financing activities. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. Subsequent to December 31, 2020, the Company completed two rounds of non-brokered private placement financing totaling \$5.16 million (Note 25).

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company enters into foreign currency purchase and sale transactions and has assets and liabilities that are denominated in foreign currencies. The Company is exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates.

18. Financial instruments (continued)

The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk. If the Canadian dollar to US dollar exchange rates were to increase/decrease by 5% relative to the rate for the year ended December 31, 2020, there would not be a significant impact to the net loss for the year.

(e) Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value reflects market conditions at a given date and, for this reason, may not be representative of future fair values or of the amount that will be realized upon settling the instrument.

To the extent possible, the Company uses data from observable markets to measure the fair value of an asset or liability. Fair value measurements are established based on a hierarchy into three levels that categorizes the inputs to valuation techniques:

Level 1 – Fair value measurement based on quoted prices (unadjusted) observable in active markets for identical assets or liabilities.

Level 2 – Fair value measurement using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Fair value measurement using inputs that are not based on observable market data (unobservable inputs).

The Company does not hold any Level 1 financial assets or liabilities that are based on unadjusted quoted prices trading in active markets, Level 2 assets or liabilities that are estimated based on quoted prices that are observable for similar instruments, or Level 3 financial assets or liabilities that require management to make assumptions regarding the measurement of fair value using significant inputs that are not based on observable market data.

19. Segmented information

(a) Operating Segments

The Company and its subsidiary operate primarily in one principal business, that being developing and selling cyber security solutions to customers in government and other sectors.

	December 31, 2020	December 31, 2019
	\$	\$
Revenue		
License	326,322	158,669
Government	153,007	488,231
	479,329	646,900

(b) Entity wide disclosures

Geographic revenue information is based on the location of the customers invoiced. Long-lived assets include non-current equipment and intangible assets.

	December 31, 2020	December 31, 2019
	\$	\$
Revenue		
United States	478,779	448,544
Canada	550	198,356
	479,329	646,900
Long-lived assets		
Canada	111,747	107,563

20. Operating expenses

	December 31, 2020 \$	December 31, 2019 \$
Research and development		
Communication and IT services	148,353	135,322
Contractors	45,144	79,863
Government assistance	(339,763)	(125,045)
Office and general	2,559	477
Salaries and benefits	766,271	668,265
SRED tax credit	(93,728)	(121,594)
Travel and entertainment	2,129	11,883
Cost reallocation	(100,961)	(86,371)
	430,004	562,800
Sales and marketing		
Advertising and promotion	34,997	3,497
Communication and IT services	59,892	38,705
Contractors	112,130	17,057
Government assistance	(124,709)	—
Marketing	52,331	9,732
Office and general	2,643	—
Salaries and benefits	698,790	402,749
Sales commission	25,293	18,375
Travel and entertainment	615	7,678
	861,982	497,793
General and administrative		
Amortization	23,872	22,227
Bad debt	138,322	229
Communication and IT services	43,173	34,992
Contractors	257,041	193,016
Government assistance	(46,833)	—
Insurance	15,135	17,405
Office and general	40,230	40,900
Professional fees	396,823	173,116
Investor relations and regulatory filing	184,818	—
Salaries and benefits	286,371	210,792
Travel and entertainment	16,302	68,723
	1,355,254	761,400

The Temporary Wage Subsidy ("TWS") came into effect on March 18, 2020 as a COVID-19 relief program and allowed eligible employers to reduce the amount of payroll deductions they would otherwise be required to remit to the CRA. The amount of the subsidy was 10% of remuneration and applies during the period of March 18, 2020 to June 19, 2020. The Company met the conditions to qualify for the TWS and received \$20,625 under the program in 2020. The Company has adopted IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) to account for the TWS. The amount received has been recognized on a net basis as a reduction of operating expenses as Government Assistance under the respective department noted above.

20. Operating expenses (continues)

Effective April 11, 2020, Canada Emergency Wage Subsidy ("CEWS") came into effect providing a wage subsidy to eligible Canadian employers to enable them to continue to pay their Canadian employees through their own payroll. Under this program, qualifying businesses can receive up to 75% of their employees' wages. The Company met the conditions to qualify for the CEWS and was granted \$335,838 under the program in 2020. The Company has accounted for the CEWS in accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance). The amount the Company is approved for under the CEWS program will be recognized as Government Assistance and netted against operating expenses of each department.

21. Listing costs

Listing costs consist of expenses related to obtaining the Company's listing on the Over-The-Counter Markets Group ("OTC") and on the TSX-V as a result of the QT. These expenses are outside the Company's normal course of business operations.

	Notes	December 31, 2020 \$	December 31, 2019 \$
OTC related listing costs		35,932	-
QT related listing costs	4	1,521,084	-
		1,557,016	-

22. Income taxes

(a) Income tax expense

	December 31, 2020 \$	December 31, 2019 \$
Current		
Canadian income tax	—	—
Foreign income tax	—	—
Adjustments in respect of prior year	—	—
Total current tax	—	—
Deferred		
Canadian income tax	—	—
Foreign income tax	—	—
Adjustments in respect of prior year	—	—
Total deferred tax	—	—
Income tax expense (recovery)	—	—

Plurilock Security Inc.
Notes to the consolidated financial statements

December 31, 2020 and 2019

(Expressed in Canadian dollars)

22. Income taxes (continued)

(b) Income tax expense (recovery) differs from applying Canadian federal and provincial income tax rates to income (loss) before taxes. The differences are summarized below:

	December 31, 2020	December 31, 2019
	\$	\$
Net loss for the period	(4,598,234)	(1,337,129)
Statutory tax rate	27%	27%
Recovery of tax at statutory rates	(1,241,523)	(361,025)
Permanent differences and other	520,256	29,344
Rate Differential	20,591	13,567
Benefit of deferred tax assets not recognized	751,782	314,782
Share issue costs in equity	(46,086)	(11,475)
Other	(5,020)	14,807
Tax recovery	—	—

(c) Deferred tax balances

	December 31, 2020	December 31, 2019
	\$	\$
Deferred tax assets		
Tax losses	106,098	48,429
Equipment and other	—	—
Subtotal	106,098	48,429
Deferred tax liabilities		
ITC to be taxed in the following year	—	(45,175)
Intangibles	106,098	(3,254)
Subtotal	106,098	(48,429)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

22. Income taxes (continued)

(d) Unrecognized losses and other temporary differences

Losses and other temporary differences that have not been included on the consolidated statements of financial position:

	December 31, 2020	December 31, 2019
	\$	\$
Tax loss carryforwards	6,517,703	3,743,795
Financing costs -20(1)(e)	203,775	53,508
Deductible SR&ED pool	545,417	683,625
Lease obligation	2,728	4,496
Equipment and other	403,569	5,866
Subtotal	<u>7,673,192</u>	<u>4,491,290</u>

The Company's total unused tax losses:

Year of expiry	\$
2034	62,120
2035	310,875
2036	710,497
2037	421,898
2038	685,791
2039	956,961
2040	2,191,731
No expiry date	1,177,830
	<u>6,517,703</u>

23. Loss per share

Basic loss per share is calculated by dividing net loss for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted loss per share is calculated by dividing net loss for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares, if any, that would be issued on conversion of all the dilutive potential effects.

Number of shares prior to the QT that were used to calculate the weighted average number of common shares were converted at conversion ratios described in Note 4.

All of the outstanding stock options and share purchase warrants at December 31, 2020 and 2019 were anti-dilutive for the periods then ended as the Company was in a loss position.

23. Loss per share (continued)

The basic and diluted net loss per share for the Company for the period is calculated using the following:

	December 31, 2020	December 31, 2019
	\$	\$
Numerator		
Net loss for the year	(4,598,234)	(1,337,129)
Denominator		
Weighted average number of common shares outstanding, basic and diluted	28,056,074	20,197,386
Basic and diluted loss per share	(0.16)	(0.07)

24. Related party transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's Board of Directors and members of the executive team.

The following table summarizes the related party transactions:

	December 31, 2020	December 31, 2019
	\$	\$
Wages and benefits	406,096	333,506
Consulting fees	207,200	121,967
Stock-based compensation expense*	616,449	26,721
	1,229,745	482,194

Note:

* Reflects the amount recorded as expense in the consolidated statement of loss and comprehensive loss. The fair value of stock-based compensation is measured at grant date and is recognized as an expense over the vesting period.

25. Subsequent events

- a) 1,262,000 restricted common shares had a four-month holding period since the completion of the QT expired on January 18, 2021 and were released.
- b) On February 18, 2021, Plurilock announced the closing of its non-brokered private placement consisting of the issuance of 7,914,732 units at a subscription price of \$0.45 per unit, for aggregate gross proceeds to the Company of approximately \$3.56 million.
- c) On February 26, 2021, Plurilock closed a second non-brokered private placement consisting of the issuance of 3,326,004 units at a subscription price of \$0.48 per unit, for aggregate gross proceeds to the Company of approximately \$1.6 million.
- d) Subsequent to the year end, Plurilock granted a total of 500,000 stock options to various employees and directors of the Company.
- e) On March 31, 2021, Plurilock's United States subsidiary, PLUS, completed the acquisition of Aurora Systems Consulting Inc. ("**Aurora**"), a provider of advanced cybersecurity technology and services based in California. PLUS acquired all of the outstanding securities of Aurora. The acquisition is complementary to and was made with a view of growing Plurilock's existing lines of business. Pursuant to the terms of the definitive agreement, PLUS paid Aurora and the shareholder of Aurora, an aggregate consideration of US\$1.5 million, which includes a performance-based earnout of US\$300,000 in common shares of Plurilock. In addition, upon closing of the acquisition, US\$90,000 of the consideration was placed in escrow for 12 months to satisfy any indemnification obligations to the Company, as well as any purchase price adjustments pursuant to the terms of the definitive agreement.