
Condensed interim consolidated
financial statements of
Plurilock Security Inc.

For the three and nine months ended September 30, 2024 and 2023 (unaudited)

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Plurilock Security Inc.**Condensed Interim Consolidated Statements of Financial Position (unaudited)**

(Expressed in Canadian dollars)

		September 30, 2024	Audited December 31, 2023
	Notes	\$	\$
Assets			
Current assets			
Cash and cash equivalents		3,407,977	1,917,770
Restricted cash	4	20,000	140,423
Trade and other receivables	5	10,426,692	17,179,964
Tax credits receivable	6	193,369	172,188
Inventory	7	5,135,393	1,866,017
Prepaid expenses and deposits	8	713,043	331,367
Total current assets		19,896,474	21,607,729
Non-current assets			
Property and equipment	9	81,759	83,425
Right-of-use asset	10	16,600	52,848
Net investment in sublease	11	16,329	45,831
Intangible assets	12	1,604,791	1,828,547
Goodwill	12	3,543,992	3,490,950
Other non-current assets		35,335	26,406
Total assets		25,195,280	27,135,736
Liabilities			
Current liabilities			
Trade and other payables	13	18,770,210	23,686,325
Unearned revenue	14	1,348,593	1,641,663
Short-term loans	15	3,874,946	4,504,636
Lease liability	11	51,950	109,231
Total current liabilities		24,045,699	29,941,855
Non-current liabilities			
Lease liability - non-current	11	—	12,922
Deferred tax liability		18,870	18,441
Convertible debenture	16	319,865	1,257,545
Other non-current liabilities	17	—	240,733
Total liabilities		24,384,434	31,471,496
Shareholders' equity			
Share capital	18(b)	37,506,522	25,370,093
Equity reserve		1,309,480	675,879
Foreign currency translation (deficit) reserve		(48,154)	(91,995)
Contributed and other surplus		4,346,894	2,919,750
Accumulated deficit		(42,303,896)	(33,209,487)
Total equity		810,846	(4,335,760)
Total equity and liabilities		25,195,280	27,135,736

Nature of operations and continuance of business 1

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

Approved by the Board

"Blake Corbet"

Blake Corbet, Director

"Jennifer Swindell"

Jennifer Swindell, Director

Plurilock Security Inc.

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

(Expressed in Canadian dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
		\$	\$	\$	\$
Revenue	21	14,328,564	20,000,867	38,545,520	48,019,338
Cost of sales		(13,356,105)	(18,566,419)	(33,068,017)	(43,072,108)
Gross profit		972,459	1,434,448	5,477,503	4,947,230
Operating expenses					
Research and development	22	172,070	504,598	739,226	1,510,252
Sales and marketing	22	500,365	870,562	1,805,306	2,342,904
General and administrative	22	3,123,214	1,799,397	7,041,751	5,951,243
Directors fees		24,000	—	24,000	—
Stock-based compensation	18(d), (f)	888,952	76,480	1,327,750	296,572
Total operating expenses		4,708,601	3,251,037	10,938,033	10,100,971
Operating loss		(3,736,142)	(1,816,589)	(5,460,530)	(5,153,741)
Other expenses					
Foreign exchange translation gain		95,824	19,866	9,618	326,281
Acquisition-related expenses		(307,771)	(20,004)	(400,026)	(383,166)
Financing expenses		(21,262)	(43,265)	(240,390)	(175,209)
Loss on convertible debt conversion inducement		—	—	(1,817,470)	—
Loss on debt settlement		—	—	(454,128)	—
Other income (expense)		11,520	4,400	95,178	(5,091)
Impairment on assets		(1,414)	32,513	(4,787)	24,616
Gain (loss) on disposal of assets		407	(193)	407	(12,512)
Interest expenses		(139,461)	(116,456)	(818,605)	(499,623)
Total other expenses		(362,157)	(123,139)	(3,630,203)	(724,704)
Loss for the period before tax		(4,098,299)	(1,939,728)	(9,090,733)	(5,878,445)
Income tax recovery (expense)		4,806	48,300	(3,676)	44,788
Net loss for the period		(4,093,493)	(1,891,428)	(9,094,409)	(5,833,657)
Other comprehensive income (loss)					
Items that may be subsequently reclassified to net results					
Foreign exchange translation difference		36,610	(9,212)	43,841	(197,972)
Other comprehensive income (loss)		36,610	(9,212)	43,841	(197,972)
Comprehensive loss for the period		(4,056,883)	(1,900,640)	(9,050,568)	(6,031,629)
Basic and diluted loss per share (Note 18)	23	(0.08)	(0.19)	(0.30)	(0.63)

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	Note 18 #	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		1,287,869	1,860,300	-	-	-	-	1,860,300
Share issuance costs		-	(68,531)	-	-	-	-	(68,531)
Share issuance costs for convertible debenture		-	7,398	-	2,457	-	-	9,855
Equity component of convertible debenture		-	-	-	(2,427)	-	-	(2,427)
Shares issued for convertible debenture interest		98,312	131,033	-	-	-	-	131,033
Shares issued for convertible debenture conversion		3,509	10,000	-	-	-	-	10,000
Shares issued as part of acquisition consideration		235,294	400,000	-	-	-	-	400,000
Recognition of stock-based compensation		-	-	296,592	-	-	-	296,592
Warrants issued as convertible debt broker fee		-	-	-	53	-	-	53
Exercise of warrants		7,125	15,675	-	(5,700)	-	-	9,975
Expiry of warrants		-	-	189,375	(189,375)	-	-	-
Net loss for the period		-	-	-	-	-	(5,833,657)	(5,833,657)
Other comprehensive loss		-	-	-	-	(197,972)	-	(197,972)
Balance, September 30, 2023		10,168,182	25,370,093	2,899,013	675,879	(69,166)	(29,957,305)	(1,081,486)
Recognition of stock-based compensation		-	-	20,737	-	-	-	20,737
Net loss for the period		-	-	-	-	-	(3,252,182)	(3,252,182)
Other comprehensive loss		-	-	-	-	(22,829)	-	(22,829)
Balance, December 31, 2023		10,168,182	25,370,093	2,919,750	675,879	(91,995)	(33,209,487)	(4,335,760)
Units issued for cash	18(b)	26,944,443	5,500,000	-	-	-	-	5,500,000
Share issuance costs	18(b)	-	(221,514)	-	-	-	-	(221,514)
Shares issued for debt settlement	18(b)	1,092,762	437,105	-	-	-	-	437,105
Shares issued pursuant to consulting service agreement	18(b)	400,326	200,163	-	-	-	-	200,163
Shares issued as part of acquisition consideration	18(b)	128,570	245,560	-	-	-	-	245,560
Warrants issued as part of financing broker fee	18(b)	-	(169,828)	-	169,828	-	-	-
Shares issued for convertible debenture interest	18(b), 16	349,417	146,823	-	-	-	-	146,823
Shares and warrants issued as a result of convertible debt conversion	18(b), 16	4,367,500	2,324,653	-	664,202	-	-	2,988,855
Equity component of convertible debenture	16	-	-	-	(222,038)	-	-	(222,038)
Warrants cancelled as part of financing on convertible debt conversion	18(e), 16	-	-	85,002	(85,002)	-	-	-
Warrants issued as part of debt settlement	18(e)	-	-	-	235,576	-	-	235,576
Recognition of stock-based compensation	18(d), (f)	-	-	1,327,750	-	-	-	1,327,750
Exercise of warrants	18(b)	13,480,613	3,673,467	-	(114,573)	-	-	3,558,894
Expiry of warrants	18(e)	-	-	14,392	(14,392)	-	-	-
Net loss for the period		-	-	-	-	-	(9,094,409)	(9,094,409)
Other comprehensive income		-	-	-	-	43,841	-	43,841
Balance, September 30, 2024		56,931,813	37,506,522	4,346,894	1,309,480	(48,154)	(42,303,896)	810,846

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 September 30,		Nine months ended September 30,	
		2024 \$	2023 \$	2024 \$	2023 \$
Net loss for the period		(4,093,493)	(1,891,428)	(9,094,409)	(5,833,657)
Operating activities					
Adjustments for					
Amortization and depreciation	22	86,344	112,838	325,258	405,266
Income tax expense (recovery)		(4,806)	—	3,676	—
Stock-based compensation	18(d), (f)	888,952	76,480	1,327,750	296,572
Bad debt		(7,790)	—	28,086	—
Gain (loss) on disposal of asset		(407)	193	(407)	12,512
Impairment on assets		1,414	1,196	4,787	9,093
Impairment on unearned revenue		—	(33,709)	—	(33,709)
Loss on convertible debt conversion inducement	16	—	—	1,817,470	—
Interest accretion - convertible debt	16	—	—	11,667	34,109
Interest expense on convertible debt	16	—	—	70,823	—
Interest expense - lease liability	11	1,201	4,277	5,433	19,047
Loss on debt settlement		—	—	454,128	—
Non-cash operating expenses		200,163	—	200,163	—
Non-cash deferred rent		8,420	7,937	25,095	14,640
Acquisition-related costs		(191,115)	—	(137,260)	226,181
Unrealized foreign exchange (gain)/loss		95,824	(19,866)	255,588	(326,281)
Changes in working capital and other items					
Trade and other receivables		(1,310,137)	(8,057,755)	6,725,186	(4,007,234)
Tax credits receivable		(67,482)	(14,295)	(24,857)	9,353
Inventory		(2,982,063)	(2,737,268)	(3,269,376)	(2,788,825)
Prepaid expenses and deposits		(91,395)	277,939	(381,676)	(89,432)
Other non-current assets		985	—	(8,929)	104,404
Trade and other payables		3,715,673	9,587,837	(4,238,742)	10,009,644
Unearned revenue		(378,532)	222,342	(293,070)	(32,864)
Other non-current liabilities		(248,465)	6,217	(240,733)	343,342
Net cash flows provided by (used in) operating activities		(4,376,709)	(2,457,065)	(6,434,349)	(1,627,839)
Investing activities					
Acquisition of equipment	9	(21,796)	(1,666)	(27,773)	(4,650)
Net cash flows used in investing activities		(21,796)	(1,666)	(27,773)	(4,650)
Financing activities					
Proceeds from issuance of shares, net of issuance costs	18(b)	—	13,485	5,278,486	1,791,769
Proceeds from issuance of warrants	18(b)	3,558,894	—	3,558,894	9,975
Shares issued for convertible debt interest payment		—	—	—	131,036
Short-term loans and interest (repayment)/proceeds		—	2,974,398	(353,527)	354,426
Share issuance costs of convertible debt		—	—	—	9,855
LOC (repayment)/proceeds from short-term loans		1,429,538	—	(451,080)	—
Lease payments	11	(29,199)	(26,941)	(75,636)	(96,819)
Net cash flows provided by (used in) financing activities		4,959,233	2,960,942	7,957,137	2,200,242
Foreign exchange effect on cash and cash equivalents and restricted cash		(42,533)	36,366	(125,231)	292,514
Net increase in cash and cash equivalents and restricted cash		560,728	502,211	1,495,015	567,753
Cash and cash equivalents and restricted cash, beginning of period		2,909,782	3,174,797	2,058,193	2,853,107
Cash and cash equivalents and restricted cash, end of period		3,427,977	3,713,374	3,427,977	3,713,374

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)

Supplemental cash flow information

		Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2024	2023
		\$	\$	\$	\$
Non-cash financing and investing activities					
Warrants issued as brokers fee pursuant to financing	Notes 18(e)	-	-	169,828	-
Warrants issued for debt settlement	18(e)	-	-	235,576	-
Shares issued as part of acquisition	18(b)	-	-	245,560	-
Shares issued as part of shares for debt settlement	18(b)	-	-	437,105	-
Shares issued as part of service consulting agreement	18(b)	200,163	-	200,163	-
Shares issued for convertible debenture interest payment	16,18(b)	22,500	-	146,823	-
Shares issued as part of acquisition - FMV adjustment		-	-	-	(493,284)
Shares issued as part of each out achieved		-	-	-	400,000
Shares issued for convertible debenture conversion	16,18(b)	175,000	-	2,324,653	-

Plurilock Security Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

September 30, 2024 and 2023

(Expressed in Canadian dollars)

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.

These condensed interim consolidated financial statements report that the Company has a net loss of \$4,093,493 and \$9,094,409 for the three and nine months ended September 30, 2024, and \$1,891,428 and \$5,833,657 for the three and nine months ended September 30, 2023, respectively and an accumulated deficit of \$42,303,896 and \$33,209,487 as at September 30, 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.

During the nine months ended September 30, 2024, the Company filed for the preliminary short form base shelf prospectus with the BSCB and OSC.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 26th, 2024.

Plurilock Security Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

September 30, 2024 and 2023

(Expressed in Canadian dollars)

2. Basis of presentation and compliance

The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (IAS 34).

These condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements for the year ended December 31, 2023, as some disclosures from the annual consolidated financial statements have been condensed or omitted. There are no IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's condensed interim consolidated financial statements.

Critical accounting estimates and judgements

In preparing these condensed interim consolidated financial statements management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant estimates and judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the most recent annual consolidated financial statements.

3. Material accounting policies

Stock-based compensation plans and restricted share units

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.

The fair value of the restricted share units ("RSU") over the vesting periods is based on the volume weighted average trading price of the Company's common shares for the five trading days immediately preceding the grant date. Costs recognized when the RSUs vest are charged to share-based payment with the corresponding equity recorded as reserves. When the restricted share units are settled in shares, recorded fair value is transferred from reserves to share capital.

Debt modification

The Company assesses modifications to the terms of financial liabilities to determine if they are substantial. A modification is deemed substantial if the present value of the revised cash flows (discounted at the original effective interest rate) differs by 10% or more from the present value of the original cash flows. Substantial modifications result in the derecognition of the original liability and recognition of a new liability, with the difference recognized in profit or loss. For modifications that are not substantial, the carrying amount of the financial liability is adjusted to reflect the modified cash flows, discounted at the original effective interest rate. Any resulting adjustment is recognized in profit or loss.

The Company also evaluates whether a modification significantly increases the credit risk of the financial liability, which may affect the impairment assessment under IFRS 9.

Plurilock Security Inc.**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

September 30, 2024 and 2023

(Expressed in Canadian dollars)

4. 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.

5. Trade and other receivables

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

	September 30, 2024	December 31, 2023
	\$	\$
Trade receivables	10,426,692	17,179,964
	10,426,692	17,179,964

As at September 30, 2024, \$1,179,336 or 11.31% of the trade receivables balance is over 90 days past due compared to \$244,149 or 1.4% as at December 31, 2023 and 33.7% of the trade receivable balances are owing from 5 customers as at September 30, 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. During the nine months, the Company expected a \$28,086 credit loss (\$Nil expected credit loss on December 31, 2023).

6. Tax credits receivable

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

	September 30, 2024	December 31, 2023
	\$	\$
Tax credits receivable	193,369	172,188
	193,369	172,188

Tax credits receivable balance as at September 30, 2024 of \$193,369 is related to goods and services tax ("GST") receivable (\$172,188 as at December 31, 2023).

7. Inventory

	September 30, 2024	December 31, 2023
	\$	\$
Finished goods	5,135,393	1,866,017
	5,135,393	1,866,017

Amounts of \$11,478,878 and \$28,467,827 of inventories was expensed during the three and nine months ended September 30, 2024, as cost of sales (\$16,749,700 and \$37,118,883 during the three and nine months ended September 30, 2023).

Plurilock Security Inc.**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

September 30, 2024 and 2023

(Expressed in Canadian dollars)

8. Prepaid expenses and deposits

	September 30, 2024	December 31, 2023
	\$	\$
Prepaid service contracts	712,509	330,833
Deposits	534	534
	713,043	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.

9. 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	27,773
Foreign exchange gain	(2,442)
Balance September 30, 2024	260,143
Property and equipment - accumulated depreciation	\$
Balance January 1, 2023	98,160
Depreciation for the year	56,296
Disposals	(3,069)
Balance December 31, 2023	151,387
Depreciation for the period	26,997
Balance September 30, 2024	178,384
Property and equipment net book value	\$
At December 31, 2023	83,425
At September 30, 2024	81,759

Plurilock Security Inc.
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
September 30, 2024 and 2023
(Expressed in Canadian dollars)

10. 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)
Depreciation	(75,487)
Balance December 31, 2023	52,848
Foreign exchange	(401)
Depreciation	(35,847)
Balance September 30, 2024	16,600

11. 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 nine months ended September 30, 2024, the Company recognized \$5,433 (September 30, 2023 - \$19,047) 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 liability	\$
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	5,433
Less: payment during the period	(75,636)
Balance September 30, 2024	51,950
Due within twelve months	51,950
Due after twelve months	-

12. 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.

Plurilock Security Inc.**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

September 30, 2024 and 2023

(Expressed in Canadian dollars)

12. Intangible assets and goodwill (continued)

The changes in the Company's intangible assets for the nine months ended September 30, 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	-	5,746	25,204	-	7,708	38,658
September 30, 2024	\$100,000	\$281,305	\$1,724,488	\$102,566	\$377,382	\$2,585,741
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	3,750	31,345	211,938	15,381	-	262,414
September 30, 2024	\$48,750	\$281,305	\$615,001	\$ 35,894	\$ -	\$980,950
Net Book Value						
December 31, 2023	\$55,000	\$25,599	\$1,296,221	\$ 82,053	\$369,674	\$1,828,547
September 30, 2024	\$51,250	\$ -	\$1,109,487	\$ 66,672	\$377,382	\$1,604,791

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	53,042
Balance September 30, 2024	3,543,992

During the nine months ended September 30, 2024, management completed an impairment indicator assessment related to the brand and goodwill, at the time of the assessment management found no indicators to be evident warranting an impairment on intangibles or goodwill.

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13. Trade and other payables

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

	September 2024	December 31, 2023
	\$	\$
Trade payables	12,949,062	18,685,454
Accrued liabilities	5,127,180	4,106,173
Payroll liabilities	666,980	776,469
Other payables	26,988	118,229
	18,770,210	23,686,325

Accrued liabilities as at September 30, 2024 included contingent considerations of \$270,524 (\$186,286 as at December 31, 2023) including performance-based earnout shares to be paid to the vendors as part of business acquisitions. During the nine months ended September 30, 2024, the Company issued \$245,560 of shares to certain vendors as part of the business acquisition consideration of which \$191,705 was recorded in accrued liabilities and the remaining balance of \$53,855 to the Company's statements of loss and comprehensive loss.

14. Unearned revenue

	\$
Balance January 1, 2023	689,040
Amounts received	3,449,898
Revenue recognized	(2,497,885)
Foreign exchange	610
Balance December 31, 2023	1,641,663
Amounts received	3,611,872
Revenue recognized	(3,913,822)
Foreign exchange	8,880
Balance September 30, 2024	1,348,593

Unearned revenue as at September 30, 2024 and December 31, 2023 consisted of cash collected under customer contracts with goods or services that had not yet been delivered.

15. Short-term loans

On September 25, 2023, the Company received a short-term loan in the amount of \$335,534 (\$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 nine months ended September 30, 2024, the short-term loan was fully repaid the principal amount of \$337,060 plus \$16,467 in interest accrued. During the year ended December 31, 2023, the short-term loan had not been repaid and was 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 is eligible up to 85% of accounts receivable. During the nine months ended September 30, 2024, the Company paid \$374,401 (September 30, 2023 - \$411,308) in interest on the Pathward line of credit.

15. Short-term loans (continued)

	September 30, 2024	December 31, 2023
	\$	\$
Line of credit (LOC)	3,874,946	4,504,636
	3,874,946	4,504,636

16. Convertible debenture

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 \$363,334 have been classified as equity reserves and on the condensed consolidated statements of equity. 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.

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

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16. Convertible debenture (continued)

shares were issued and settled at \$1.40. During the nine months ended September 30, 2024, the Company settled the December 31, 2023 interest payment by issuing 126,666 common shares at \$0.60 and 147,756 common shares for interest accrued on conversion and recognized \$70,823 of interest expense on the Company's condensed interim consolidated statements of loss and comprehensive loss. The Company settled the June 30, 2024 interest payment by issuing 74,995 common shares at \$0.30. The Company recognized \$11,667 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 \$4.00 per warrant to \$2.00 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.

During the nine months ended September 30, 2024, the Company provided Debenture holders an opportunity to convert the Debentures at a reduced conversion price of \$0.25 for a period of 30 days. The warrants held by those Debenture holders who elected to convert their debentures during the inducement period were cancelled and received one full common share purchase warrant for each debenture share issued on conversion of the Debentures. Each induced warrant entitles the holder of thereof to purchase one additional share for a period of one year at price of \$0.30.

During the nine months ended September 30, 2024, the Company incurred a loss of \$1,153,268 related to convertible debt inducements, contributing to a total net loss of \$1,817,470 for the period. During the nine months ended September 30, 2024, \$1,245,000 of convertible debt was converted for 4,367,500 common shares. Upon conversion of the induced convertible debt, 53,500 warrants were canceled and replaced with 4,280,000 new warrants. The fair value of the newly issued warrants was \$664,202, which was recognized as a loss on inducement in the Company's condensed interim consolidated statements of loss and comprehensive loss.

The following table summarizes the continuity of the Convertible Debenture:

	<i>Debt Portion</i>	<i>Equity Portion</i>	<i>Total Convertible Debenture</i>
	\$	\$	\$
Balance January 1, 2023	1,191,366	363,334	1,554,700
Interest accretion recognized	73,805	-	73,805
Convertible debt converted to common shares	(7,626)	(2,374)	(10,000)
Balance December 31, 2023	1,257,545	360,960	1,618,505
Interest accretion recognized	11,667	-	11,667
Convertible debt converted to common shares	(949,347)	(295,653)	(1,245,000)
Balance September 30, 2024	319,865	65,307	385,172

17. Other non-current liabilities

Other non-current liabilities consists of \$Nil (\$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.

18. Share capital

(a) Authorized

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

Effective April 19, 2024, a share consolidation of the Company's issued and outstanding common shares on the basis of ten pre-consolidated common shares for one post-consolidated common share. As a result, the Company's issued and outstanding warrants and stock options were also consolidated on a ten-to-one basis. All information relating to basic and diluted loss per share, issued and outstanding common shares, share purchase warrants, broker warrants, stock options, share and per share amounts in these condensed consolidated interim financial statements have been adjusted retrospectively to reflect the share consolidation. Following the share consolidation, the issued capital of the Company was reduced to 10,294,848 shares, 2,584,800 warrants and 1,079,683 stock options outstanding.

The total issued and outstanding share capital consists of 56,931,813 and 10,168,182 common shares without par value as at September 30, 2024 and December 31, 2023 respectively.

(b) Issued and outstanding

During the nine months ended September 30, 2024, the Company completed the following transactions:

- 22,500,000 units at \$0.20 were issued for total gross proceeds of \$4,500,000 and share issuance costs of \$186,514. Each unit is comprised of one common share and one common share purchase warrant, where each two-year warrant is exercisable at \$0.25 in the first year and \$0.40 in the second year. There was no value allocated to the warrants under the residual method. 1,016,575 broker warrants were issued, where each two-year warrant is exercisable with the same terms as the other warrants issued. \$145,207 was allocated as fair value to the broker warrants and recorded as share issuance costs.
- 4,444,443 units at \$0.225 were issued for total gross proceeds of \$1,000,000 and share issuance costs of \$35,000. Each unit is comprised of one common share and one common share purchase warrant, where each warrant is exercisable at \$0.30 for a period of two years. There was no value allocated to the warrants under the residual method. 155,555 broker warrants were issued, where each two-year warrant is exercisable with the same terms as the other warrants issued. \$24,621 was allocated as fair value to the broker warrants and recorded as share issuance costs.
- 1,092,762 units at a fair value \$0.40 were issued for settlement of debt in the amount of \$437,105. Each unit is comprised of one common share and one common share purchase warrants, where each two-year warrant is exercisable at \$0.25 in the first year and \$0.40 in the second year. The Company recognized a loss on debt settled in the amount of \$454,128 on the Company's condensed interim consolidated statements of loss and comprehensive loss of which \$218,552 was related to the excess value of settlement of debt and \$235,576 fair value of the warrants issued.
- 128,570 common shares at \$1.90 were issued as part of the acquisition consideration of Atrion where \$191,705 was recorded in accrued liabilities and the remaining balance was recognized as loss in the Company's condensed interim consolidated statements of loss and comprehensive loss.

18. Share capital (continued)

(b) Issued and outstanding (continued)

- 126,666 common shares at \$0.60 were issued related to the December 31, 2023 interest payment for convertible debenture in the amount of \$76,000 recorded in accrued liabilities.
- 74,995 common shares at \$0.30 were issued related to the June 30, 2024 interest payment for convertible debenture in the amount of \$22,500 recorded in accrued liabilities.
- 4,427,756 common shares were issued on the induced convertible debenture conversion plus interest accrued in the amount of \$1,118,323 (Note 16).
- 11,936,013 warrants were exercised at \$0.25 for total gross proceeds of \$2,984,003.
- 1,470,555 warrants were exercised at \$0.30 for total gross proceeds of \$441,167.
- 22,826 warrants were exercised at \$1.40 for total gross proceeds of \$31,956.
- 1,219 warrants were exercised at \$1.45 for total gross proceeds of \$1,768.
- 50,000 warrants were exercised at \$2.00 for total gross proceeds of \$100,000.
- 400,326 common shares at \$0.50 were issued pursuant to the consulting agreement to a certain director of the Company in the amount of \$200,163.
- 87,500 common shares were issued on the convertible debenture conversion in the amount of \$175,000 (Note 16).

During the year ended December 31, 2023, the Company completed the following transactions:

- 7,125 warrants at \$2.20 were exercised for total gross proceeds of \$15,675.
- 1,145,728 units at \$1.45 for total gross proceeds of \$1,661,305 and share issuance costs of \$61,121. Each unit is comprised of one common share and one common share purchase warrants, where each warrant is exercisable at \$2.00 for a period of two years. There was no value allocated to the warrants under the residual method. 42,135 broker warrants were issued, where each two-year warrant is exercisable at \$1.45. \$55,724 was allocated as fair value to the broker warrants.
- 142,139 units at \$1.40 for total gross proceeds of \$198,995 and share issuance costs of \$7,400. Each unit is comprised of one common share and one common share purchase warrants, where each warrant is exercisable at \$2.00 for a period of two years. There was no value allocated to the warrants under the residual method. 12,555 broker warrants were issued, where each two-year warrant is exercisable at \$1.40. \$4,660 was allocated as fair value to the broker warrants.
- 3,509 units were issued on convertible debenture conversion in the amount of \$10,000.
- 235,294 units at \$1.70 were issued as part of the INC acquisition consideration performance earn-out achieved in total amount of \$400,000.

18. Share capital (continued)

(b) Issued and outstanding (continued)

- 44,028 units \$1.25 were issued related to the December 31, 2022 interest payment for convertible debenture in the amount of \$55,035 recorded in accrued liabilities.
- 54,284 units \$1.40 were issued related to the June 30, 2023 interest payment for convertible debenture in the amount of \$75,998.

(c) Stock option plan

On June 18, 2024, the Plurilock Board of Directors approved the replacement of the Plurilock ESOP Plan with a new Plurilock stock option plan ("**Omnibus Incentive Plan**") for the purchase of an aggregate of 3,490,900 common shares to employees, officers, directors, and consultants of the Company, pursuant to the terms of the Omnibus Plan. The stock options are exercisable at \$0.30 per share, expire in five years from the date of grant, and vest immediately. Subject to shareholder approval.

Under the Omnibus Plan, the Company adopted a rolling 10% stock option plan and fixed 10% RSU plan. The maximum number of non-voting shares available for issuance under the Omnibus Plan is 10% of the issued and outstanding common shares.

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.

On June 24, 2024, the Company granted to an officer of the Company an aggregate of 3,460,000 options to purchase common shares at an exercise price of \$0.30 per share, which will vest over four years from the grant date.

On July 12, 2024, the Company granted certain consultants of the Company an aggregate of 280,000 options to purchase common shares at an exercise price of \$1.03 per share, which will vest immediately from the grant date.

On July 29, 2024, the Company granted certain consultants of the Company an aggregate of 20,000 options to purchase common shares at an exercise price of \$1.00 per share, which will vest immediately from the grant date.

On August 19, 2024, the Company announced the appointment of Ron Wilson to the industry advisory council along with the Company granted certain consultants of the Company an aggregate of 150,000 options to purchase common shares at an exercise price of \$2.13 per share, which will vest immediately from the grant date.

On September 4, 2024, the Company granted certain employees and consultants of the Company an aggregate of 195,000 options to purchase common shares at an exercise price of \$0.73 per share, which will vest immediately from the grant date.

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18. Share capital (continued)

(c) Stock option plan (continued)

On September 4, 2024, the Company granted certain employees and consultants of the Company an aggregate of 100,000 options to purchase common shares at an exercise price of \$1.00 per share, which will vest immediately from the grant date.

On September 16, 2024, the Company granted certain employees and consultants of the Company an aggregate of 20,000 options to purchase common shares at an exercise price of \$0.65 per share, which will vest immediately from the grant date.

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

	Number of options #	Weighted average exercise price \$
Balance, January 1, 2023	967,814	3.56
Granted	410,866	1.50
Cancelled	(251,916)	3.59
Balance, December 31, 2023	1,126,764	2.80
Granted	4,225,000	0.47
Cancelled	(339,600)	2.00
Expired	(746,738)	3.26
Balance, September 30, 2024	4,265,426	0.47

Additional information concerning stock options outstanding as at September 30, 2024 and December 31, 2023 is as follows:

The number of exercisable stock options as of September 30, 2024 was 4,265,426 with an average exercise price of \$0.47 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 September 30, 2024, and December 31, 2023 as follows:

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18. Share capital (continued)

(c) *Stock option plan (continued)*

Exercise price	September 30, 2024		December 31, 2023	
	Number of stock options	Weighted average contractual life (in years)	Number of stock options	Weighted average contractual life (in years)
\$ 0.30	3,455,000	4.73	-	-
\$ 0.65	20,000	4.96	-	-
\$ 0.73	195,000	4.93	-	-
\$ 1.00	120,000	4.92	-	-
\$ 1.03	280,000	4.78	-	-
\$ 1.40	-	-	20,000	9.44
\$ 1.50	40,330	8.36	371,766	9.10
\$ 2.00	5,000	8.42	61,627	2.94
\$ 2.13	150,000	4.88	-	-
\$ 2.60	-	-	30,000	8.33
\$ 3.40	-	-	447,315	6.83
\$ 3.50	-	-	62,500	6.94
\$ 3.70	96	7.48	43,206	8.24
\$ 5.00	-	-	5,000	7.10
\$ 5.20	-	-	75,350	7.87
\$ 5.60	-	-	10,000	2.18
Total	4,265,426	4.80	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:

Approval date	Exercise price	Share price at grant date	Expected life (years)	Expected volatility	Risk-free interest rate	Expected dividends	Options issued	Expiry date
October 27, 2020	\$ 3.40	\$ 3.40	10.00	89%	0.50%	0.00%	447,304	October 27, 2030
November 12, 2021	\$ 5.20	\$ 5.20	10.00	113%	1.54%	0.00%	93,372	November 12, 2031
March 24, 2022	\$ 3.70	\$ 3.60	10.00	112%	1.92%	0.00%	58,716	March 24, 2032
January 31, 2023	\$ 1.50	\$ 1.25	10.00	123%	3.50%	0.00%	378,264	January 31, 2033
June 24, 2024	\$ 0.30	\$ 0.29	5.00	130%	3.76%	0.00%	3,460,000	June 24, 2029
July 12, 2024	\$ 1.03	\$ 1.03	5.00	141%	3.10%	0.00%	280,000	July 12, 2029
July 30, 2024	\$ 1.00	\$ 1.00	5.00	146%	3.10%	0.00%	20,000	July 30, 2029
August 16, 2024	\$ 2.13	\$ 2.13	5.00	151%	3.10%	0.00%	150,000	August 16, 2029
September 4, 2024	\$ 0.73	\$ 0.73	5.00	159%	2.84%	0.00%	195,000	September 4, 2029
September 4, 2024	\$ 1.00	\$ 1.00	5.00	159%	2.84%	0.00%	100,000	September 4, 2029
September 16, 2024	\$ 0.65	\$ 0.65	5.00	157%	2.66%	0.00%	20,000	September 16, 2029

(d) *Stock-based compensation reserve*

Total stock-based compensation cost recognized in the Company's condensed interim consolidated statements of loss and comprehensive loss for the three and nine months ended September 30, 2024, was \$888,952 and \$1,327,750 compared to \$76,480 and \$296,572 in prior year and is credited to contributed surplus.

Total stock-based compensation expense for the three and nine months ended September 30, 2024, is comprised of the expense pursuant to stock options issued to related parties (as discussed in Note 24) of \$(9,026) and \$420,928 compared to \$2,243 and \$88,327 respectively in prior period and to other parties of \$897,978 and \$906,822 compared to \$74,237 and \$208,245 respectively in the prior year.

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18. Share capital (continued)

(e) *Warrants*

There were 22,559,298 warrants as at September 30, 2024, compared to 2,637,800 as at December 31, 2023.

The following table summarizes the continuity of the warrants:

	Number of warrants #	Weighted average exercise price \$
Balance, January 1, 2023	1,911,640	3.50
Private placement	1,287,867	2.00 *
Finder's fee for private placement	54,692	1.40
Convertible debt warrants forfeited on conversion	(500)	1.45
Expired	(608,774)	6.50
Warrants Exercised	(7,125)	1.40
Balance, December 31, 2023	2,637,800	2.10
Private placement	26,944,443	0.32
Finder's fee for private placement	1,172,130	0.32
Convertible debt warrants forfeited on conversion	(53,000)	2.00
Convertible debenture conversion warrants issued	4,280,000	0.30
Shares for debt settlement	1,092,762	0.33
Expired	(34,224)	2.28
Warrants Exercised	(13,480,613)	0.26
Balance, September 30, 2024	22,559,298	0.56

*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.

During the nine months ended September 30, 2024, the Company provided Debenture holders an opportunity to convert the Debentures at a reduced conversion price of \$0.25 for a period of 30 days.

The warrants held by those Debenture holders who elected to convert their debentures during the inducement period were cancelled and received one full common share purchase warrant for each debenture share issued on conversion of the Debentures. Each induced warrant entitles the holder of thereof to purchase one additional share for a period of one year at price of \$0.30.

On conversion of the induced convertible debt, 53,500 warrants were cancelled and replaced with 4,280,000 warrants on conversion with a fair value of \$664,202 which was recognized as a loss on inducement on the Company's condensed interim consolidated statements of loss and comprehensive loss.

(f) *Restricted share units*

On June 18, 2024, the Plurilock Board of Directors approved the replacement of the Plurilock ESOP Plan with a new Plurilock stock option plan ("**Omnibus Incentive Plan**") for the purchase of an aggregate of 3,490,900 common shares to employees, officers, directors, and consultants of the Company, pursuant to the terms of the Omnibus Plan.

The stock options are exercisable at \$0.30 per share, expire in five years from the date of grant, and vest immediately. Subject to shareholder approval. Under the Omnibus Plan, the Company adopted a rolling 10% stock option plan and fixed 10% RSU plan. The maximum number of RSU's the Company can issue under the plan is 4,071,944 RSUs.

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18. Share capital (continued)

(f) Restricted share units (continued)

On June 18, 2024, the Company granted to certain officers, employees, and consultants of the Company an aggregate of 3,800,000 RSU's, which will vest in one year from the grant date. Subject to shareholder approval. The total fair value of the RSU's granted is \$1,026,000 to be recognized as the RSUs vest. During the nine months ended September 30, 2024, the Company recognized \$32,100 of stock-based compensation on the Company's condensed interim consolidated statements of loss and comprehensive loss.

On August 15, 2024, shareholders of the Company approved the new Omnibus Plan and issuance of RSU's and options to certain officers, employees and consultants issued on June 18, 2024.

19. 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:

	September 30, 2024	December 31, 2023
	\$	\$
Cash and cash equivalents	3,407,977	1,917,770
Restricted cash	20,000	140,423
Short-term loans	(3,874,946)	(4,504,636)
Convertible debenture	(319,865)	(1,257,545)
Share capital	(37,506,522)	(25,370,093)
Contributed surplus	(4,346,894)	(2,919,750)
Equity reserve	(1,309,480)	(675,879)
Total	(43,929,730)	(32,669,710)

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.

20. Financial instruments

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

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20. Financial instruments (continued)*Financial risk management*

Trade payables and other payables, short term loans, lease liability, non-current liabilities 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.

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.

(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:

	September 30, 2024	December 31, 2023
	\$	\$
Cash and cash equivalents	3,407,977	1,917,770
Restricted cash	20,000	140,423
Trade and other receivables	10,426,692	17,179,964
	13,854,669	19,238,157

The Company transacts with customers with strong credit ratings and strives to minimize credit risk by performing credit reviews, ongoing credit evaluation and account monitoring procedures. The credit risk associated with trade receivables with the aging balances over 90 days at September 30, 2024 is considered lower than normal. As at September 30, 2024, the Company has an allowance for expected credit losses of \$28,086 (\$Nil at December 31, 2023). All of the Company's receivables have been reviewed for indicators of impairment and, if any, bad debt expenses have been recorded. The aging of trade and other receivables is as follows:

	September 30, 2024			December 31, 2023	
	0-30 days	31-90 days	Over 90 days		
	\$	\$	\$	\$	\$
Trade receivables	8,458,784	788,572	1,179,336	10,426,692	17,179,964

Aside from the those mentioned in Note 5, no trade receivables have been challenged by the respective customers and the Company continues to conduct business with them on an ongoing basis.

(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

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20. Financial instruments (continued)

Financial risk management

(b) *Interest rate risk (continued)*

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.

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

	September 30, 2024					December 31, 2023			
	USD	INR	EUR	CAD	Total	USD	INR	CAD	Total
Cash and cash equivalents	700,534	66,702	207,930	2,432,811	3,407,977	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	10,075,527	17,540	-	333,625	10,426,692	16,799,912	45,428	334,624	17,179,964
Trade payables and accruals	17,201,922	46,814	-	827,506	18,076,242	20,992,690	42,982	1,755,955	22,791,627
Short-term loans	4,265,195	-	-	(390,249)	3,874,946	4,461,497	-	43,139	4,504,636
Lease liability	-	-	-	51,950	51,950	59,855	-	62,298	122,153
Convertible debenture	-	-	-	319,865	319,865	-	-	1,257,545	1,257,545

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20. Financial instruments (continued)*Financial risk management (continued)**(d) Currency risk (continued)***Significant exchange rates used**

	September 30, 2024	December 31, 2023
Average rate for the period/year		
US dollar	1.3642	1.3500
Indian Rupee	0.0163	0.0164
European Euro	1.4772	1.4592
Statement of financial position rates		
US dollar	1.3526	1.3250
Indian Rupee	0.0161	0.0159
European Euro	1.5076	1.4626

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

	September 30, 2024 increase/(decrease) in equity	December 31, 2023 increase/(decrease) in equity
	\$	\$
10% appreciation of the U.S. dollar against Canadian dollar	(1,069,106)	(692,401)
10% depreciation of the U.S. dollar against Canadian dollar	1,069,106	692,401
10% appreciation of the European Euro against Canadian dollar	3,743	-
10% depreciation of the European Euro against Canadian dollar	(3,743)	-
10% appreciation of the Indian Rupee against Canadian dollar	20,793	2,902
10% depreciation of the Indian Rupee against Canadian dollar	(20,793)	(2,902)

(e) Fair values

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

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

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

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

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20. Financial instruments (continued)*Financial risk management (continued)**(e) Fair values (continued)*

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 other payables 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:

	September 30, 2024	December 31, 2023
	\$	\$
Cash and cash equivalents	3,407,977	1,917,770
Restricted cash	20,000	140,423
Trade and other receivables	10,426,692	17,179,964
Total financial assets	13,854,669	19,238,157
Trade payables and accruals	18,076,242	22,791,627
Short-term loans	3,874,946	4,504,636
Lease liability	51,950	122,153
Convertible debenture	319,865	1,257,545
Total financial liabilities	22,323,003	28,675,961

(f) Contractual cash flows

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

	September 30, 2024		Total
	Due in less than a year	Due between one to five years	
	\$	\$	\$
Trade payables and other payables	18,076,242	-	18,076,242
Short-term loans	3,874,946	-	3,874,946
Lease liability	51,950	-	51,950
Convertible debenture	-	319,865	319,865
	22,003,138	319,865	22,323,003
	December 31, 2023		
	Due in less than a year	Due between one to five years	Total
	\$	\$	\$
Trade payables and other payables	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

21. 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 Plurilock's own proprietary products (DEFEND). Acquisition related costs associated with acquiring ASC and INC have also been allocated to the Solutions Division.

(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:

	September 30, 2024			December 31, 2023		
	\$			\$		
	Technology Division	Solutions Division	Total	Technology Division	Solutions Division	Total
Total assets	6,567,458	18,627,822	25,195,280	3,587,201	23,548,535	27,135,736
Total liabilities	2,818,053	21,566,381	24,384,434	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.

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21. Segment information (continued)*(c) Revenue from major products and services (continued)*

(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 and nine months ended September 30, 2024 and 2023 are as follows:

	Three months ended September 30,					
	2024			2023		
	Technology Division	Solutions Division	Total Revenue	Technology Division	Solutions Division	Total Revenue
	\$	\$	\$	\$	\$	\$
Hardware and systems sales	-	11,913,548	11,913,548	-	17,514,024	17,514,024
Software, license and maintenance sales	222,776	1,317,130	1,539,906	337,773	1,525,148	1,862,921
Professional services	-	875,110	875,110	-	623,922	623,922
Total	222,776	14,105,788	14,328,564	337,773	19,663,094	20,000,867

	Nine months ended September 30,					
	2024			2023		
	Technology Division	Solutions Division	Total Revenue	Technology Division	Solutions Division	Total Revenue
	\$	\$	\$	\$	\$	\$
Hardware and systems sales	-	30,942,715	30,942,715	-	40,326,636	40,326,636
Software, license and maintenance sales	684,860	3,581,535	4,266,395	843,900	4,883,366	5,727,266
Professional services	-	3,336,410	3,336,410	-	1,965,436	1,965,436
Total	684,860	37,860,660	38,545,520	843,900	47,175,438	48,019,338

(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 and nine months ended September 30, 2024 and 2023 are as follows:

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21. Segment information (continued)

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

	For the three months ended September 30,					
	2024			2023		
	Technology Division \$	Solutions Division \$	Total \$	Technology Division \$	Solutions Division \$	Total \$
Revenue	222,776	14,105,788	14,328,564	337,773	19,663,094	20,000,867
Cost of sales	50,435	13,305,670	13,356,105	98,488	18,467,931	18,566,419
Gross profit	172,341	800,118	972,459	239,285	1,195,163	1,434,448
Gross margin	77.4%	5.7%	6.8%	70.8%	6.1%	7.2%
Total operating expenses	2,916,985	1,791,616	4,708,601	1,481,321	1,769,717	3,251,038
Other expenses	-	-	362,157	-	-	123,138
Net income (loss) before taxes	(2,744,644)	(991,498)	(4,098,299)	(1,242,036)	(574,554)	(1,939,728)

	For the nine months ended September 30,					
	2024			2023		
	Technology Division \$	Solutions Division \$	Total \$	Technology Division \$	Solutions Division \$	Total \$
Revenue	684,860	37,860,660	38,545,520	843,900	47,175,438	48,019,338
Cost of sales	202,066	32,865,951	33,068,017	294,632	42,777,476	43,072,108
Gross profit	482,794	4,994,709	5,477,503	549,268	4,397,962	4,947,230
Gross margin	70.5%	13.2%	14.2%	65.1%	9.3%	10.3%
Total operating expenses	5,873,022	5,065,011	10,938,033	4,581,595	5,519,376	10,100,971
Other expenses	-	-	3,630,203	-	-	724,704
Net income (loss) before taxes	(5,390,228)	(70,302)	(9,090,733)	(4,032,327)	(1,121,414)	(5,878,445)

(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.

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Revenue				
United States	13,788,713	18,470,634	35,694,073	40,970,724
India	115,438	114,566	353,222	361,178
Canada	424,413	1,415,667	2,498,225	6,687,436
	14,328,564	20,000,867	38,545,520	48,019,338

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21. Segment information (continued)*(e) Revenue and long-lived assets by geographic locations (continued)*

	September 30, 2024	December, 2023
	\$	\$
Long-lived assets		
United States	1,355,183	1,499,147
India	32,877	42,043
Canada	350,425	450,036
	1,738,485	1,991,226

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22. Operating expenses

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Research and development				
Communication and IT services	28,403	153,566	197,266	466,757
Contractors	5,000	57,576	24,726	129,384
Government assistance	-	(14,126)	-	(30,854)
Office and general	-	990	1,583	1,591
Salaries and benefits	141,950	357,483	569,983	1,088,916
COS allocation	(3,283)	(50,891)	(54,332)	(148,213)
Travel and entertainment	-	-	-	2,671
	172,070	504,598	739,226	1,510,252
Sales and marketing				
Advertising and promotion	20,332	-	50,565	27,429
Communication and IT services	14,150	25,453	57,591	90,764
Contractors	2,289	5,184	25,580	55,751
Marketing	700	172,832	9,753	213,680
Office and general	15	29	57	488
Salaries and benefits	371,865	565,911	1,398,970	1,900,990
Sales commission	90,439	99,645	262,215	46,026
Travel and entertainment	575	1,508	575	7,776
	500,365	870,562	1,805,306	2,342,904
General and administrative				
Amortization and depreciation	86,344	112,838	325,258	405,266
Bad debt	(7,790)	-	28,086	(8,313)
Communication and IT services	120,075	67,766	278,716	284,115
Contractors	295,778	31,607	491,181	253,177
Insurance	112,685	27,275	169,539	95,015
Office and general	167,838	117,149	420,966	442,807
Professional fees	334,804	137,277	739,891	490,343
Investor relations and regulatory filing	747,461	211,161	1,174,559	687,451
Salaries and benefits	1,220,847	1,058,195	3,301,887	3,188,165
Travel and entertainment	45,172	36,129	111,668	113,217
	3,123,214	1,799,397	7,041,751	5,951,243

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23. 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 September 30, 2024 and September 30, 2023 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		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Numerator				
Net loss for the period	(4,093,493)	(1,891,428)	(9,094,409)	(5,833,657)
Denominator				
Weighted average number of common shares outstanding, basic and diluted	49,337,848	10,167,093	30,373,539	9,272,362
Basic and diluted loss per share	(0.08)	(0.19)	(0.30)	(0.63)

24. Related party transactions

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

The following table summarizes the related party transactions:

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Salaries, benefits and consulting fees	541,031	265,458	1,368,022	579,896
Stock-based compensation expense*	(9,026)	2,243	420,928	88,327
	532,005	267,701	1,788,950	668,223

* 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.