
Condensed interim consolidated
financial statements of
Plurilock Security Inc.

For the three and nine months ended September 30, 2022 and 2021 (unaudited)

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

(Expressed in Canadian dollars)

		September 30, 2022	December 31, 2021
	Notes	\$	\$
Assets			
Current assets			
Cash and cash equivalents		3,288,438	9,468,104
Restricted cash	5	140,423	—
Trade and other receivables	6	22,221,073	6,095,581
Tax credits receivable	7	213,932	281,184
Inventory	8	1,900,157	734,097
Prepaid expenses and deposits	9	566,704	349,664
Total current assets		28,330,727	16,928,630
Non-current assets			
Property and equipment	10	242,993	64,861
Right-of-use asset	11	104,297	—
Intangible assets	13	946,562	622,757
Goodwill	4	6,933,908	852,032
Deferred tax asset		6,497	—
Other non-current assets		23,035	13,218
Total assets		36,588,019	18,481,498
Liabilities			
Current liabilities			
Trade and other payables	14	27,244,328	10,997,987
Unearned revenue	15	712,100	327,763
Short-term loans	16	3,087,705	—
Lease liability	12	44,163	—
Total current liabilities		31,088,296	11,325,750
Non-current liabilities			
Lease liability - non-current	12	72,069	—
Government loan	17	—	201,719
Deferred tax liability		26,734	24,230
Convertible debenture	18	1,166,666	—
Other non-current liabilities	19	684,125	—
Total liabilities		33,037,890	11,551,699
Shareholders' equity			
Share capital	20	22,153,495	20,496,808
Equity reserve		830,135	522,281
Foreign currency translation reserve		240,908	(93,174)
Contributed and other surplus		2,317,817	1,681,011
Accumulated deficit		(21,992,226)	(15,677,127)
Total equity		3,550,129	6,929,799
Total equity and liabilities		36,588,019	18,481,498

Subsequent events 27

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

Approved by the Board

"Robert Kiesman"

Robert Kiesman, 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,	
		2022	2021	2022	2021
		\$	\$	\$	\$
Revenue	23	30,750,548	15,245,948	46,810,147	23,926,019
Cost of sales		(28,977,328)	(14,685,812)	(43,663,380)	(22,669,817)
Gross profit		1,773,220	560,136	3,146,767	1,256,202
Operating expenses					
Research and development	24	658,583	373,168	1,947,998	952,517
Sales and marketing	24	804,130	740,973	2,417,790	1,507,650
General and administrative	24	1,297,670	745,927	3,554,985	2,082,517
Stock-based compensation	20(d)	100,974	215,688	576,575	703,490
Total operating expenses		2,861,357	2,075,756	8,497,348	5,246,174
Operating loss		(1,088,137)	(1,515,620)	(5,350,581)	(3,989,972)
Other income (expenses)					
Foreign exchange translation gain (loss)		(25,237)	92,771	(182,548)	(45,071)
Acquisition-related expenses		(473,720)	(14,544)	(690,086)	(305,890)
Financing expenses		—	—	—	(99,805)
Listing expenses		—	—	—	(1,911)
Interest expenses		(44,351)	(2,876)	(86,831)	(4,278)
Total other income (expenses)		(543,308)	75,351	(959,465)	(456,955)
Net loss for the period before tax		(1,631,445)	(1,440,269)	(6,310,046)	(4,446,927)
Income tax expense		—	—	(5,053)	—
Net loss for the period		(1,631,445)	(1,440,269)	(6,315,099)	(4,446,927)
Other comprehensive income (loss)					
Items that may be subsequently reclassified to net gain					
Foreign exchange translation difference		191,001	(47,271)	334,082	18,049
Other comprehensive income (loss)		191,001	(47,271)	334,082	18,049
Comprehensive loss for the period		(1,440,444)	(1,487,540)	(5,981,017)	(4,428,878)
Basic and diluted loss per share	25	(0.02)	(0.03)	(0.09)	(0.08)

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

Plurilock Security Inc.
Consolidated Statements of Changes in Equity (unaudited)

(Expressed in Canadian dollars)

			Contributed and other surplus	Equity reserve	Foreign currency translation reserve	Accumulated deficit	Total
Notes	Share capital						
	#	\$	\$	\$	\$	\$	\$
Balance, January 1, 2021	45,211,251	10,131,702	755,409	208,999	(19,092)	(9,399,667)	1,677,351
Units issued for cash	11,240,736	5,158,111	-	-	-	-	5,158,111
Share issuance costs	-	(296,903)	-	-	-	-	(296,903)
Warrants issued pursuant to private placement financing broker fee	-	(189,375)	-	189,375	-	-	-
Shares issued as part of acquisition consideration	698,888	440,299	-	-	-	-	440,299
Shares issued pursuant to acquisition broker fee	46,296	25,000	-	-	-	-	25,000
Recognition of share-based payments	-	-	703,490	-	-	-	703,490
Exercise of stock options	181,750	67,882	(11,637)	(13,875)	-	-	42,370
Exercise of warrants	2,091,320	824,228	-	(47,913)	-	-	776,315
Net loss for the period	-	-	-	-	-	(4,446,927)	(4,446,927)
Other comprehensive loss	-	-	-	-	18,049	-	18,049
Balance, September 30, 2021	59,470,241	16,160,944	1,447,262	336,586	(1,043)	(13,846,594)	4,097,155
Units issued for cash	9,200,000	4,600,000	-	-	-	-	4,600,000
Share issuance costs	-	(298,666)	-	-	-	-	(298,666)
Warrants issued to underwriters for bought deal	-	(196,048)	-	196,048	-	-	-
Warrant issuance costs	-	-	-	(13,723)	-	-	(13,723)
Shares issued as part of acquisition consideration	-	(185,552)	-	-	-	-	(185,552)
Recognition of stock-based compensation	-	-	233,749	-	-	-	233,749
Exercise of stock options	-	-	-	-	-	-	-
Exercise of warrants	1,017,330	416,130	-	3,370	-	-	419,500
Net loss for the period	-	-	-	-	-	(1,830,533)	(1,830,533)
Other comprehensive loss	-	-	-	-	(92,131)	-	(92,131)
Balance, December 31, 2021	69,687,571	20,496,808	1,681,011	522,281	(93,174)	(15,677,127)	6,929,799
Shares issued for services	20(b)	123,347	45,200	-	-	-	45,200
Shares issued as part of acquisition consideration	20(b)	3,909,321	1,563,559	-	-	-	1,563,559
Shares issued pursuant to acquisition broker fee	20(e)	274,637	64,700	-	-	-	64,700
Equity component of convertible debenture	18	-	-	275,639	-	-	275,639
Warrants issued pursuant to private placement financing	-	-	-	87,695	-	-	87,695
Recognition of stock-based compensation	20(d)	-	576,575	-	-	-	576,575
Warrants issued as private placements broker fee	18	-	-	8,594	-	-	8,594
Exercise of warrants	20(e)	12,808	7,685	(3,843)	-	-	3,842
Expiry of warrants	20(e)	-	-	(60,231)	-	-	-
Net loss for the period	-	-	-	-	-	(6,315,099)	(6,315,099)
Other comprehensive gain/(loss)	-	(24,457)	-	-	334,082	-	309,625
Balance, September 30, 2022	74,007,684	22,153,495	2,317,817	830,135	240,908	(21,992,226)	3,550,129

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,	
		2022	2021	2022	2021
		\$	\$	\$	\$
Net loss for the period		(1,631,445)	(1,440,269)	(6,315,099)	(4,446,927)
Operating activities					
Adjustments for					
Amortization	24	82,819	9,839	192,239	27,371
Deferred tax asset		(6,497)	—	(6,497)	—
Stock-based compensation	20(d)	100,974	215,688	576,575	703,490
Interest expense - short term loans		—	—	11,209	—
Interest expense - long term loans		—	—	3,768	—
Interest expense - government loans		—	2,236	—	4,073
Forgiveness of PPP loan	23(d)	—	(14,406)	—	(204,136)
Interest expense - lease liability	12	2,771	133	6,821	723
Listing expenses		—	—	—	25,000
Non-cash operating expenses		(22,330)	—	17,670	—
Acquisition-related costs	4	50,200	—	64,700	—
Unrealized foreign exchange loss/(gain)		25,237	(4,057)	182,548	48,139
Changes in working capital and other items					
Trade and other receivables		(13,279,157)	178,372	(10,987,964)	(1,598,983)
Tax credits receivable		288,750	(21,231)	392,020	(2,330)
Inventory		(820,637)	457,384	(856,177)	(287,285)
Prepaid expenses and deposits		(130,099)	5,444	(107,473)	(39,846)
Trade and other payables		14,986,997	2,303,276	10,372,336	5,918,074
Unearned revenue		265,170	211,856	235,865	180,354
Net cash flows provided by (used in) operating activities		(87,247)	1,904,265	(6,217,459)	327,717
Investing activities					
Acquisition of equipment	10	(51,184)	(29,929)	(37,192)	(50,126)
Net cash acquired/(paid) from/for business acquisition	4	(2,966,802)	—	(3,838,640)	53,981
Net cash flows provided by (used in) investing activities		(3,017,986)	(29,929)	(3,875,832)	3,855
Financing activities					
Proceeds from issuance of shares, net of issuance costs		—	—	—	4,861,207
Proceeds from warrant exercise		—	263,973	3,843	789,975
Proceeds from stock option exercises		—	14,620	—	42,370
Proceeds from convertible debt	18	1,530,000	—	1,530,000	—
Proceeds from short-term loans		—	772	—	772
Repayment of short-term loans		—	—	—	(626,920)
Proceeds from short-term loans (LOC)		17,424,158	—	27,600,878	—
Repayment of short-term loans (LOC)		(15,505,336)	—	(24,963,740)	—
Repayment of SBA loan	17	(212,184)	—	(212,184)	—
Lease payments	12	(13,106)	(4,575)	(29,458)	(13,725)
Net cash flows provided by (used in) financing activities		3,223,532	274,790	3,929,339	5,053,679
Foreign exchange effect on cash and cash equivalents and restricted cash		115,690	(76,222)	124,709	(56,139)
Net increase in cash and cash equivalents and restricted cash		118,299	2,149,126	(6,163,952)	5,385,251
Cash and cash equivalents and restricted cash, beginning of period		3,194,872	4,977,387	9,468,104	1,721,179
Cash and cash equivalents and restricted cash, end of period		3,428,861	7,050,291	3,428,861	7,050,291

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

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
Non-cash financing and investing activities					
Warrants issued as brokers fee pursuant to financing	20(e)	14,392	-	14,392	189,375
Warrants issued as part of financing	20(e)	87,695	-	87,695	-
Shares issued as part of acquisition	4	1,046,289	-	1,188,289	465,299
Shares issued as part of financing	20(b)	-	-	-	5,158,111
Shares issued as part of earn out achieved	4	-	-	375,270	-
Promissory note issued as part of acquisition	4,16	389,490	-	389,490	-

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2022 and 2021

(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.

As at the condensed interim consolidated financial statement September 30, 2022 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 comprehensive loss of \$5,981,017 and \$4,428,878 for the nine months ended September 30, 2022, and 2021 respectively and an accumulated deficit of \$ 21,992,226 and \$15,677,127 and as at September 30, 2022 and December 31, 2021 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. As a result of the above, there may be material uncertainties in the future that may cast significant doubt on the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at the amounts different from those reflected in the accompanying condensed interim consolidated financial statements.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 21, 2022.

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

2. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the accounting policies consistent with International Financial Reporting Standards ("IFRS").

These condensed interim consolidated financial statements should be read in conjunction with the most recently issued annual consolidated financial statements of the Company, which include information necessary or useful to understanding the Company's operations, financial performance, and financial statement presentation. In particular, the Company's significant accounting policies were presented as Note 3 in the annual consolidated financial statements for the year ended December 31, 2021 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 condensed interim consolidated financial statements are presented in Canadian dollars.

3. Significant 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 subsidiary. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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 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.

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Financial instruments (continued)

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 amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. Transaction costs are allocated to the liability and equity components in proportion to the allocation of the gross proceeds.

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

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 collaterals for loans	FVTOCI
Trade payables and accruals	Amortized cost
Government loans	Amortized cost
Convertible debenture	Amortized cost

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Financial instruments (continued)

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

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

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

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

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

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

Cash and cash equivalents

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

Restricted cash

The Company considers restricted cash as amounts with maturity more than three months and classify 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 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 consolidated statement of loss and comprehensive loss.

Trade receivables as collaterals 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.

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Government loans

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

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.

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.

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

3. Significant 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.

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Business Combinations (continued)

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 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. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units 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. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, 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, costs of conversion (direct costs and an allocation of fixed and variable production overheads) and other 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.

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2022 and 2021

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3. Significant accounting policies (continued)

Government grants

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

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 paid 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 judgments, estimates and assumptions that affect the application of accounting policies and the carrying amount of assets and liabilities, and disclosures of contingent assets and liabilities as at the date of the 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 significant accounting policies subject to such estimates that, in the Company's opinion, could significantly affect the reported results or financial position, are as follows:

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

3. Significant 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. As a result of the above, there may be material uncertainties in the future that may cast significant doubt on the Company's ability to continue as a going concern. During the nine months ended September 30, 2022, the Company obtained a Line of Credit (Note 16) up to \$7.03 million. On August 15, 2022, the Company closed the first tranche of a Non-Brokered Private Placement consisting of 1,245 convertible debenture units at a price of \$1,000 per debenture unit for aggregate gross proceeds to the Company of \$1,245,000 (Note 18). On September 21, 2022, the Company closed the second tranche of the Non-Brokered Private Placement consisting of 285 convertible debenture units at a price of \$1,000 per debenture unit for aggregate gross proceeds to the Company of \$285,000 (Note 18).

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.

➤ *Revenue recognition, contracts with multiple performance obligations*

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

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

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

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

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

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

➤ *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 financings, the Company follows guidelines under IFRS 2 and uses the Black-Scholes model to value 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.

➤ *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.

➤ *Recoverability of tax credits*

The Company accrues tax credits through the Employee Retention Credit ("ERC") program through the Internal Revenue Service ("IRS") as part of the Coronavirus Tax Relief initiatives. The recoverability of qualified wages is based on the result of the assessment by the IRS. Management assesses the recoverable amount of the ERC based on the IRS' published guidance and best estimates.

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

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

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

4. Business acquisitions

Integra Acquisition

On March 4, 2022, PSI acquired 100% of the issued and outstanding shares of INC, a leading Canadian enterprise IT and cybersecurity solutions provider (the "**Transaction**"). Pursuant to the terms of the Share Purchase Agreement, the consideration paid by PSI to the Vendor is as follows: (i) \$1,090,996 in cash; (ii) \$78,786 payable in cash as part of the final working capital adjustment; (iii) 476,190 common shares of Plurilock (the "**Consideration Shares**"), issued at \$0.42 per Consideration Share. \$75,000 in cash and 178,571 Consideration Shares have been placed in escrow for 12 months to satisfy any indemnification obligations to the Company; and (iv) future performance-based earnout provisions, whereby up to \$400,000 in common shares of Plurilock (the "**Earnout Shares**") may be issued to the Vendor. The Earnout Shares will be issued at a deemed price equal to the closing trading price of the common shares of Plurilock on the TSXV on the date prior to announcement of the issuance of the Earnout Shares. The Consideration Shares are subject to certain contractual restrictions on trading for a period of 36 months from the date of issuance.

The Company incurred total transaction fees of \$82,141 related to the Integra acquisition including legal, filing fees, success fees and consultancy expenses. The success fee included 42,647 common shares of the Company at a price of \$0.34 per share issued to an arm's length third party consultant. These shares are subject to a statutory hold period expiring on the date that is four months and a day from the date of issuance. These expenses have been included under Acquisition related expenses on the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss.

All assets and liabilities from INC's statement of financial position have been consolidated as part of Company's condensed interim consolidated statement of financial position as of September 30, 2022.

Revenue and net income from INC's statement of income and comprehensive income were included in the Company's condensed interim consolidated statement of loss and comprehensive loss for the period from March 5, 2022 to September 30, 2022.

The impact of the INC acquisition on revenue and net income for the three and nine months ended September 30, 2022 is presented below:

	Three months ended September 30, 2022	Nine months ended September 30, 2022
	\$	\$
Revenue	809,270	1,810,400
Net income (loss)	(111,479)	(237,197)

The acquisition qualifies as a business combination under IFRS 3. The fair value of the purchase price consideration and amounts recognized in respect of the identifiable assets acquired and liabilities assumed related to the INC Acquisition are as set out in the table below ("**Purchase Price Allocation**"). Goodwill calculated in the below table represents the expected synergies from combining the operations of INC with the Company, revenue growth and future market development. These benefits are not recognized separately from goodwill since the resulting future economic benefits cannot be measured reliably. Goodwill is non-deductible for tax purposes.

Plurilock Security Inc.**Notes to the condensed interim consolidated financial statements (unaudited)**

For the periods ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

4. Business acquisitions (continued)

	(preliminary)
Fair value of purchase consideration	\$
Cash paid at closing of business acquisition	600,000
Cash paid in escrow at closing of business acquisition	490,996
Cash payable in relation to working capital adjustments	78,786
Shares issued	142,000
Contingent consideration/Earnout shares	173,819
Total	1,485,601
	(preliminary)
Fair values of INC's assets and liabilities acquired	\$
Cash and cash equivalents	219,158
Trade and other receivables	1,132,366
Inventory	28,123
Prepays	30,301
Furniture and equipment	7,329
Right-of-use assets	129,476
Trade and other payables	(730,166)
Lease liability - current	(39,436)
Lease liability - non-current	(99,433)
Net book value of INC	677,718
Values attributable to following booked under Plurilock	\$
Goodwill	412,883
Customer relationships	395,000
Total	1,485,601

CloudCodes Acquisition

On August 26, 2022, the Company completed the acquisition of certain assets of CloudCodes Software Private Limited ("CloudCodes"), an award-winning cloud access security broker ("CASB") based in India. Assets acquired include sales contracts, customer lists, domain names, online accounts, intellectual property as well as CloudCode's employees. The aggregate consideration of US\$1,508,803 is as follows: (i) US\$700,000 paid on closing; (ii) a promissory note (Note 16) of US\$300,000 payable by November 15, 2022 ("**Promissory Note**"); and (iii) 992,755 common shares of Plurilock (the "**Consideration Shares**") at \$0.59 per share. The Consideration Shares were placed in escrow for 18 months to satisfy any indemnification obligations to the Company.

The Company incurred \$261,538 transaction fee in relation to the CloudCodes acquisition including legal and consulting fees for the three and nine months ended that has been included under Acquisition related expenses on the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss.

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

4. Business acquisitions (continued)

The acquisition qualifies as a business combination under IFRS 3. As of the issuance date of these condensed interim consolidated financial statements, the Company is in the process of determining the fair values of assets acquired. The Company does not have all necessary information to assess the fair values of assets acquired and all proceeds have been allocated to goodwill until further valuation is done for the various tangible and intangible assets purchased from this acquisition. The Company will finalize the accounting for the business combination including the fair value assessment for CloudCodes' assets as well as the calculation of goodwill or gain from bargain purchase no later than twelve months from the date of acquisition or once the Company has all the necessary information to do so.

The impact of the CloudCodes acquisition on revenue and net income for the three and nine months ended September 30, 2022 is presented below:

	Three months ended September 30, 2022	Nine months ended September 30, 2022
	\$	\$
Revenue	12,692	12,692
Net loss	(52,670)	(52,670)

Atrion Acquisition

On September 26, 2022, Plurilock's United States subsidiary, ASC, acquired certain assets and liabilities of Atrion Communications Inc. ("**Atrion**"). Atrion is a veteran-owned leading provider of consulting, professional services and technology solutions. The acquisition provides the Company with additional network infrastructure and security solutions such as procurement services, professional services and solutions integrations, managed services, and cybersecurity consulting.

The Company has increased its existing line of credit ("**LOC**") from Pathward National Association (the "**Lender**" or "**Pathward**"), previously known as Crestmark, a division of MetaBank Association from up to US\$2 million to US\$4 million. The increased amount under the LOC is used by ASC to finance the Atrion acquisition. Upon closing the acquisition, ASC paid Atrion US\$1,924,779 and issued 1,285,700 common shares of Plurilock ("**Plurilock Shares**") at \$0.30 per share. Pursuant to the terms of the Purchase Agreement, the Company will pay Atrion US\$500,000 in cash payable on the date that is 90 days following closing and issue to Atrion 1,285,700 Plurilock Shares at \$0.30 per share on the date that is one year following the closing. The Plurilock Shares issued or issuable under the terms of the Purchase Agreement are subject to a statutory hold period commencing on the date of issuance and shall expire on the date that is four months following the date of issuance. US\$410,000 will be held in escrow for 18 months, subject to early release in certain circumstances, to stand as security for any claims of the Company with respect to the representations and warranties of Atrion contained in the Purchase Agreement. Furthermore, the Purchase Agreement includes future based performance-based earnout payments ("**Earnouts**"), whereby up to US\$600,000 in cash may be paid to Atrion. The Earnouts are divided into three equal annual payments following the closing.

Total transaction fees related to the Atrion acquisition including success fee, legal and financing facilitation fee totals \$209,717 including \$15,000 in the form of the Company's common shares at \$0.19 per share for a total of 78,947 shares. These expenses have been included under Acquisition related expenses on the Condensed Interim Consolidated Statement of Loss and Comprehensive Loss.

Plurilock Security Inc.**Notes to the condensed interim consolidated financial statements (unaudited)**

For the periods ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

4. Business acquisitions (continued)

The impact of the Atrion acquisition on revenue and net income for the three and nine months ended September 30, 2022 is presented below:

	Three months ended September 30, 2022	Nine months ended September 30, 2022
	\$	\$
Revenue	1,835,637	1,835,637
Net income	179,528	179,528

The acquisition qualifies as a business combination under IFRS 3. The fair value of the purchase price consideration and amounts recognized in respect of the identifiable assets acquired and liabilities assumed related to the Atrion acquisition are as set out in the table below ("**Preliminary Purchase Price Allocation**"). All assets acquired and liabilities assumed have been consolidated as part of the Company's condensed interim consolidated statement of financial position as of September 30, 2022. Atrion's revenues and expenses from September 26, 2022 to September 30, 2022 have been included in the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2022.

	(preliminary)
Fair value of purchase consideration	\$
Cash paid at closing of business acquisition	2,474,688
Common shares issued at closing of business acquisition	385,710
Cash payable on 90 days after closing	642,850
Common shares to be issued one year from closing	385,710
Performance based payout payable	771,420
Total	4,660,378

	(preliminary)
Fair values of Atrion's assets and liabilities acquired	\$
Cash	611,610
Trade and other receivables	3,753,407
Deferred tax assets	264,285
Prepays and deposits	335,612
Furniture, vehicle and equipment	153,327
Trade and other payables	(3,577,587)
Customer deposits	(138,021)
Pension payables	(121,689)
Net book value of INC	1,280,944

Values attributable to following booked under Aurora	\$
Goodwill	3,379,434
Total	4,660,378

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

4. Business acquisitions (continued)

Aurora Acquisition

In the prior year on March 31, 2021, Plurilock's United States subsidiary, PLUS, acquired 100% of the outstanding securities and control of ASC ("**ASC Acquisition**"). ASC is a provider of advanced cybersecurity technology and services based in California. The acquisition qualifies as a business combination under IFRS 3. The acquisition is complementary to and was made with a view of growing Plurilock's existing lines of business.

Total aggregate fair value consideration for the ASC Acquisition was \$1,737,573 (US\$1,378,803) ("**Consideration**"). The Company paid the vendor \$1,130,166 (US\$896,714) in cash, subject to working capital adjustments, and issued to the Vendor 698,888 common shares of Plurilock (the "**Closing Consideration Shares**") at a price of \$0.63 per share. Of the Consideration, \$114,354 (US\$90,000) was placed in escrow for 12 months to satisfy any indemnification obligations to the Company, as well as any purchase price adjustments pursuant to the terms of the definitive agreement. The escrow agent holds the escrow funds and shall only release the escrow funds in accordance with a joint written instruction of Plurilock and the vendor. The vendor is entitled to a performance-based earnout of up to \$377,940 (US\$300,000) in common shares of Plurilock (the "**Earnout Shares**"). The Earnout Shares will be issued at a deemed price equal to the closing trading price of the common shares of Plurilock on the TSX-V on the date prior to the announcement of the issuance of the Earnout Shares, subject to a minimum share price of \$0.30. The Closing Consideration Shares are subject to certain contractual restrictions on trading for a period of 18 months from the date of issuance.

Plurilock paid an ASC Acquisition transaction success fee to an arm's length third party consultant of \$25,000 in cash and issued 46,296 common shares of the Company at a price of \$0.54 per share. These shares are subject to a statutory hold period expiring on the date, that is four months and a day from the date of issuance.

The fair value of the purchase price consideration and amounts recognized in respect of the identifiable assets acquired and liabilities assumed related to the ASC Acquisition are as set out in the table below.

All assets and liabilities from ASC's statement of financial position had been consolidated as part of the Company's condensed interim consolidated statement of financial position since March 31, 2021.

Revenue and net income from ASC's statement of income and comprehensive income were included in the Company's condensed interim consolidated statement of loss and comprehensive loss for period from April 1, 2021, to September 30, 2021 as well as for the period from January 1, 2022 to September 30, 2022.

The Company has calculated fair values of the assets and liabilities acquired and identified intangible assets and goodwill that arise as part of the acquisition in the below table. Goodwill calculated in the below table represents the expected synergies from combining the operations of ASC with the Company, revenue growth and future market development and customer relations. These benefits are not recognized separately from goodwill since the resulting future economic benefits cannot be measured reliably. Goodwill is non-deductible for tax purposes.

Plurilock Security Inc.**Notes to the condensed interim consolidated financial statements (unaudited)**

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4. Business acquisitions (continued)

Fair value of purchase consideration	\$
Cash paid at closing of business acquisition	1,130,166
Cash paid in escrow	114,354
Shares issued	254,747
Deferred acquisition costs/Earnout shares	320,655
Working capital adjustment	(82,350)
Total	1,737,572
Fair values of Aurora's assets and liabilities acquired	\$
Cash and cash equivalents	1,295,216
Trade and other receivables	2,917,391
Inventory	316,811
Prepays	50,237
Furniture and equipment	3,716
Intangible assets	8,840
Other non-current assets	13,150
Short-term loans	(628,750)
Trade and other payables	(3,049,411)
Unearned revenue	(289,160)
Long-term loans	(194,661)
Net book value of Aurora	443,379
Values attributable to following booked under Plurilock	\$
Procurement contract	261,523
Brand name	350,843
Goodwill	852,032
Deferred tax liability	(173,934)
Foreign exchange gain from the transaction	3,729
Total	1,737,572

Goodwill from acquisitions

The below table summarizes goodwill the Company has acquired from all acquisitions to date:

	September 30, 2022	December 31, 2021
Goodwill acquired		
ASC acquisition	933,817	852,032
INC acquisition (preliminary)	412,883	-
CloudCodes acquisition (preliminary)	1,951,878	-
Atrion acquisition (preliminary)	3,635,330	-
Total	6,933,908	852,032

5. Restricted cash

Restricted cash contains deposits held as securities against our 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.

Plurilock Security Inc.**Notes to the condensed interim consolidated financial statements (unaudited)**

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6. Trade and other receivables

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

	September 30, 2022	December 31, 2021
	\$	\$
Trade receivables	22,221,073	6,095,581
	22,221,073	6,095,581

As at September 30, 2022 \$271 or 0.001% of the trade receivables balance is over 90 days past due compared to \$283 or 0.005% as at December 31, 2021 and 30% of the trade receivable balances are owing from 5 customers compared to 58% owing from 5 customers as at December 31, 2021. The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. On September 30, 2022, the Company had no expected credit loss (nil expected credit loss on December 31, 2021).

7. Tax credits receivable

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

	September 30, 2022	December 31, 2021
	\$	\$
Tax credits receivable	213,932	281,184
	213,932	281,184

Tax credits receivable balance as at September 30, 2022 of \$213,932 is related to goods and services tax ("GST") receivable compared to \$281,184 as at December 31, 2021 which was related to goods and services tax ("GST") receivable of \$112,374 and \$168,810 for payroll tax credits.

8. Inventory

	September 30, 2022	December 31, 2021
	\$	\$
Finished goods	1,900,157	734,097
	1,900,157	734,097

Inventory balance as at September 30, 2022 of \$1,900,157 (\$734,097 as at December 31, 2021) is related to products under the Company's possession but not yet delivered to customers.

Amounts of \$24,305,016 and \$38,079,392 of inventories was expensed during the three and nine months ended September 30, 2022 as cost of sales (\$13,558,880 and \$20,785,744 for the three and nine months ended September 30, 2021).

Plurilock Security Inc.**Notes to the condensed interim consolidated financial statements (unaudited)**

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9. Prepaid expenses and deposits

	September 30, 2022	December 31, 2021
	\$	\$
Prepaid service contracts	555,743	346,813
Deposits	10,961	2,851
	566,704	349,664

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, 2022	111,151
Additions	37,192
Additions through acquisition	170,199
Disposals	—
Balance September 30, 2022	318,542

Property and equipment - accumulated amortization	\$
Balance January 1, 2022	46,290
Amortization for the period	29,259
Disposals	—
Balance September 30, 2022	75,549

Property and equipment net book value	\$
At January 1, 2022	64,861
At September 30, 2022	242,993

11. Right-of-use asset

Right-of-use asset relates to an office space lease acquired as part of the business acquisition (Note 4). The following table provides a reconciliation of this right-of-use asset:

Right-of-use asset	\$
Balance January 1, 2022	-
Additions through acquisition	129,476
Amortization	(25,179)
Balance September 30, 2022	104,297

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12. Lease liability

Lease liability relates to the lease of an office space acquired as part of the business acquisition (Note 4), for which the lease term ends on February 28, 2025, and was discounted using an interest rate of 10%.

Lease liability	\$
Balance January 1, 2022	-
Additions through acquisition	138,608
Add: interest during the period	7,082
Less: payment during the period	(29,458)
Balance September 30, 2022	116,232
Due within twelve months	44,163
Due after twelve months	72,069

13. Intangible assets

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") and (iv) customer relationships ("Customer relationships") acquired as a part of business acquisitions.

Values of intangible assets are broken down as follows:

Patent cost	\$
Balance January 1, 2022	100,000
Additions	-
Balance September 30, 2022	100,000
Patent accumulated amortization	\$
Balance January 1, 2022	35,000
Amortization for the period	3,750
Balance September 30, 2022	38,750
Patent net book value	\$
At January 1, 2022	65,000
At September 30, 2022	61,250

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13. Intangible assets (continued)

Procurement contract cost	\$
Balance January 1, 2022	271,771
Additions	-
Balance September 30, 2022	271,771

Procurement contract accumulated amortization	\$
Balance January 1, 2022	66,684
Amortization for the period	73,922
Balance September 30, 2022	140,606

Procurement contract net book value	\$
At January 1, 2022	205,087
At September 30, 2022	131,165

Brand name	\$
Balance January 1, 2022	352,670
Additions	-
Change in foreign exchange evaluation	47,355
Balance September 30, 2022	400,025

Customer relationships cost	\$
Balance January 1, 2022	-
Additions through acquisition	414,251
Balance September 30, 2022	414,251

Customer relationships accumulated amortization	\$
Balance January 1, 2022	-
Amortization for the period	60,129
Balance September 30, 2022	60,129

Customer relationships net book value	\$
At January 1, 2022	-
At September 30, 2022	354,122

14. Trade and other payables

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

	September 30, 2022	December 31, 2021
	\$	\$
Trade payables	20,467,446	9,671,940
Accrued liabilities	6,192,644	694,834
Payroll liabilities	575,584	610,801
Other payables	8,654	20,412
	27,244,328	10,997,987

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14. Trade and other payables (continued)

Accrued liabilities as at September 30, 2022 included contingent considerations of \$1,635,660 including performance-based earnout shares to be paid to the vendors as part of business acquisitions (Note 4).

15. Unearned revenue

	\$
Balance January 1, 2022	327,763
Acquired through acquisition	140,134
Revenue recognized	(134,576)
Amounts received	378,779
Balance September 30, 2022	712,100

Unearned revenue as at September 30, 2022 and December 31, 2021 consisted of cash collected under customer contracts with goods or services that had not yet been delivered.

16. Short-term loans

On March 8, 2022, the Company obtained a revolving LOC from Pathward for up to US\$2 million with an interest rate of 1% monthly interest rate and a minimum average loan balance of US\$500,000. The proceeds of the LOC have been used for working capital purposes. The LOC is secured against all current and future assets of the Company and its subsidiaries, PL, PLUS and ASC. On September 26, 2022, the revolving line of credit from Pathward was increased to up to US\$4 million (Note 4).

On August 16, 2022, a Promissory Note of \$389,490 (US\$300,000) was issued as part of the aggregate consideration of CloudCodes acquisition (Note 4). The promissory note is payable by November 15, 2022 and bears a monthly interest of 2% if not repaid on time. The interest shall accrue from and after August 26, 2022. Interest shall be calculated on the outstanding principal yearly until all amounts owing under this Promissory Note is repaid in full.

On September 6, 2022, the Company obtained an additional revolving LOC from Pathward for up to \$1.5 million. The proceeds of the LOC have been used for working capital purposes. The Loan is secured against all current and future assets of the Company and INC.

	September 30, 2022	December 31, 2021
	\$	\$
Promissory note	389,490	—
Line of credit (LOC)	2,698,215	—
	3,087,705	—

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17. Government loans

	September 30, 2022	December 31, 2021
	\$	\$
SBA Loan - non - current	—	201,719
	—	201,719

On June 9, 2020, the United States Small Business Administration ("**SBA**") provided funds ("**COVID EIDL Loan**") to the Company under the Economic Injury Disaster Loan ("**EIDL**") assistance program in light of the impact of the COVID-19 pandemic. The original principal amount of the COVID EIDL Loan was US \$150,000 with proceeds to be used for the Company's working capital purposes. Interest accrues at 3.75% per annum. Installment payments, including principal and interests, were due monthly beginning June 9, 2021, twelve months from the date of the COVID EIDL Loan ("**Original Installment Start Due Date**") in the amount of US \$731 per month. The balance of principal and interest is payable in full thirty years from the date of the COVID EIDL Loan. On August 11, 2021, the COVID EIDL Loan was updated from US \$150,000 to US \$500,000, installment payment start date was revised to June 9, 2022 (twenty-four months from the date of the COVID EIDL Loan ("**First Revised Installment Start Due Date**")) and installment payments were increased from US \$731 per month to US \$2,515 per month. On March 15, 2022, the SBA announced that the COVID EIDL Loan installment payment start date was further deferred to thirty months from the COVID EIDL Loan date ("**Second Revised Installment Start Due Date**"). The Second Revised Installment Start Due Date is now December 9, 2022. During the three months ended September 30, 2022, the Company repaid the remaining balance of the United States Small Business Administration ("**SBA**") loan in the amount of US\$161,789.

18. 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 \$0.40 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 C\$0.50 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 \$0.285 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.

Plurilock Security Inc.

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18. Convertible debenture (continued)

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 \$275,639 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 \$87,171 broker fee and direct expenses were incurred in relation to the First and Second Tranche of the financing. An additional broker warrants of \$14,392 were 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.

19. Other non-current liabilities

Other non-current liabilities consist of \$130,903 of non-current payroll liabilities as well as \$553,222 (US\$400,000) contingent consideration pursuant to the non-current portion of the performance-based earnout payments related to the Atrion acquisition (Note 4).

20. Share capital

(a) Authorized

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

(b) Issued and outstanding

On January 12, 2022, in connection with the online marketing services provided by AGORA Internet Relations Corp. ("**AGORA**"), the Company issued 53,809 common shares at a deemed price of \$0.42 per share to AGORA as the first installment payment of \$20,000 plus applicable taxes.

On March 4, 2022, Plurilock acquired all the issued and outstanding shares of INC (Note 4). Pursuant to the terms of the Share Purchase Agreement, part of the consideration payable by the Company to the Vendor is 476,190 common shares of Plurilock (the "**INC Consideration Shares**"), issuable at \$0.42 per Consideration Share, for a total value of \$200,000 in Consideration Shares. Among the 476,190 INC Consideration Shares, 178,571 of them have been placed in escrow for 12 months to satisfy any indemnification obligations to the Company.

On March 7, 2022, the Company issued 42,647 common shares (the "**INC Consulting Fee Shares**") at a deemed price of \$0.34 to a strategic consultant (the "**INC Consultant**") of the Company for services provided by the INC Consultant to the Company in connection with the INC acquisition. The INC Consulting Fee Shares are subject to a statutory hold period of four months plus a day from the date of issuance, in accordance with applicable securities law, ending July 12, 2022.

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20. Share capital (continued)*(b) Issued and outstanding (continued)*

On April 7, 2022, in connection with the online marketing services provided by AGORA, the Company issued 69,538 common shares at a deemed price of \$0.325 per share to AGORA as the second installment payment of \$20,000 plus applicable taxes.

On April 7, 2022, the Company issued 1,154,676 common shares of the Company at \$0.325 per share to the vendor of the ASC Acquisition in satisfaction of the earnout payment of US\$300,000 from achieving the performance-based earn out in accordance with the Share Purchase Agreement dated March 26, 2021 (Note 4).

On August 26, 2022, the Company issued 992,755 common shares at \$0.59 per share to the vendor as part of the CloudCodes acquisition (Note 4).

On August 29, 2022, the Company issued 153,043 common shares (the "**Consulting Fee Shares**") at a deemed price of \$0.23 to a strategic consultant (the "**Consultant**") of the Company for services provided by the Consultant to the Company in connection with the CloudCodes acquisition. The Consulting Fee Shares were issued pursuant to a consulting agreement dated April, 1, 2022, between the Company and the Consultant.

On September 26, 2022, the Company issued 1,285,700 common shares at \$0.30 per share to the vendor as part of the Atrion acquisition (Note 4).

On September 28, 2022, the Company issued 78,947 common shares at a deemed price of \$0.19 to a strategic consultant (the "**Consultant**") of the Company for services provided by the Consultant to the Company in connection with the Atrion acquisition.

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

	Number of common shares #	\$
Balance, December 31, 2021	69,687,571	20,496,808
Shares issued for services	123,347	45,200
Shares issued as part of acquisition consideration	3,909,321	1,563,559
Shares issued pursuant to acquisition broker fee	274,637	64,700
Exercise of warrants	12,808	7,685
Other comprehensive loss	—	(24,457)
Balance, September 30, 2022	74,007,684	22,153,495

(c) Stock option plan

On March 24, 2022, the Company granted 624,400 stock options to certain directors, officers and employees at an exercise price of \$0.37 under the Plurilock Stock Option Plan ("**Plurilock Plan**").

On April 1, 2022, the Company granted 800,000 stock options to certain officers at an exercise price of \$0.33 under the Plurilock Plan which will vest over a period of four years from the grant date.

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20. Share capital (continued)*(c) Stock option plan (continued)*

On May 2, 2022, the Company granted 300,000 stock options to certain directors at an exercise price of \$0.26 under the Plurilock Plan which will vest over a period of three years from the grant date.

On September 26, 2022, the Company granted 150,000 stock options to a certain advisory board member at an exercise price of \$0.20 under the Plurilock Plan will vest over a period of four years from the grant date.

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

	Number of options #	average exercise price \$
Balance, January 1, 2022	9,761,907	0.37
Granted	1,874,400	0.32
Cancelled	(1,694,792)	0.41
Balance, September 30, 2022	9,941,515	0.36

Additional information concerning stock options outstanding as at September 30, 2022 and December 31, 2021 is as follows:

The number of exercisable stock options as of September 30, 2022 was 5,694,898 with an average exercise price of \$0.35 per stock option as compared to 3,578,332 with an average exercise price of \$0.34 per stock option as of December 31, 2021.

The weighted average remaining contractual life and exercise prices of stock options outstanding as at September 30, 2022 and December 31, 2021 as follows:

	September 30, 2022		December 31, 2021	
Exercise price range	Number of stock options	Weighted average contractual life (in years)	Number of stock options	Weighted average contractual life (in years)
\$0.20-\$0.30	866,250	5.70	416,250	2.11
\$0.31-\$0.40	7,718,265	8.21	7,317,657	8.85
\$0.41-\$0.50	50,000	8.35	50,000	9.10
\$0.51-\$0.60	1,207,000	8.65	1,878,000	9.57
\$0.61-\$0.70	100,000	3.45	100,000	4.20
Total	9,941,515	8.00	9,761,907	8.65

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:

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20. Share capital (continued)*(c) Stock option plan (continued)*

	September 30, 2022	December 31, 2021
Risk-free interest rate	0.27%-3.14%	0.27%-1.79%
Dividend yield	—	—
Expected life (in years)	0.32-6.32	0.39-7
Volatility	100%-116%	100%-112%

(d) Stock-based compensation reserve

Total stock-based compensation cost recognized in income for the three and nine months ended September 30, 2022, was \$100,974 and \$576,575 respectively compared to \$215,688 and \$703,490 in prior year quarter and is credited to contributed surplus.

Total stock-based compensation expense for the three and nine months ended September 30, 2022, is comprised of the expense pursuant to stock options issued to related parties (as discussed in note 26) of \$94,974 and \$458,217 respectively compared to \$176,221 and \$563,687 respectively in prior year and to other parties of \$6,000 and \$118,358 respectively compared to \$39,467 and \$139,803 respectively in the prior year.

(e) Warrants

There were 7,492,077 warrants as at September 30, 2022 compared to 12,011,258 as at December 31, 2021.

The following table summarizes the continuity of the warrants:

	Number of warrants #	Weighted average exercise price \$
Balance, December 31, 2021	12,011,258	0.53
Convertible debenture financing	765,000	0.40
Finder's fees for convertible debenture financing	112,235	0.29
Exercised	(12,808)	0.30
Expired	(5,383,608)	0.39
Balance, September 30, 2022	7,492,077	0.61

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21. 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, 2022	December 31, 2021
	\$	\$
Cash and cash equivalents	3,288,438	9,468,104
Restricted cash	140,423	—
Short-term loans	3,087,705	—
Government loans	—	201,719
Convertible debenture	1,166,666	—
Share capital	22,153,495	20,496,808
Contributed surplus	2,317,817	1,681,011
Equity reserve	830,135	522,281
Total	32,984,679	32,369,923

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.

22. Financial instruments

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

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22. 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:

	September 30, 2022	December 31, 2021
	\$	\$
Cash and cash equivalents	3,288,438	9,468,104
Restricted cash	140,423	—
Trade and other receivables	22,221,073	6,095,581
	25,649,934	15,563,685

(b) Interest rate risk

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

(c) Liquidity risk

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

(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.

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22. 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:

	September 30, 2022				December 31, 2021			
	USD	INR	CAD	Total	USD	INR	CAD	Total
Cash and cash equivalents	2,381,949	132,483	774,006	3,288,438	4,115,478	468,135	4,884,491	9,468,104
Restricted cash	90,423	-	50,000	140,423	-	-	-	-
Trade and other receivables	21,471,404	37,071	712,598	22,221,073	6,090,426	-	5,155	6,095,581
Trade payables and accruals	25,023,489	99,622	1,536,979	26,660,090	9,607,798	1,439	757,537	10,366,774
Short-term loans	2,522,230	-	565,475	3,087,705	-	-	-	-
Government loans	-	-	-	-	201,719	-	-	201,719
Convertible debenture	-	-	1,166,666	1,166,666	-	-	-	-

	September 30, 2022	December 31, 2021
Average rate for the period/year		
US dollar	1.3054	1.2537
Indian Rupee	0.0164	0.0170
Statement of financial position rates		
US dollar	1.3831	1.2641
Indian Rupee	0.0169	0.0170

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:

	September 30, 2022 increase/(decrease) in equity	December 31, 2021 increase/(decrease) in equity
10% appreciation of the U.S. dollar against Canadian dollar	(360,194)	39,639
10% depreciation of the U.S. dollar against Canadian dollar	360,194	(39,639)
10% appreciation of the Indian Rupee against Canadian dollar	6,993	46,670
10% depreciation of the Indian Rupee against Canadian dollar	(6,993)	(46,670)

(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.

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

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, and trade payables and accruals 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 as well as the government loans 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, 2022	December 31, 2021
Cash and cash equivalents	3,288,438	9,468,104
Restricted cash	140,423	-
Trade and other receivables	22,221,073	6,095,581
Total financial assets	25,649,934	15,563,685
Trade payables and accruals	26,660,090	10,366,774
Short-term loans	3,087,705	-
Government loans	-	201,719
Convertible debenture	1,166,666	-
Total financial liabilities	30,914,461	10,568,493

(f) Contractual cash flows

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

September 30, 2022				
	Due in less than a year	Due between one to five years	Due after five years	Total
Trade payables and accruals	26,660,090	-	-	26,660,090
Short-term loans	3,087,705	-	-	3,087,705
Convertible debenture	-	1,166,666	-	1,166,666
	29,747,795	1,166,666	-	30,914,461
December 31, 2021				
	Due in less than a year	Due between one to five years	Due after five years	Total
Trade payables and accruals	10,336,774	-	-	10,336,774
Government loans	-	190,745	10,974	201,719
	10,336,774	190,745	10,974	10,538,493

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23. 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 products (ADAPT, DEFEND) as well as the acquired product (CloudCodes). The Technology division is operated by PSI, PL, PLUS and PSP.

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 (ADAPT, 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, 2022		December 31, 2021	
	\$		\$	
	Technology Division	Solutions Division	Technology Division	Solutions Division
Total assets	5,663,583	30,924,436	5,929,630	12,551,868
Total liabilities	4,382,353	28,655,537	1,379,298	10,172,401

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23. Segment information (continued)*(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 the three and six months ended September 30, 2022 and 2021 are as follows:

	Three months ended September 30,					
	Technology Division	2022 Solutions Division	Total Revenue	Technology Division	2021 Solutions Division	Total Revenue
Hardware and systems sales	-	25,340,526	25,340,526	-	13,866,649	13,866,649
Software, license and maintenance sales	75,209	5,258,729	5,333,938	42,379	1,251,745	1,294,124
Professional services	-	76,084	76,084	-	85,175	85,175
Total	75,209	30,675,339	30,750,548	42,379	15,203,569	15,245,948

	Nine months ended September 30,					
	Technology Division	2022 Solutions Division	Total Revenue	Technology Division	2021 Solutions Division	Total Revenue
Hardware and systems sales	-	40,196,137	40,196,137	-	21,447,857	21,447,857
Software, license and maintenance sales	168,125	6,205,792	6,373,917	153,156	1,946,778	2,099,934
Professional services	-	240,093	240,093	109,431	268,797	378,228
Total	168,125	46,642,022	46,810,147	262,587	23,663,432	23,926,019

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23. Segmented information (continued)*(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, 2022 and 2021 are as follows:

	Three months ended September 30,					
	Technology Division	2022 Solutions Division	Total	Technology Division	2021 Solutions Division	Total
Revenue	75,209	30,675,339	30,750,548	42,379	15,203,569	15,245,948
Cost of sales	56,695	28,920,633	28,977,328	10,248	14,675,564	14,685,812
Gross profit	18,514	1,754,706	1,773,220	32,131	528,005	560,136
Gross margin	24.6%	5.7%	5.8%	75.8%	3.5%	3.7%
Total operating expenses	1,831,260	1,030,097	2,861,357	1,564,585	511,171	2,075,756
Other expenses	n.a.	n.a.	543,308	(77,467)	2,116	(75,351)
Net income/(loss) before taxes	(1,812,746)	724,609	(1,631,445)	(1,454,987)	14,718	(1,440,269)

	Nine months ended September 30,					
	Technology Division	2022 Solutions Division	Total	Technology Division	2021 Solutions Division	Total
Revenue	168,125	46,642,022	46,810,147	262,588	23,663,431	23,926,019
Cost of sales	124,380	43,539,000	43,663,380	41,621	22,628,196	22,669,817
Gross profit	43,745	3,103,022	3,146,767	220,967	1,035,235	1,256,202
Gross margin	26.0%	6.7%	6.7%	84.1%	4.4%	5.3%
Total operating expenses	6,307,618	2,189,730	8,497,348	4,440,176	805,998	5,246,174
Other expenses	n.a.	n.a.	959,465	454,516	2,439	456,955
Net income/(loss) before taxes	(6,263,873)	913,292	(6,310,046)	(4,673,725)	226,798	(4,446,927)

On April 27, 2021, the Company's Paycheck Protection Program ("PPP") loan obtained from the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was forgiven. The amount of \$102,982 forgiven was recognized and netted against cost of sales and G&A operating expenses under the Solutions Division during the three and nine months ended September 30, 2021. There was no such forgiveness during the three and nine months ended September 30, 2022.

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23. Segmented information (continued)*(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, 2022 \$	September 30, 2021 \$	September 30, 2022 \$	September 30, 2021 \$
Revenue				
United States	29,873,661	15,245,948	44,871,098	23,926,019
India	3,288	-	3,288	-
Canada	873,599	-	1,935,761	-
	30,750,548	15,245,948	46,810,147	23,926,019

	September 30, 2022 \$	December 31, 2021 \$
Long-lived assets		
United States	728,652	577,398
India	10,362	1,507
Canada	577,873	121,931
	1,316,887	700,836

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

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24. Operating expenses

	For the three months ended		For the nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Research and development				
Communication and IT services	192,071	70,705	548,015	163,710
Contractors	117,742	74,593	300,769	179,193
Government assistance	-	-	-	(41,228)
Office and general	2,281	1,697	4,553	4,244
Salaries and benefits	403,554	246,710	1,247,191	698,652
SRED tax credit	-	-	-	(277)
COS allocation	(57,968)	(20,537)	(153,433)	(51,777)
Travel and entertainment	903	-	903	-
	658,583	373,168	1,947,998	952,517
Sales and marketing				
Advertising and promotion	539	19,622	22,384	68,779
Communication and IT services	30,786	26,065	108,647	74,141
Contractors	45,624	176,891	203,429	310,851
Marketing	(6,046)	14,263	100,989	(16,715)
Office and general	13,877	3,598	56,463	7,539
Salaries and benefits	458,738	376,846	1,391,903	892,960
Sales commission	257,041	120,867	516,405	165,877
Travel and entertainment	3,571	2,821	17,570	4,218
	804,130	740,973	2,417,790	1,507,650
General and administrative				
Amortization	82,819	9,839	192,239	27,371
Bad debt	-	-	-	23,177
Communication and IT services	41,361	18,013	105,665	47,283
Contractors	114,031	60,793	332,007	164,897
Government assistance	-	(14,406)	-	(101,154)
Insurance	36,596	27,060	80,017	38,726
Office and general	123,344	71,419	245,149	151,159
Professional fees	178,337	135,793	454,056	459,906
Investor relations and regulatory filing	200,837	92,324	683,434	520,495
Salaries and benefits	501,940	341,105	1,418,610	744,957
Travel and entertainment	18,405	3,987	43,808	5,700
	1,297,670	745,927	3,554,985	2,082,517

Plurilock Security Inc.**Notes to the condensed interim consolidated financial statements (unaudited)**

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25. 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, 2022 and September 30, 2021 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, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Numerator				
Net loss for the period	(1,631,445)	(1,440,269)	(6,315,099)	(4,446,927)
Denominator				
Weighted average number of common shares outstanding, basic and diluted	72,057,558	58,967,025	71,251,220	58,601,288
Basic and diluted loss per share	(0.02)	(0.02)	(0.09)	(0.08)

26. 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. Two new members were added onto the executive team for the three months ended September 30, 2022.

The following table summarizes the related party transactions:

	For the three months ended		For the nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Salaries, benefits and consulting fees	383,266	181,605	972,964	481,369
Stock-based compensation expense*	94,974	176,221	458,217	563,687
	478,240	357,826	1,431,181	1,045,056

* Reflects the amount recorded as expense in the condensed interim 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.

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27. Subsequent events

- 1) On October 3, 2022, the Company announced it has entered into an amended and restated consulting agreement with a strategic consultant (the "**Consultant**") whereby the Company has agreed to pay the Consultant a fee (the "**Fee**") of \$30,000 for services provided by the Consultant to the Company in connection with the Atrion acquisition. The Company intends to settle the Fee part in cash and common shares of the Company, whereby the Company will issue to the Consultant 78,947 common shares of the Company (the "**Consulting Shares**") at a deemed price of \$0.19 per Consulting Share.
- 2) On October 4, 2022, in connection with the online marketing services provided by ("**AGORA**"), under the online marketing agreement entered into on December 30, 2021, the Company issued 237,895 common shares at a deemed price of \$0.19 per share to AGORA as the third and fourth (final) installment payment of \$40,000 plus applicable taxes. The parties have agreed to terminate the AGORA agreement as of September 30, 2022.
- 3) On November 8, 2022, the Company made a payment in the amount of US\$300,000 towards the aggregate consideration of the CloudCodes Acquisition (Note 4). The US\$300,000 was recognized as a short-term loan (Note 16) on the condensed interim consolidated financial statements as of September 30, 2022 and was paid in full.