Consolidated financial statements of
Plurilock Security Inc.

For the three months ended March 31, 2024 and 2023 (unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Plurilock Security Inc. have been prepared by and are the responsibility of management. These condensed interim consolidated financial statements for the three ended March 31, 2024, have not been reviewed or audited by the Company’s independent auditors. All amounts are stated in Canadian Dollars unless otherwise stated.

Plurilock Security Inc.

Condensed Interim Consolidated Statements of Financial Position (unaudited)

(Expressed in Canadian dollars)

	Notes	Restated - Note 26 **March 31, 2024** **$**	December 31, 2023 $
Assets			
Current assets			
Cash and cash equivalents		**609,473**	1,917,770
Restricted cash	5	**20,000**	140,423
Trade and other receivables	6	**9,129,230**	17,179,964
Tax credits receivable	7	**193,467**	172,188
Inventory	8	**1,608,696**	1,866,017
Prepaid expenses and deposits	9	**336,752**	331,367
Total current assets		**11,897,618**	21,607,729
Non-current assets			
Property and equipment	10	**76,958**	83,425
Right-of-use asset	11	**41,489**	52,848
Net investment in sublease	12	**35,997**	45,831
Intangible assets	13	**1,758,559**	1,828,547
Goodwill	13	**3,545,244**	3,490,950
Other non-current assets		**36,502**	26,406
Total assets		**17,392,367**	27,135,736
Liabilities			
Current liabilities			
Trade and other payables	14	**15,127,150**	23,686,325
Unearned revenue	15	**2,026,553**	1,641,663
Short-term loans	16	**3,824,687**	4,504,636
Lease liability	12	**97,409**	109,231
Total current liabilities		**21,075,799**	29,941,855
Non-current liabilities			
Lease liability - non-current	12	**—**	12,922
Deferred tax liability		**18,831**	18,441
Convertible debenture	17	**1,257,545**	1,257,545
Other non-current liabilities	18	**245,684**	240,733
Total liabilities		**22,597,859**	31,471,496
Shareholders' equity			
Share capital	19(b)	**25,446,093**	25,370,093
Equity reserve		**675,879**	675,879
Foreign currency translation (deficit) reserve		**14,044**	(91,995)
Contributed and other surplus		**2,980,589**	2,919,750
Accumulated deficit		**(34,322,097)**	(33,209,487)
Total equity		**(5,205,492)**	(4,335,760)
Total equity and liabilities		**17,392,367**	27,135,736
Subsequent events	26		

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Approved by the Board

"Blake Corbet"	*"Jennifer Swindell"*
Blake Corbet, Director	Jennifer Swindell, Director

Plurilock Security Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)

(Expressed in Canadian dollars)

		Three months ended March 31,	
		Restated - Note 26	
		2024	2023
	Notes	**$**	$
Revenue	22	**11,574,930**	15,767,328
Cost of sales		**(9,039,795)**	(13,620,740)
Gross profit		**2,535,135**	2,146,588
Operating expenses			
Research and development	23	**333,884**	510,880
Sales and marketing	23	**801,987**	777,592
General and administrative	23	**1,986,800**	1,927,636
Stock-based compensation	19(d)	**60,839**	165,310
Total operating expenses		**3,183,510**	3,381,418
Operating loss		**(648,375)**	(1,234,830)
Other expenses			
Foreign exchange translation gain (loss)		**(122,985)**	150,684
Acquisition-related expenses		**(4,280)**	(14,724)
Financing expenses		**(3,843)**	(109,794)
Other income		**85,326**	—
Impairment on assets		**(1,794)**	—
Loss on disposal of assets		**—**	(3,339)
Interest expenses		**(416,659)**	(143,545)
Total other expenses		**(464,235)**	(120,718)
Net loss for the period before tax		**(1,112,610)**	(1,355,548)
Income tax recovery		**—**	(2,439)
Net loss for the period		**(1,112,610)**	(1,357,987)
Other comprehensive income (loss)			
Items that may be subsequently reclassified to net results			
Foreign exchange translation difference		**106,039**	(153,854)
Other comprehensive income (loss)		**106,039**	(153,854)
Comprehensive loss for the period		**(1,006,571)**	(1,511,841)
Basic and diluted loss per share (Restated - Note 26)	24	**(0.10)**	(0.17)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Plurilock Security Inc.

Condensed Interim Consolidated Statements of Changes in Equity (unaudited)

(Expressed in Canadian dollars)

	Notes	(Restated - Note 26)	Share capital	Contributed and other surplus	Equity reserve	Foreign currency translation (deficit) reserve	Accumulated deficit	Total
		#	$	$	$	$	$	$
Balance, January 1, 2023		**8,536,073**	**23,014,218**	**2,413,046**	**870,871**	**128,806**	**(24,123,648)**	**2,303,293**
Units issued for cash		142,139	198,995	-	-	-	-	198,995
Share issuance costs		-	(7,410)	-	-	-	-	(7,410)
Shares issued for convertible debenture interest		44,028	55,036	-	-	-	-	55,036
Share issuance costs for convertible debenture		-	7,398	-	2,457	-	-	9,855
Shares issued for convertible debenture conversion		3,509	10,000	-	-	-	-	10,000
Equity component of convertible debenture		-	-	-	(2,427)	-	-	(2,427)
Recognition of stock-based compensation		-	-	165,310	-	-	-	165,310
Exercise of warrants		7,125	15,675	-	(5,700)	-	-	9,975
Expiry of warrants		-	-	189,375	(189,375)	-	-	-
Net loss for the period		-	-	-	-	-	(1,357,987)	(1,357,987)
Other comprehensive loss		-	-	-	-	(153,854)	-	(153,854)
Balance, March 31, 2023		**8,732,874**	**23,293,912**	**2,767,731**	**675,826**	**(25,048)**	**(25,481,635)**	**1,230,786**
Units issued for cash		1,145,727	1,661,305	-	-	-	-	1,661,305
Share issuance costs		-	(61,121)	-	-	-	-	(61,121)
Shares issued as part of acquisition consideration		235,294	400,000	-	-	-	-	400,000
Shares issued for convertible debenture interest		54,284	75,997	-	-	-	-	75,997
Warrants issued as part of financing on convertible debenture		-	-	-	53	-	-	53
Recognition of stock-based compensation		-	-	152,019	-	-	-	152,019
Net loss for the period		-	-	-	-	-	(7,727,852)	(7,727,852)
Other comprehensive loss		-	-	-	-	(66,947)	-	(66,947)
Balance, December 31, 2023		**10,168,179**	**25,370,093**	**2,919,750**	**675,879**	**(91,995)**	**(33,209,487)**	**(4,335,760)**
Shares issued for convertible debenture interest	19(b)	126,666	76,000	-	-	-	-	76,000
Recognition of stock-based compensation	19(d)	-	-	60,839	-	-	-	60,839
Net loss for the period		-	-	-	-	-	(1,112,610)	(1,112,610)
Other comprehensive loss		-	-	-	-	106,039	-	106,039
Balance, March 31, 2024		**10,294,845**	**25,446,093**	**2,980,589**	**675,879**	**14,044**	**(34,322,097)**	**(5,205,492)**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Plurilock Security Inc.

Condensed Interim Consolidated Statements of Cash Flows (unaudited)

(Expressed in Canadian dollars)

	Notes	Three months ended March 31, 2024	2023
		$	$
Net loss for the period		**(1,112,610)**	(1,357,987)
Operating activities			
Adjustments for			
Amortization	23	**131,080**	97,554
Stock-based compensation	19(d)	**60,839**	165,310
Loss on disposal of asset		**—**	3,339
Impairment on assets		**1,794**	—
Deferred rent		**8,420**	—
Interest expense - lease liability	12	**2,352**	8,953
Unrealized foreign exchange (gain)/loss		**122,985**	(150,684)
Changes in working capital and other items			
Trade and other receivables		**8,050,734**	(111,167)
Tax credits receivable		**(21,279)**	75,186
Inventory		**257,321**	(308,400)
Prepaid expenses and deposits		**(5,385)**	32,180
Other non-current assets		**(10,096)**	(1,935)
Trade and other payables		**(8,559,175)**	3,194,847
Unearned revenue		**4,951**	34,106
Other non-current liabilties		**384,890**	18,658
Net cash flows provided by (used in) operating activities		**(683,179)**	1,699,960
Investing activities			
Acquisition of equipment	10	**—**	(724)
Net cash (paid) / acquired from/for business acquisition		**(3,563)**	—
Net cash flows used in investing activities		**(3,563)**	(724)
Financing activities			
Proceeds from issuance of shares, net of issuance costs	19(b)	**—**	191,585
Proceeds from warrant exercise		**—**	9,975
Repayment of short-term loans		**(353,527)**	—
Shares issued for convertible debenture interest payment		**76,000**	55,036
Shares issued for convertible debenture conversion		**—**	9,855
Net (repayment)/proceeds from short-term loans (LOC)		**(455,650)**	(3,391,457)
Lease payments	12	**(27,096)**	(42,913)
Net cash flows used in financing activities		**(760,273)**	(3,167,919)
Foreign exchange effect on cash and cash equivalents and restricted cash		**18,295**	45,851
Net decrease in cash and cash equivalents and restricted cash		**(1,447,015)**	(1,468,683)
Cash and cash equivalents and restricted cash, beginning of period		**2,058,193**	2,853,107
Cash and cash equivalents and restricted cash, end of period		**629,473**	1,430,275

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Supplemental cash flow information

Non-cash financing and investing activities		Three months ended March 31,	
		2024	2023
	Notes	**$**	$
Shares issued for convertible debenture interest paymer	19(b)	**76,000**	55,036
Shares issued for convertible debenture conversion	17	**-**	10,000

1. Nature of operations and continuance of business

Plurilock Security Inc. ("**Plurilock**", "**PSI**" or the "**Company**"), formerly Libby K Industries Inc. ("**Libby K**"), was incorporated under the BC Business Corporations Act on July 5, 2018. The Company's head office and principal place of business is located at 1021 West Hastings Street, MNP Tower, 9th Floor, Vancouver, BC, V6E 0C3, Canada.

The Company's common shares trade on the TSX-V as a Tier 1 technology issuer under the ticker symbol "TSX-V: PLUR" and on the OTCQB under the ticker symbol "OTCQB: PLCKF".

Plurilock is an identity-centric cybersecurity company offering IT and cybersecurity solutions through its Solutions Division, paired with proprietary AI-driven and cloud-friendly security products through its Technology Division.

As at the condensed interim consolidated financial statement March 31, 2024 date, Plurilock had two wholly owned subsidiaries - Plurilock Security Solutions Inc. ("**PL**") and Integra Network Corporation ("**INC**"). PL was formed following the amalgamation of PL and 1243540 B.C. Ltd. on September 17, 2020 pursuant to a Qualifying Transaction ("**QT**"). INC was acquired on March 4, 2022. 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 March 31, 2021, PLUS acquired Aurora Systems Consulting Inc. ("**ASC**"), a provider of advanced cybersecurity technology and services based in the State of California, USA. PLUS acquired all of the outstanding securities of ASC. On July 22, 2021, Plurilock incorporated an Indian subsidiary, Plurilock Security Private Limited ("**PSP**"). PSP is owned 99.9% by PSI and 0.01% by PL.

These condensed interim consolidated financial statements report that the Company has a net loss of $1,112,610 and $1,357,987 for the three months ended March 31, 2024, and 2023, respectively and an accumulated deficit of $34,322,097 and $33,209,487 as at March 31, 2024 and December 31, 2023, respectively. 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 dependent upon 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. The ability of the Company to continue as a going concern is dependent upon the continued support from the Company's shareholders, lenders, and the Company's ability to attain profitable operations in the near future. There can be no assurance that the Company will successfully generate sufficient operating cash flows or raise sufficient funds to continue the execution of its strategic plan and to operate as a going concern. Please refer to subsequent events (Note 26) for more information.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 29, 2024.

2. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued and effective as of December 31, 2023. The Company's material accounting policies are presented in Note 3 to the consolidated financial statements for the year ended December 31, 2023, and have been consistently applied in the preparation of these condensed interim consolidated financial statements.

Basis of presentation

These condensed interim 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 consolidated financial statements are presented in Canadian dollars.

3. Material accounting policies

Principles of consolidation

These condensed interim consolidated financial statements include the financial statements of the Company and its subsidiaries (Note 1).

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 subsidiaries and has the ability to affect those returns through its power over the subsidiaries. The financial results of subsidiaries are included in the condensed interim 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 condensed interim consolidated financial statements is the Canadian dollars. Items included in these condensed interim consolidated financial statements of the Company and its subsidiaries 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 subsidiaries is as follows: PL- Canadian dollar; INC – Canadian dollar; PLUS - U.S. dollar; ASC – U.S. dollar and PSP – Indian Rupee.

For the purpose of presenting the condensed interim 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 recognized 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.

3. Material accounting policies (continued)

Foreign currency translation (continued)

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 condensed interim consolidated statement of comprehensive loss in the period in which they arise.
- Financial assets at fair value through other comprehensive income ("**FVTOCI**"): Financial assets are 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.
- 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.

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 instrument's 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.

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. 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 amortized cost basis using

3. Material accounting policies (continued)

Financial instruments (continued)

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 recognized 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 recognized 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 recognized in equity will be transferred to deficit. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

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
Restricted cash	Amortized cost
Trade and other receivables	Amortized cost
Trade receivables as collateral for loans	FVTOCI
Trade payables and accruals	Amortized cost
Short term loans	Amortized cost
Lease liability	Amortized cost
Convertible debenture	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 a maturity of three months or less from the date of acquisition.

3. Material accounting policies (continued)

Restricted cash

The Company considers restricted cash as amounts with maturity of more than three months and classifies the amounts into current restricted cash within twelve months of maturity and non-current restricted cash beyond twelve months of maturity.

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 receivables 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 condensed interim 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 receivables. Subsequent recoveries of amounts previously written off are credited to the condensed interim consolidated statement of loss and comprehensive loss.

Trade receivables as collateral for loans

Trade and other receivables as collateral for loans are recognized initially at the amount determined under IFRS 15 and subsequently measured at FVTOCI.

Convertible debenture

The liability portion of the convertible debenture is recorded at amortized cost. The equity portion of the convertible debenture is assessed with the Black-Scholes model initially with no subsequent revaluation.

Property and 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
Computer applications	3 years
Electronical equipment	5 years
Furniture & fixtures	7 years

Intangible assets

Intangible assets consist of patents, a procurement contract, customer relationships, intellectual properties, and a brand name.

Patents cover 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.

The procurement contract is a U.S. government wide procurement contract the Company acquired as part of a business acquisition.

3. Material accounting policies (continued)

Intangible assets (continued)

The brand name, customer relationships and intellectual properties were also acquired as part of a business acquisition.

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 March 31, 2024, 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
Procurement Contract	69 months
Brand Name	Indefinite (Brand is recognized as part of a business combinations and does not have an identifiable finite number of useful life)
Customer Relationships	5-7 years
Intellectual Properties	5-7 years

Impairment of assets

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 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 an 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.

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 is recognized in profit or loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Goodwill and goodwill impairment are discussed separately below.

3. Material accounting policies (continued)

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 a 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;
- 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 profit or loss on a straight-line basis over the lease term.

3. Material 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:

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 accounts for a contract with a customer when it has approval and commitment from all parties, the rights of the parties and payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Revenue is recognized when control of the promised services or goods (the performance obligation) is transferred to customers, and in an amount that reflects the consideration the Company expects to receive in exchange for those services or goods (the transaction price). The Company measures revenue by estimating the transaction price based on the consideration specified in the customer arrangement. Revenue is recognized as the performance obligations are satisfied.

The Company derives revenues from three main sources: (1) hardware and systems sales, (2) software, license, and maintenance sales and (3) professional services.

1) Hardware and systems sales

   The Company provides physical computer hardware to customers upon submission of an approved purchase order or a signed Company quote. The Company's sales of hardware, which are made in the capacity of principal, are generally distinct goods because the customer can usually benefit from the hardware either on its own or with other resources. Hardware sales performance obligations are fully satisfied at the point the hardware is delivered to the customer and the control of the hardware passes to the customer. As such, revenue is recognized upon delivery of the hardware to the customer.

2) Software, license, and maintenance sales

   Software, license, and maintenance sales revenue are comprised of fees that provide customers access to third-party software licenses, subscriptions and related support and updates during the terms of arrangements. Software, license, and maintenance sales are recognized on a point in time basis because the Company's performance obligations are fully satisfied at the point the licenses and maintenance contracts with the software vendors are delivered. Software, license, and maintenance sales are either recognized upon delivery to customers or on a straight-line basis for subscriptions, or in the case of a software renewal, at the start of the renewal term.

3. Material accounting policies (continued)

Revenue recognition (continued)

3) Professional services

   Professional services are generally on either a fixed fee, milestone based, or time & material based. These services are generally distinct from other goods or services that the Company might provide to the same customer under the same or separate contracts. This is because the customer can benefit from the services from other resources. In addition, the services are not generally integrated with or dependent on other services that might be provided to the customer. The customer receives and consumes the benefits of the services as the Company performs and therefore, these revenues are recognized on a milestone basis or on a proportional performance basis.

The Company's arrangements with its customers generally do not include variable consideration. The transaction price for the Company's products and services is usually fixed at the amount specified in the contract. When selling products or services under the same or linked contracts and those products or services represent one performance obligation, the Company allocates the total transaction price by reference to the prices it charges for those products and services when sold separately, i.e., their stand-alone selling prices.

The Company has determined that it acts as principal in all its performance obligations and therefore, the revenue is recognized at the gross amount of consideration to which it expects to be entitled. The Company determines it is a principal because it obtains control over products and services in advance of transferring those products and services to the customer, and also typically has responsibility for acceptability of the specified products or services.

In addition, the Company has primary responsibility for fulfilling the contractual promises to the customer, assumes inventory risk in the event of cancellation of the sale for any reason and has discretion in establishing prices of the products and services provided.

Revenue recognition – Right of return

The Company does not normally provide a guaranteed right of return to its customers except where required by law. The level of returns experienced by the Company is not material; therefore, no right of return asset or liability is recognized. Revenue is recognized at the full value of the consideration received. This is assessed on an ongoing basis.

Cost of sales

The primary components of cost of sales are the purchase price for all computer hardware, software, and related support, as well as an 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.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests (if any) in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the

3. Material accounting policies (continued)

Business combinations (continued)

identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

Goodwill

Goodwill is initially recognized and measured as set out above.

Goodwill is not amortized but is reviewed for impairment at least annually at the same time each year. Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units (**"CGUs"**). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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. An impairment loss is recognized under profit and loss and not reversed in a subsequent period. On disposal of a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Inventory

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all costs of purchase and costs incurred in bringing the inventory to their present location and condition. Net realizable value is the estimated selling price less estimated costs to complete and sell.

3. Material accounting policies (continued)

Government grants

Government grants are not recognized 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 recognized in profit or loss on a systematic basis over the periods in which the Company recognizes 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.

Stock-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, stock-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 stock-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 received and the related portion previously recorded in stock-based payment reserve.

Warrants

The Company issues warrants for services and warrants as part of financing transactions. The Company considers these warrants as equity-based instruments and follows guidelines under IFRS 2 Stock Based Compensation and uses the Black-Scholes model to value these warrants.

For warrants issued fulfilling contractual obligations for the Company to deliver a variable number of its own equity instruments, the Company treats these warrants under IFRS 9 and IAS 32 Financial Instruments.

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

3. Material accounting policies (continued)

Main sources of estimation uncertainty and critical judgements by management (continued)

- *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. There can be no assurance that the Company will successfully generate sufficient operating cash flows or raise sufficient funds to continue the execution of its strategic plan and to operate as a going concern.

During the year ended December 31, 2023, the Company obtained a Line of Credit ("**LOC**") (Note 17) increase of $500,000 CAD to the INC LOC and an increase of US$3.0 million to the ASC LOC for an aggregate ASC LOC and INC LOC availability up to $11.5 million. As at March 31, 2024, $3.8 million of the $11.3 million was utilized. Please see Note 26, Subsequent Events, for further information.

The estimates used by the Company in reaching the above conclusion are based on information available as of the date of the condensed interim consolidated statement of financial position was authorized for issuance and included internally generated cash flow forecasts. Accordingly, actual results could differ from these estimates and resulting variances may be material to management's assessment.

- *Impairment of intangible assets including goodwill and other intangible assets*

The Company assesses whether there are any indicators of impairment as at the reporting date for all intangible assets. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and at other times when such indicators exist. Other intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, the Company must estimate the expected future cash flows from the cash-generating units ("**CGUs"**) and choose a suitable discount rate in order to calculate the present value of those cash flows. The key sources of estimation uncertainty are the future business performance over the forecast period (five years), projected long-term growth rates and the discount rates applied.

- *Valuation of stock-based compensation*

The Company uses the Black-Scholes model to value share options issued to directors, employees, and consultants. 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.

- *Valuation of warrants issued for services*

For warrants issued for services and as part of financing, the Company follows guidelines under IFRS 2 and uses the Black-Scholes model to assess these warrants. 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 warrants.

3. Material accounting policies (continued)

Main sources of estimation uncertainty and critical judgements by management (continued)

- *Carrying values of allowances for unrecoverable trade and other receivables*

The Company recognizes an allowance for expected credit loss on accounts receivable that are measured at amortized cost. The amount of expected credit loss ("**ECL**") is updated at each reporting date to reflect changes in credit risk since the initial recognition of the trade and other receivables. The Company recognizes lifetime ECL for its trade and other receivables. The expected credit losses on these financial assets are estimated using the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

- *Fair value measurement and valuation processes*

Some of the Company's assets are measured at fair value for financial reporting purposes. The Company hires external valuation professionals to determine the appropriate valuation techniques and inputs for fair value measurements. The Company works closely with the external valuation professionals to establish the appropriate valuation techniques and inputs to the model.

The critical judgements 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 condensed interim consolidated financial statements, are related to the determination of the functional currency of the Company and its subsidiaries.

4. New accounting policies not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the three months ended March 31, 2024.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) — the amendments sought to improve the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period. These amendments to IAS 1 override but incorporate the previous amendments, classification of liabilities as current or non-current, issued in January 2020, which clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and are to be applied retrospectively.

The IASB's newly issued IFRS Accounting Standard, IFRS 18 Presentation and Disclosure in Financial Statements aims to improve the usefulness of information presented and disclosed financial statements. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early application permitted. AcSB will ballot IFRS 18 and complete its endorsement process in Q2 2024. The company has not adopted this standard and will plan implementation by the prescribed deadline.

The Company does not expect the amendment or any other amendments to standards and interpretations applicable to the Company and not yet effective for the three months ended March 31, 2024 to have a significant effect on its condensed interim consolidated financial statements.

(Expressed in Canadian dollars)

5. Restricted cash

Restricted cash contains deposits held as securities against the Company's business credit cards. The renewal terms on these deposits are twelve months. We have no ability to draw on such funds as long as they remain restricted under the applicable arrangements.

6. Trade and other receivables

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

	March 31, 2024	December 31, 2023
	$	$
Trade receivables	**9,129,230**	17,179,964
	9,129,230	17,179,964

As at March 31, 2024, $1,287,836 or 14.1% of the trade receivables balance is over 90 days past due compared to $244,149 or 1.4% as at December 31, 2023 and 51.9% of the trade receivable balances are owing from 5 customers as at March 31, 2024 compared to 61.4% owing from 5 customers as at December 31, 2023. The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. On March 31, 2024, the Company had no expected credit loss ($Nil expected credit loss on December 31, 2023).

7. Tax credits receivable

The Company's tax credits receivable are comprised of the following:

	March 31, 2024	December 31, 2023
	$	$
Tax credits receivable	**193,467**	172,188
	193,467	172,188

Tax credits receivable balance as at March 31, 2024 of $193,467 is related to goods and services tax ("GST") receivable compared to $172,188 as at December 31, 2023.

8. Inventory

	March 31, 2024	December 31, 2023
	$	$
Finished goods	**1,608,696**	1,866,017
	1,608,696	1,866,017

Inventory balance as at March 31, 2024 of $1,608,696 ($1,866,017 as at December 31, 2023) is related to products under the Company's possession but not yet delivered to customers.

(Expressed in Canadian dollars)

8. Inventory (continued)

Amounts of $7,967,846 of inventories was expensed during the three months ended March 31, 2024, as cost of sales ($10,792,533 during the three months ended March 31, 2023).

9. Prepaid expenses and deposits

	March 31, 2024 $	December 31, 2023 $
Prepaid service contracts	**335,941**	330,833
Deposits	**811**	534
	336,752	331,367

Prepaid service contracts consist of various prepaid agreements including online subscriptions, insurance, membership fees, marketing and consulting services for mainly corporate finance and investor relations purposes.

10. Property and equipment

Property and equipment consist of furniture, computer equipment and a vehicle and are broken down as follows:

Property and equipment - cost	**$**
Balance January 1, 2023	**237,046**
Additions	8,729
Disposals	(8,764)
Foreign exchange gain	(2,199)
Balance December 31, 2023	**234,812**
Additions	3,563
Foreign exchange gain	1,271
Balance March 31, 2024	**239,646**

Property and equipment - accumulated amortization	**$**
Balance January 1, 2023	**98,160**
Amortization for the year	56,296
Disposals	(3,069)
Balance December 31, 2023	**151,387**
Amortization for the period	11,301
Balance March 31, 2024	**162,688**

Property and equipment net book value	**$**
At December 31, 2023	**83,425**
At March 31, 2024	**76,958**

(Expressed in Canadian dollars)

11. Right-of-use asset

Right-of-use asset relates to an office space lease acquired as part of the business acquisition. The following table provides a reconciliation of this right-of-use asset:

Right-of-use asset	**$**
Balance January 1, 2023	**211,050**
Derecognition of ROU asset	(82,715)
Amortization	(75,487)
Balance December 31, 2023	**52,848**
Amortization	(11,359)
Balance March 31, 2024	**41,489**

12. Lease liability

Lease liability relates to the lease of office spaces acquired as part of business acquisitions (Note 5), for which the lease term ends on January 31, 2025, and February 28, 2025 respectively, and were discounted using an interest rate of 10%. During the three months ended March 31, 2024, the Company recognized $2,352 (March 31, 2023 - $1,050) in interest expense on lease liability.

On April 1, 2023, the Company subleased the above discussed office space for which the lease term ends on February 28, 2025. The Company is an intermediate lessor and subleased its whole office space (head lease). The Company has assessed the classification of its sublease arrangements in accordance with IFRS 16 and has determined that they qualify as finance leases. Accordingly, the recognition of lease income and expense is consistent with the finance lease accounting principles outlined in the accounting policies note. The sub-lease of office space is for 23 months. The sublease payments are fixed, the difference between payments from sublease and payments to the head lease has been recorded under 'Impairment on Assets' on condensed interim consolidated statements of loss and comprehensive loss.

Lease liablity	**$**
Balance January 1, 2023	**226,894**
Add: interest during the year	19,073
Less: payment during the year	(123,814)
Balance December 31, 2023	**122,153**
Add: interest during the period	**2,352**
Less: payment during the period	**(27,096)**
Balance March 31, 2024	**97,409**
Due within twelve months	**97,409**
Due after twelve months	**-**

13. Intangible assets and goodwill

Intangible assets consist of (i) patent costs incurred in 2015 related to three (3) 20-year patents ("**Patents**") covering certain aspects of our behavioral biometric algorithms, (ii) a U.S. government wide procurement contract ("**Procurement Contract**"), (iii) a brand name ("**Brand name**"), (iv) customer relationships ("**Customer Relationships**") and (v) ("**Intellectual Properties**") acquired as a part of business acquisitions (Note 5).

(Expressed in Canadian dollars)

13. Intangible assets and goodwill (continued)

The changes in the Company's intangible assets for the three months ended March 31, 2024 and December 31, 2023 are as follows:

	Patent	Procurement Contract	Customer Relationships	Intellectual Properties	Brand	Total
Cost						
January 1, 2023	**$100,000**	**$271,771**	**$1,807,650**	**$102,566**	**$389,023**	**$2,671,010**
Foreign exchange	-	3,788	(108,366)	-	(19,349)	(123,927)
December 31, 2023	**$100,000**	**$275,559**	**$1,699,284**	**$102,566**	**$369,674**	**$2,547,083**
Foreign exchange	**-**	5,667	25,163	-	7,602	38,432
March 31, 2024	**$100,000**	**$281,226**	**$1,724,447**	**$102,566**	**$377,276**	**$2,585,515**
Amortization						
January 1, 2023	**$40,000**	**$162,902**	**$80,841**	**$ -**	**$ -**	**$283,743**
Additions	5,000	87,058	322,222	20,513	-	434,793
December 31, 2023	**$45,000**	**$249,960**	**$403,063**	**$ 20,513**	**$ -**	**$718,536**
Additions	1,250	28,331	73,712	5,127	-	108,420
March 31, 2024	**$46,250**	**$278,291**	**$476,775**	**$ 25,640**	**$ -**	**$826,956**
Net Book Value						
December 31, 2023	**$55,000**	**$25,599**	**$1,296,221**	**$ 82,053**	**$369,674**	**$1,828,547**
March 31, 2024	**$53,750**	**$2,935**	**$1,247,672**	**$ 76,926**	**$377,276**	**$1,758,559**

Goodwill	**$**
Balance January 1, 2023	**4,139,853**
Additions through acquisition	(711,487)
Change in foreign exchange evaluation	62,584
Balance December 31, 2023	**3,490,950**
Change in foreign exchange evaluation	54,294
Balance March 31, 2024	**3,545,244**

(Expressed in Canadian dollars)

13. Intangible assets and goodwill (continued)

Under IAS 36 "Impairment of Assets", the Company is required to: (1) review its intangible assets in the event of a significant change in circumstances that would indicate potential impairment; and (2) review and test its goodwill and indefinite-life intangible assets annually or in the event of a significant change in circumstances. As part of the annual impairment review, the carrying value of the assets or, if they do not generate independent cash flows individually, the carrying value of the cash-generating unit (CGU) that they belong to is compared to their recoverable amount. CGUs represent the smallest identifiable group of assets that generate cash flows that are largely independent of cash flows from other groups of assets. The recoverable amount represents the higher of the CGU's fair value less the cost to sell and value in use (VIU).

The recoverable amount has been determined based on VIU. Where the recoverable amount is less than the carrying value, an impairment results.

Goodwill acquired from business acquisitions is allocated to each acquirer of its CGUs according to the level at which the Company monitors that goodwill.

14. Trade and other payables

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

	March 31, 2024 $	December 31, 2023 $
Trade payables	**12,785,290**	18,685,454
Accrued liabilities	**1,332,955**	4,106,173
Payroll liabilities	**912,806**	776,469
Other payables	**96,099**	118,229
	15,127,150	23,686,325

Accrued liabilities as at March 31, 2024 included contingent considerations of $190,117 ($186,286 as at December 31, 2023) including performance-based earnout shares to be paid to the vendors as part of business acquisitions.

15. Unearned revenue

	$
Balance January 1, 2023	**689,040**
Revenue recognized	(2,497,885)
Amounts received	3,449,898
Foreign exchange	610
Balance December 31, 2023	**1,641,663**
Revenue recognized	(624,904)
Amounts received	1,003,810
Foreign exchange	5,984
Balance March 31, 2024	**2,026,553**

Unearned revenue as at March 31, 2024 and December 31, 2023 consisted of cash collected under customer contracts with goods or services that had not yet been delivered.

(Expressed in Canadian dollars)

16. Short-term loans

On September 25, 2023, the Company received a short-term loan in the amount of $250,000 USD with interest bearing at 14% per annum as of the date of disbursement to be fully repaid principal and interest by November 15, 2023. During the year ended December 31, 2023, the short-term loan has not been repaid and is accruing interest on the unpaid balance.

On October 17, 2023, the Company announced the increase to its Pathward line of credit ("LOC") from up to US$4 million to US$7 million to its wholly owned subsidiary, Aurora Systems Consulting, Inc. ("Aurora"). The interest rate of the loan is prime plus 4.25% on any outstanding amount. The loan can be for up to 85% of accounts receivable.

	March 31, 2024	December 31, 2023
	$	$
Line of credit (LOC)	**3,824,687**	4,504,636
	3,824,687	4,504,636

17. Convertible debenture (Restated – Note 26)

The Company completed two rounds of financing on August 15, 2022, and September 20, 2022 in the form of convertible debenture. On August 15, 2022, the Company completed the first tranche (the "**First Tranche**") of the financing for aggregate gross proceeds of $1,245,000 through non-brokered private placement of convertible debenture units ("**Debenture Units**") at $1,000 per debenture unit ("**Financing**").

Each debenture consists of $1,000 principal amount of 10% unsecured convertible debenture of the Company with a maturity date of 48 months from the date of issuance, subject any forced conversion in certain circumstances and 500 common share purchase warrants. Each warrant will entitle the holders thereof to acquire one common share of the Company at an exercise price of $4.00 per warrant share for 24 months from the date of the issuance. The Warrants will be subject to an accelerated expiry if, anytime following the date of issuance, the weighted average daily trading price of the common shares of the Company on the TSX Venture Exchange is or exceeds $5.00 for any 10 consecutive trading days, in which the holder may, at the Company's election, be given notice, by way of a news release, that the Warrants will expire 30 days following the date of such notice. Subject to approval from the TSXV, the Debentures will be convertible at the holder's option into common shares (the "**Debenture Shares**") at a conversion price of $2.85 per Debenture Share. On September 20, 2022, the Company completed the second tranche (the "Second Tranche") of the financing for aggregate gross proceeds of $285,000 through non-brokered private placement of debenture units at $1,000 per debenture unit. These debenture units have the same terms as the First Tranche debenture units.

According to IFRS 9 *Financial Instruments* as well as IAS 32 *Financial Instruments: Presentation*, Part of the debenture units with total value of $1,166,666 has been classified as liabilities on the condensed interim consolidated statement of financial position. This portion of the debenture units has been valued at its amortized cost.

The convertible feature of the debenture units as well as the warrants attached with total value of $273,212 have been classified as equity on the condensed interim consolidated statement of financial position. The fair values of the convertible feature of the debenture units and the warrants are assessed with the Black-Scholes model with no subsequent revaluation.

A total of $38,273 broker fee and direct expenses were incurred in relation to the First and Second Tranche of the financing. An additional amount of broker warrants of $13,800 was issued as compensation for completing the financing. The broker warrants have been classified as equity and its fair values were assessed with the Black-Scholes model with no subsequent revaluation.

17. Convertible debenture (continued)

Broker fees paid in cash and broker warrants issued were proportionated according to the liabilities and equity portions of the convertible debenture discussed above and accounted for as transaction costs and netted against equity and liabilities accordingly. During the year ended December 31, 2023, the Company issued 44,028 common shares at $1.25 related to the December 31, 2022 interest payment and recognized a total of $152,000 of interest expense related to the June 30, 2023 and December 31, 2023 interest payments of which 54,285 common shares were issued and settled at $1.399. During the three months ended March 31, 2024, the Company settled the December 31, 2023 interest payment by issuing 126,666 common shares at $0.60. The Company recognized $73,805 of interest accretion on the convertible debt and $10,000 of convertible debt was converted for 3,509 common shares.

On June 28, 2023, the Company announced the repricing of 76,500 of convertible debenture warrants from exercise price of $1.399 per warrant to $1.20 per warrant subject to TSX.V approval. In addition, the Company repriced the initially issued $1,530,000 of convertible debentures with a conversion exercise price of $2.85 per share to $2.00 per share for all unconverted debentures. On July 11, 2023, the TSX.V approved the warrant and conversion exercise reprice to $2.00.

18. Other non-current liabilities

Other non-current liabilities consist of $Nil ($Nil as at December 31, 2023) of non-current payroll liabilities as well as $245,684 ($240,733 as at December 31, 2023) contingent consideration pursuant to the non-current portion of the performance-based earnout payments related to the Atrion acquisition.

19. Share capital (Restated – Note 26)

(a) Authorized

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

(b) Issued and outstanding

On January 3, 2023, the Company issued 44,028 of common shares at $1.25 related to the convertible debenture December 31, 2022, interest payment of $55,036 (Note 17).

On January 17, 2023, the Company closed the third and final tranche of the Units Financing for aggregate gross proceeds to the Company of $198,995 consisting of 142,139 units at a price of $1.40 per unit and share issuance costs of $7,410. An additional amount of broker warrants of $4,660 was issued as compensation for completing the financing.

On March 1, 2023, the Company issued 3,509 common shares related to the $10,000 of convertible debenture conversion.

On March 1, 2023, the Company issued 7,125 common shares at $2.20 related to the exercise of warrants for gross proceeds of $15,675.

On June 21, 2023, the Company closed the first tranche of the non-brokered private placement consisting of the issuance of 485,758 units at a subscription price of $1.45 per unit, for aggregate gross proceeds to the Company of $704,350 and share issuance cost of

(Expressed in Canadian dollars)

19. Share capital (Restated – Note 26) (continued)

(b) Issued and outstanding (continued)

$31,907 related to this non-broker private placement. An additional amount of broker warrants of $24,206 was issued as compensation for completing the financing.

On June 28, 2023, the Company closed the second tranche of the non-brokered private placement consisting of the issuance of 649,969 units at a subscription price of $1.45 per unit, for aggregate gross proceeds to the Company of $942,455. Share issuance costs of $28,199 related to this non-broker private placement were incurred. An additional amount of broker warrants of $23,316 was issued as compensation for completing the financing.

On June 30, 2023, the Company issued 54,284 of common shares at $1.40 related to the convertible debenture June 30, 2023, interest payment of $75,998 (Note 17).

On July 11, 2023, the TSX.V approved the repricing of 1,253,654 non-brokered private placement warrants and 76,500 convertible debenture warrants ranging from original exercise price of $2.50-$4.00 to $2.00.

On July 14, 2023, the Company closed the third and final tranche of the non-brokered private placement for aggregate gross proceeds to the Company of $14,500 consisting of 10,000 units at a price of $1.45 per unit and share issuance costs of $1,015. An additional amount of broker warrants of $810 was issued as compensation for completing the financing.

On January 2, 2024, the Company issued 126,666 common shares at $0.60 related to the convertible debenture December 31, 2023, interest payment of $76,000 (Note 17).

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

	Restated - Note 26 **Number of common shares** **#**	**$**
Balance, January 1, 2023	**8,536,073**	**23,014,218**
Shares issued for cash	142,139	198,995
Share issuance costs	—	(7,410)
Shares issued for convertible debenture interest	44,028	55,036
Shares issued for convertible debenture conversion	3,509	10,000
Exercise of warrants	7,125	15,675
Balance, March 31, 2023	**8,732,874**	**23,286,514**
Shares issued for cash	1,145,727	1,661,305
Share issuance costs	—	(61,121)
Shares issued as part of acquisition consideration	235,294	400,000
Shares issued for convertible debenture interest	54,284	75,997
Share issuance costs for convertible debenture	—	7,398
Balance, December 31, 2023	**10,168,179**	**25,370,093**
Shares issued for convertible debenture interest	126,666	76,000
Balance, March 31, 2024	**10,294,845**	**25,446,093**

19. Share capital (Restated – Note 26) (continued)

(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 550,000 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 111,000 stock options granted to directors, consultants, senior officers, and employees. Upon the completion of the QT, the 111,000 outstanding options of Libby K were converted to Plurilock 55,500 options.

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 ESOP**") for the purchase of an aggregate of 610,566 common shares to employees, officers, directors, and consultants of the Company, pursuant to the terms of the Plurilock ESOP. The stock options are exercisable at $3.40 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 January 31, 2023, the Company granted certain officers, employees, and consultants of the Company an aggregate of 390,866 options to purchase common shares at an exercise price of $1.50 per share, which will vest over four years from the grant date.

On June 5, 2023, the Company granted to an officer of the Company an aggregate of 20,000 options to purchase common shares at an exercise price of $1.40 per share, which will vest over four years from the grant date.

The following table summarizes the continuity of the Company's Employee Stock Option Plan ("**ESOP**"):

(Expressed in Canadian dollars)

19. Share capital (Restated – Note 26) (continued)

(c) Stock option plan (continued)

	Restated - Note 26 **Number of options** **#**	**Weighted average exercise price** **$**
Balance, January 1, 2023	967,814	3.56
Granted	385,766	1.51
Cancelled/Expired	(1,733)	3.29
Balance, March 31, 2023	1,351,847	2.98
Granted	25,100	1.42
Cancelled/Expired	(250,183)	3.59
Balance, December 31, 2023	1,126,764	2.80
Cancelled	(5,456)	4.35
Expired	(41,625)	2.00
Balance, March 31, 2024	**1,079,683**	**2.83**

Additional information concerning stock options outstanding as at March 31, 2024 and December 31, 2023 is as follows:

The number of exercisable stock options as of March 31, 2024, was 706,813 with an average exercise price of $3.30 per stock option as compared to 663,807 with an average exercise price of $3.40 per stock option as of December 31, 2023.

The weighted average remaining contractual life and exercise prices of stock options outstanding as at March 31, 2024, and December 31, 2023 as follows:

		March 31, 2024		December 31, 2023
Exercise price range	**Restated - Note 26 Number of stock options**	**Weighted average contractual life (in years)**	Number of stock options	Weighted average contractual life (in years)
$0.10-$0.20	**391,767**	**8.86**	391,767	9.11
$0.21-$0.30	**50,000**	**8.29**	91,625	4.71
$0.31-$0.40	**549,916**	**6.69**	553,022	6.95
$0.41-$0.50	**5,000**	**6.85**	5,000	7.10
$0.51-$0.60	**83,000**	**6.94**	85,350	7.20
Total	**1,079,683**	**7.57**	1,126,764	7.54

The estimated fair value of each option granted under the Company's SOP 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 peer companies:

(Expressed in Canadian dollars)

19. Share capital (Restated – Note 26) (continued)

(c) Stock option plan (continued)

	March 31, 2024	December 31, 2023
Risk-free interest rate	**0.00%**	3.26%
Dividend yield	**—**	—
Expected life (in years)	**—**	6.27
Volatility	**0%**	119%

(d) Stock-based compensation reserve

Total stock-based compensation cost recognized in income for the three months ended March 31, 2024, was $60,839 compared to $165,310 in prior year and is credited to contributed surplus.

Total stock-based compensation expense for the three months ended March 31, 2024, is comprised of the expense pursuant to stock options issued to related parties (as discussed in Note 25) of $34,639 compared to $86,083 respectively in prior year and to other parties of $26,200 compared to $79,227 respectively in the prior year.

(e) Warrants

There were 2,637,800 warrants as at March 31, 2024, compared to 2,637,800 as at December 31, 2023.

The following table summarizes the continuity of the warrants:

	Restated Note - 26 **Number of warrants #**	**Weighted average exercise price $**	
Balance, January 1, 2023	**1,911,640**	**3.50**	
Exercised	(7,125)	1.40	
Expired	(608,774)	6.50	
Balance, March 31, 2023	**1,295,741**	**2.70**	
Private placement	1,287,867	2.00	*
Finder's fee for private placement	54,692	1.40	
Convertible debt warrants forfeited on conversion	(500)	1.50	
Balance, December 31, 2023	**2,637,800**	**2.33**	
Balance, March 31, 2024	**2,637,800**	**2.33**	

*1,253,654 non-broker private placement warrants were repriced to $2.00 per warrant from the original price of $2.50 per warrant. 76,500 convertible debenture warrants were repriced to $2.00 per warrant from the original price of $4.00 per warrant. See note below.

On June 28, 2023, the Company announced the repricing of 1,253,654 non-brokered private placement warrants and 76,500 convertible debenture warrants ranging from original exercise price of $2.50-$4.00 to $2.00 per warrant. On July 11, 2023, the TSX.V approved the warrant reprice to $2.00.

(Expressed in Canadian dollars)

20. 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, restricted cash, loans, convertible debenture, and equity comprised of issued share capital, contributed surplus and equity reserve:

	March 31, 2024	December 31, 2023
	$	$
Cash and cash equivalents	**609,473**	1,917,770
Restricted cash	**20,000**	140,423
Short-term loans	**3,824,687**	4,504,636
Convertible debenture	**1,257,545**	1,257,545
Share capital	**25,446,093**	25,370,093
Contributed surplus	**2,980,589**	2,919,750
Equity reserve	**675,879**	675,879
Total	**34,814,266**	36,786,096

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, balances its overall capital structure through new share issuances, loans, or by undertaking other activities as deemed appropriate under the specific circumstances.

21. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, restricted cash, trade and other receivables, trade payables and accruals, lease liability, short term loans, and convertible debenture.

Cash and cash equivalents and restricted cash are classified as financial assets at amortized cost and are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Trade receivables as collateral for loans are classified as financial assets at FVTOCI and are initially recognized at fair value and subsequently measured with FVTOCI. Trade and other receivables other than trade receivables as collateral for loans 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 payables and accruals, short term loans, lease liability, and a portion of convertible debenture are classified as financial liabilities at amortized cost and recognized at fair value and subsequently carried at amortized cost. The carrying value of other financial liabilities approximate fair value due to the relatively short period to maturity.

Financial risk management

Management and monitoring of financial risks are 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.

(Expressed in Canadian dollars)

21. 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, restricted cash and trade and other receivables. The Company mitigates credit risk on cash by placing it at credit-worthy financial institutions. The carrying amounts of the financial assets represent the Company's maximum credit exposure:

	March 31, 2024 $	December 31, 2023 $
Cash and cash equivalents	609,473	1,917,770
Restricted cash	20,000	140,423
Trade and other receivables	9,129,230	17,179,964
	9,758,703	19,238,157

(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 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.

(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.

The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk.

21. Financial instruments (continued)

Financial risk management (continued)

(d) Currency risk (continued)

A breakdown of the Company's financial instruments by currency, presented in Canadian dollars, is presented below:

	March 31, 2024				December 31, 2023			
	USD	**INR**	**CAD**	**Total**	USD	INR	CAD	Total
Cash and cash equivalents	**477,247**	**26,626**	**105,600**	**609,473**	1,719,696	26,577	171,497	1,917,770
Restricted cash	**-**	**-**	**20,000**	**20,000**	70,423	-	70,000	140,423
Trade and other receivables	**8,320,168**	**28,632**	**780,430**	**9,129,230**	16,799,912	45,428	334,624	17,179,964
Trade payables and accruals	**12,582,177**	**55,373**	**1,480,695**	**14,118,245**	20,992,690	42,982	1,755,955	22,791,627
Short-term loans	**3,541,427**	**-**	**283,260**	**3,824,687**	4,461,497	-	43,139	4,504,636
Lease liability	**47,750**	**-**	**49,659**	**97,409**	59,855	-	62,298	122,153
Convertible debenture	**-**	**-**	**1,257,545**	**1,257,545**	-	-	1,257,545	1,257,545

Significant exchange rates used	**March 31, 2024**	December 31, 2023
Average rate for the period/year		
US dollar	**1.3508**	1.3500
Indian Rupee	**0.0163**	0.0164
Statement of financial position rates		
US dollar	**1.3522**	1.3250
Indian Rupee	**0.0162**	0.0159

The table below shows the Company's sensitivity to foreign exchange rates for its U.S. dollar and Indian Rupee financial instruments, the foreign currencies in which the Company's assets and liabilities are denominated:

	March 31, 2024 increase/(decrease) in equity	December 31, 2023 increase/(decrease) in equity
10% appreciation of the U.S. dollar against Canadian dollar	**(737,394)**	(218,303)
10% depreciation of the U.S. dollar against Canadian dollar	**737,394**	218,303
10% appreciation of the Indian Rupee against Canadian dollar	**(12)**	5,634
10% depreciation of the Indian Rupee against Canadian dollar	**12**	(5,634)

(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.

(Expressed in Canadian dollars)

21. Financial instruments (continued)

Financial risk management (continued)

(e) Fair values (continued)

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 carrying value of cash and cash equivalents, restricted cash, trade and other receivables, trade payables and accruals and short-term loans approximates their fair value due to the relatively short-term maturity of these financial instruments and are measured and reported at amortized cost. The carrying values of the liability portion of the convertible debenture and the lease liability are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

All financial instruments carried at fair value have been measured using a Level 2 valuation method. The fair value of financial assets and liabilities are as follows:

	March 31, 2024	December 31, 2023
Cash and cash equivalents	**609,473**	1,917,770
Restricted cash	**20,000**	140,423
Trade and other receivables	**9,129,230**	17,179,964
Total financial assets	**9,758,703**	19,238,157
Trade payables and accruals	**14,118,245**	22,791,627
Short-term loans	**3,824,687**	4,504,636
Lease liability	**97,409**	122,153
Convertible debenture	**1,257,545**	1,257,545
Total financial liabilities	**19,297,886**	28,675,961

(f) Contractual cash flows

The contractual maturity of short-term loans, lease liability, convertible debenture and trade payables and accruals are shown below:

(Expressed in Canadian dollars)

21. Financial instruments (continued)

Financial risk management (continued)

(f) Contractual cash flows (continued)

	March 31, 2024			
	Due in less than a year	**Due between one to five years**	**Due after five years**	**Total**
Trade payables and accruals	**14,118,245**	**-**	**-**	**14,118,245**
Short-term loans	**3,824,687**	**-**	**-**	**3,824,687**
Lease liability	**97,409**	**-**	**-**	**97,409**
Convertible debenture	**-**	**1,257,545**	**-**	**1,257,545**
	18,040,341	**1,257,545**	**-**	**19,297,886**

	December 31, 2023			
	Due in less than a year	Due between one to five years	Due after five years	Total
Trade payables and accruals	22,791,627	-	-	22,791,627
Short-term loans	4,504,636	-	-	4,504,636
Lease liability	109,231	12,922	-	122,153
Convertible debenture	-	1,257,545	-	1,257,545
	27,405,494	1,270,467	-	28,675,961

22. Segment information

The Company's operating segments are organized according to similar economic characteristics by the markets and types of products it serves and are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**"). The CEO and CFO are considered the chief operating decision-makers ("**CODMs**") and have the authority for resource allocation and are responsible for assessing the Company's performance.

(a) Operating segments

Plurilock has two operating segments, the Technology Division and the Solutions Division. The following table provides an overview of these segments and underlying businesses.

Technology Division
The Technology division, operated under the Plurilock brand, builds and operates Plurilock's own proprietary product (DEFEND) as well as the acquired product (CloudCodes). The Technology division is operated by PSI, PL, PLUS and PSP. The Company's corporate overhead expenses associated with PSI are allocated to the Technology Division.
Solutions Division
The Solutions division is separately operated by ASC and INC. The Solutions division offers services, cybersecurity industry products and technologies other than Plurlock's own proprietary products (DEFEND). Acquisition related costs associated with acquiring ASC and INC have also been allocated to the Solutions Division.

(Expressed in Canadian dollars)

22. Segment information (continued)

(b) Consolidated total assets and liabilities

For the purposes of monitoring segment performance and allocating resources between segments, the Company's CODMs monitor the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of investments in associates. Goodwill has been allocated to the reportable segment where the acquisition took place. Total assets and liabilities by reportable operating segments are as follows:

	March 31, 2024			December 31, 2023		
	$			$		
	Technology Division	**Solutions Division**	**Total**	Technology Division	Solutions Division	Total
Total assets	3,494,066	13,898,301	17,392,367	3,587,201	23,548,535	27,135,736
Total liabilities	6,632,388	15,965,471	22,597,859	6,160,773	25,310,723	31,471,496

(c) Revenue from major products and services

Under both the Technology Division and the Solutions Division, revenue is generated from the below three categories.

(i) Hardware and systems sales

Hardware and systems sales revenues are comprised of products that proactively prevent, secure, and manage advanced cybersecurity threats and malware for customers.

(ii) Software, license, and maintenance sales

Software, license, and maintenance sales revenues are comprised of fees that provide customers with access to propriety and third-party software licenses and related support and updates during the term of the customer agreements.

(iii) Professional services

Professional services are generally on either a fixed fee, milestone based, time & material or subscription basis. These services are generally distinct from other goods or services that the Company might provide to the same customer under the same or separate contracts.

Revenue from the above categories under each segment for three months ended March 31, 2024 and 2023 are as follows:

(Expressed in Canadian dollars)

22. Segment information (continued)

(c) Revenue from major products and services (continued)

	Three months ended March 31,					
	2024			2023		
	Technology Division	Solutions Division	Total Revenue	Technology Division	Solutions Division	Total Revenue
Hardware and systems sales	-	8,915,252	8,915,252	-	12,444,129	12,444,129
Software, license and maintenance sales	244,632	1,403,121	1,647,753	242,713	2,470,865	2,713,578
Professional services	-	1,011,925	1,011,925	-	609,621	609,621
Total	**244,632**	**11,330,298**	**11,574,930**	**242,713**	**15,524,615**	**15,767,328**

(d) Segment revenue, gross margin, and operational results

Management evaluates each segment's performance based on gross margin which factors in directly attributable segment revenues, cost of sales, as well as net income/(loss) before taxes. Segment net income represents segment revenues less cost of sales, minus operating expenditures including sales and marketing, research, and development as well as general and administrative expenses under each segment. The Company's revenue, cost of sales, gross margin and net income for the three months ended March 31, 2024 and 2023 are as follows:

	For the three months ended March 31,					
	2024			2023		
	Technology Division	Solutions Division	Total	Technology Division	Solutions Division	Total
Revenue	244,632	11,330,298	11,574,930	242,713	15,524,615	15,767,328
Cost of sales	74,113	8,965,682	9,039,795	100,468	13,520,272	13,620,740
Gross profit	170,519	2,364,616	2,535,135	142,245	2,004,343	2,146,588
Gross margin	69.7%	20.9%	21.9%	58.6%	12.9%	13.6%
Total operating expenses	1,008,985	2,174,525	3,183,510	1,550,676	1,830,742	3,381,418
Other expenses	n.a	n.a	464,235	n.a	n.a	120,718
Net income (loss) before taxes	**(838,466)**	**190,091**	**(1,112,610)**	**(1,408,431)**	**173,601**	**(1,355,548)**

(e) Revenue and long-lived assets by geographic locations

Geographic revenue information is based on the location of the customers invoiced. Long-lived assets include property and equipment, non-current deposits, right-of-use asset, and intangible assets.

(Expressed in Canadian dollars)

22. Segment information (continued)

(e) Revenue and long-lived assets by geographic locations (continued)

	For the three months ended	
	March 31, 2024	March 31, 2023
	$	$
Revenue		
United States	**10,666,215**	11,155,880
India	**124,888**	118,221
Canada	**783,827**	4,493,227
	11,574,930	15,767,328

	March 31, 2024	March 31, 2023
	$	$
Long-lived assets		
United States	**1,460,067**	1,961,103
India	**38,899**	4,592
Canada	**414,542**	2,362,981
	1,913,508	4,328,676

(Expressed in Canadian dollars)

23. Operating expenses

	For the three months ended March 31, 2024	March 31 2023
	$	$
Research and development		
Communication and IT services	**84,869**	153,862
Contractors	**19,726**	33,275
Office and general	**966**	147
Salaries and benefits	**255,300**	379,293
COS allocation	**(26,977)**	(58,368)
Travel and entertainment	**-**	2,671
	333,884	**510,880**
Sales and marketing		
Advertising and promotion	**7,771**	12,768
Communication and IT services	**28,529**	34,005
Contractors	**13,073**	25,360
Marketing	**3,312**	21,809
Office and general	**27**	430
Salaries and benefits	**595,596**	679,089
Sales commission	**153,679**	1,359
Travel and entertainment	**-**	2,772
	801,987	**777,592**
General and administrative		
Amortization	**131,080**	97,554
Bad debt	**353,499**	(8,314)
Communication and IT services	**73,362**	133,074
Contractors	**7,114**	101,855
Insurance	**25,241**	24,570
Office and general	**123,441**	159,987
Professional fees	**157,203**	123,862
Investor relations and regulatory filing	**67,216**	220,687
Salaries and benefits	**1,042,151**	1,022,431
Travel and entertainment	**6,493**	51,930
	1,986,800	**1,927,636**

(Expressed in Canadian dollars)

24. Loss per share

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

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

All of the outstanding stock options and share purchase warrants as at March 31, 2024 and March 31, 202 were anti-dilutive as the Company was in a loss position.

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

	For the three months ended	
	Restated - Note 26	**Restated - Note 26**
	March 31, 2024	March 31, 2023
	$	$
Numerator		
Net loss for the period	**(1,112,610)**	(1,357,987)
Denominator		
Weighted average number of common shares outstanding, basic and diluted	**10,293,453**	8,701,283
Basic and diluted loss per share	**(0.10)**	(0.17)

25. 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:

	For the three months ended	
	March 31, 2024	March 31, 2023
	$	$
Salaries, benefits and consulting fees	**272,484**	314,438
Stock-based compensation expense*	**34,639**	86,083
	307,123	400,521

* 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.

26. Subsequent events

1. On April 1, 2024, the Company announced the appointment of Ali Hakimzadeh to the board of directors as Executive Chairman of the Board.

2. On April 1, 2024, the Company announced plans to optimize the capital structure of the Company and to attract financing, the board of directors has approved a share consolidation at a ratio of one post-consolidated share for every ten (10) pre-consolidated shares (the "Share Consolidation"). The Share Consolidation is anticipated to be completed in the immediate future. Immediately following the Share Consolidation, the issued capital of the Company will be reduced to 10,294,845 shares outstanding.

3. On April 3, 2024, the Company announced in connection with the Share Consolidation, the Company will be undertaking a financing to raise approximately $4,500,000 (the "Offering") at a price of $0.20 per unit. Each unit will be comprised of a share and a full 24-month warrant, with each warrant exercisable at a price of $0.25 if exercised within the first 12 months and at a price of $0.40 if exercised during months 13-24 of the 24-month term (the "Units"). The private placement Units are stated in post-consolidation figures and are based on a discounted market price following the 10-1 consolidation. The Company will settle debt of up to $500,000 in Units (except to insiders, who will receive shares only) at a price of $0.20 per unit.

4. On April 3, 2024, the Company also announces the repricing conversion price of $1,520,000 of convertible debentures to $0.25 per share based on the post-consolidated market price following the 10-1 consolidation. The convertible debenture repricing is subject to the approval of the TSX Venture Exchange. It is anticipated that the repricing will also include an inducement to exercise the conversion of the debentures, which inducement will be subject to the approval of the TSX Venture Exchange. The terms associated with the inducement will be determined at the effective date of repricing.

5. On April 11, 2024, the Company announced that due to the overwhelming demand, the Company is undertaking an additional private placement of up to $1,000,000 of Units at a price of $0.225 per Unit. Each Unit shall be comprised of a share and one full warrant at $0.30 per warrant for a period of 24 months. The pricing of the placement is based upon the discounted market price of the Company's shares after taking into account the proposed share consolidation of 10-1. Both private placements and the share consolidation are subject to TSX approval.

6. On April 26, 2024, the Company announced the closing of the non-brokered private placement for aggregate gross proceeds to the Company of $4,500,000 consisting of 22,500,000 units at a price of $0.20 per unit and share issuance costs of $ 203,315 and 1,016,575 finder's warrants were issued. The Company also closed the non-brokered private placement for aggregate gross proceeds to the Company of $1,000,000 consisting of 4,444,443 units at a price of $0.225 and share issuance costs of $35,000 and 155,555 finder's warrants were issued, bringing the total gross proceeds of the non-brokered private placement to $ 5,500,000.