Consolidated financial statements of
Plurilock Security Inc.

For the years ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
PLURILOCK SECURITY INC.

Opinion

We have audited the consolidated financial statements of **PLURILOCK SECURITY INC.** (the "Company''), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (''IFRS'').

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	*How the matter was addressed in the audit*
Evaluation of the fair value of intangible assets acquired in business combinations As disclosed in Note 4, the Company acquired one business during the prior year for which it completed the purchase price allocation during the current year. On August 26, 2022, the Company completed the acquisition of certain assets of CloudCodes Software Private Limited ("CloudCodes") for a total of $1,460,960. The final acquisition-date fair value for the customer relationships and intellectual properties was $111,654 and $102,566, respectively. The acquisition was determined to be a business combination and was accounted for using the acquisition method. The Company's significant assumptions in determining the fair values of the acquired intangible assets include: • Forecasted revenues attributable to the acquired businesses; • Forecasted earnings before interest, taxes, depreciation and amortization (EBITDA); • Discount, attrition and growth rates. ***Why the matter is a key audit matter*** We identified the evaluation of the acquisition-date fair value of intangible assets acquired in the business combination as a key audit matter. This matter represented significant auditor judgment due to the high degree of estimation uncertainty. In addition, the audit effort involved the use of professionals with specialized skills and knowledge in the field of valuation. There were significant changes to the intangible asset allocation from the preliminary management assessment from 2022 resulting in a material increase in goodwill allocation. As required by IFRS during the measurement period, these changes have been applied retrospectively to the date of acquisition, and comparative information has been revised accordingly.	The primary procedures we performed to address this key audit matter included the following: Evaluated the appropriateness of the forecasted cash flows, annual customer attrition rate, and other assumptions by considering past performance, industry data and publicly available market data for comparable entities. In conjunction with Mazars' valuation experts, we: • Evaluated the appropriateness of the valuation methodology used by the Company's external expert; • Evaluated the reasonableness of the key input assumptions, including inputs to the weighted average cost of capital calculation with reference to a variety of third-party forecasts, peer information and market data; • Performed revaluation of the identified intangible assets; and • Performed sensitivity analysis on the key assumptions used in the valuation models. Assessed the adequacy of the related disclosures in the consolidated financial statements.

Key Audit Matter	*How the matter was addressed in the audit*
Impairment assessment of Goodwill The Company's accounting policies in respect of goodwill and impairment are set out in the accounting policy notes of the consolidated financial statements (Note 3). The disclosure on the 'Accounting estimates and judgements' in relation to impairment of intangible assets (goodwill) is set out in Note 13 of the consolidated financial statements. The Company assesses whether there has been an impairment in the carrying amount of goodwill at least annually or whenever an indicator of impairment exists. There were three Cash Generating Units (CGUs) identified due for annual impairment review. In assessing the recoverability of the CGUs, management prepared a value in use calculation across the CGUs, which involves assumptions, such as future cash flows and the discount rate to apply to those. An impairment of $711,487 was recognized on the CloudCodes CGU as a result of the 2023 impairment review. ***Why the matter is a key audit matter*** Due to the subjectivity involved in estimating future performance and the significance of the carrying value of goodwill, we identified this as a significant risk and key audit matter.	The primary procedures we performed to address this key audit matter included the following: Tested the reasonableness of key assumptions in the value in use calculations, including the projected revenue growth, operating margin, discount rates and growth rates by comparing them to the historic performance of the Company and local economic developments, taking into account the sensitivity test of the goodwill balances for any changes in the respective assumptions. Tested the identification of CGUs. In conjunction with Mazars' valuation experts, we: • Evaluated the appropriateness of the impairment model used by the Company's external expert; • Evaluated the reasonableness of the key input assumptions, including the discount rate; and • Performed sensitivity analysis on the key assumptions used in the impairment model.

Other Information

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

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

We obtained Management's Discussion and Analysis as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Mazars, LLP

Chartered Professional Accountants

Montréal, Canada

April 29, 2024

Plurilock Security Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	December 31, 2023 $	*Restated - see Note 5* December 31, 2022 $
Assets			
Current assets			
Cash and cash equivalents		**1,917,770**	2,712,684
Restricted cash	6	**140,423**	140,423
Trade and other receivables	7	**17,179,964**	12,019,731
Tax credits receivable	8	**172,188**	219,004
Inventory	9	**1,866,017**	316,233
Prepaid expenses and deposits	10	**331,367**	652,798
Total current assets		**21,607,729**	16,060,873
Non-current assets			
Property and equipment	11	**83,425**	138,886
Right-of-use asset	12	**52,848**	211,050
Net investment in sublease	13	**45,831**	—
Intangible assets	14	**1,828,547**	2,387,267
Goodwill	5,14	**3,490,950**	4,139,853
Other non-current assets		**26,406**	121,401
Total assets		**27,135,736**	23,059,330
Liabilities			
Current liabilities			
Trade and other payables	15	**23,686,325**	13,090,663
Unearned revenue	16	**1,641,663**	689,040
Short-term loans	17	**4,504,636**	5,262,320
Lease liability	13	**109,231**	89,522
Total current liabilities		**29,941,855**	19,131,545
Non-current liabilities			
Lease liability - non-current	13	**12,922**	137,372
Deferred tax liability	27	**18,441**	15,970
Convertible debenture	18	**1,257,545**	1,191,366
Other non-current liabilities	19	**240,733**	279,784
Total liabilities		**31,471,496**	20,756,037
Shareholders' equity			
Share capital	20(b)	**25,370,093**	23,014,218
Equity reserve		**675,879**	870,871
Foreign currency translation (deficit) reserve		**(91,995)**	128,806
Contributed and other surplus		**2,919,750**	2,413,046
Accumulated deficit		**(33,209,487)**	(24,123,648)
Total equity		**(4,335,760)**	2,303,293
Total equity and liabilities		**27,135,736**	23,059,330
Subsequent events	28		

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

Approved by the Board

"Blake Corbet"
Blake Corbet, Director

"Jennifer Swindell"
Jennifer Swindell, Director

Plurilock Security Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Notes	Years ended December 31, 2023 $	*Restated - see Note 5* 2022 $
Revenue	23	**70,420,131**	64,632,371
Cost of sales		**(64,568,153)**	(59,650,441)
Gross profit		**5,851,978**	4,981,930
Operating expenses			
Research and development	24	**1,806,492**	2,485,246
Sales and marketing	24	**3,475,147**	3,437,141
General and administrative	24	**7,660,688**	5,420,918
Impairment on goodwill	5,14	**711,487**	—
Stock-based compensation	20 (d)	**317,329**	671,804
Total operating expenses		**13,971,143**	12,015,109
Operating loss		**(8,119,165)**	(7,033,179)
Other expenses			
Foreign exchange translation gain (loss)		**442,362**	(152,541)
Acquisition-related expenses		**(434,328)**	(665,698)
Financing expenses		**(175,208)**	(288,374)
Other income		**65,898**	—
Impairment on assets		**(9,093)**	—
Loss on disposal of assets		**(12,512)**	—
Interest expenses		**(874,914)**	(311,320)
Total other expenses		**(997,795)**	(1,417,933)
Net loss for the year before tax		**(9,116,960)**	(8,451,112)
Income tax recovery	27	**31,121**	4,591
Net loss for the year		**(9,085,839)**	(8,446,521)
Other comprehensive income (loss)			
Items that may be subsequently reclassified to net results			
Foreign exchange translation difference		**(220,801)**	221,980
Other comprehensive income (loss)		**(220,801)**	221,980
Comprehensive loss for the year		**(9,306,640)**	(8,224,541)
Basic and diluted loss per share	25	**(0.10)**	(0.12)

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

Plurilock Security Inc.

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Notes		Share capital	Contributed and other surplus	Equity reserve	Foreign currency translation (deficit) reserve	Accumulated deficit	Total
		#	$	$	$	$	$	$
Balance, January 1, 2022		**69,687,572**	**20,496,808**	**1,681,011**	**522,281**	**(93,174)**	**(15,677,127)**	**6,929,799**
Units issued for cash		11,115,145	1,556,120	-	-	-	-	1,556,120
Share issuance costs		-	(71,288)	-	-	-	-	(71,288)
Shares issued for services		361,242	90,400	-	-	-	-	90,400
Shares issued as part of acquisition consideration		3,909,321	1,422,132	-	-	-	-	1,422,132
Shares issued as part of acquisition consideration - FMV adjustment	5,20(b)	-	(493,283)	-	-	-	-	(493,283)
Shares issued pursuant to acquisition broker fee		274,637	64,700	-	-	-	-	64,700
Share issuance costs for convertible debt		-	(18,320)	-	-	-	-	(18,320)
Equity component of convertible debt		-	-	-	275,639	-	-	275,639
Recognition of stock-based compensation		-	-	671,804	-	-	-	671,804
Warrants issued as part of financing		-	-	-	87,695	-	-	87,695
Warrants issued as private placement and convertible debt broker fee		-	(40,736)	-	49,330	-	-	8,594
Exercise of warrants		12,808	7,685	-	(3,843)	-	-	3,842
Expiry of warrants		-	-	60,231	(60,231)	-	-	-
Net loss for the period		-	-	-	-	-	(8,446,521)	(8,446,521)
Other comprehensive income		-	-	-	-	221,980	-	221,980
Balance, December 31, 2022 (Restated - see Note 5)		**85,360,725**	**23,014,218**	**2,413,046**	**870,871**	**128,806**	**(24,123,648)**	**2,303,293**
Units issued for cash	20(b)	12,878,669	1,860,300	-	-	-	-	1,860,300
Share issuance costs	20(b)	-	(68,531)	-	-	-	-	(68,531)
Shares issued as part of acquisition consideration	5,20(b)	2,352,941	400,000	-	-	-	-	400,000
Shares issued for convertible debenture interest	5,20(b)	983,124	131,033	-	-	-	-	131,033
Share issurance costs of convertible debt	18	-	7,398	-	2,457	-	-	9,855
Shares issued for convertible debenture conversion	18	35,087	10,000	-	-	-	-	10,000
Equity component of convertible debenture	18	-	-	-	(2,427)	-	-	(2,427)
Warrants issued as part of financing on convertible debt		-	-	-	53	-	-	53
Recognition of stock-based compensation	20(d)	-	-	317,329	-	-	-	317,329
Exercise of warrants		71,250	15,675	-	(5,700)	-	-	9,975
Expiry of warrants		-	-	189,375	(189,375)	-	-	-
Net loss for the period		-	-	-	-	-	(9,085,839)	(9,085,839)
Other comprehensive loss		-	-	-	-	(220,801)	-	(220,801)
Balance, December 31, 2023		**101,681,796**	**25,370,093**	**2,919,750**	**675,879**	**(91,995)**	**(33,209,487)**	**(4,335,760)**

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

Plurilock Security Inc.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	**Years ended December 31,** 2023 $	*Restated - see Note 5* 2022 $
Net loss for the year		**(9,085,839)**	(8,446,521)
Operating activities			
Adjustments for			
Amortization	24	**566,577**	269,899
Deferred taxexpense (recovery)	27	**2,813**	(4,591)
Stock-based compensation	20 (d)	**317,329**	671,804
Loss on disposal of asset		**12,512**	—
Impairment on assets		**9,093**	—
Impairment on goodwill	14	**711,487**	—
Impairment on unearned revenue		**(33,709)**	—
Interest expense - government loans		**—**	3,411
Interest accretion - convertible debt	18	**73,805**	24,700
Interest expense on convertible debt	18	**152,000**	55,036
Deferred rent		**24,474**	—
Interest expense - lease liability	13	**19,073**	9,358
Acquisition-related costs		**226,181**	—
Shares for services issued		**—**	144,081
Unrealized foreign exchange (gain)/loss		**(442,362)**	152,541
Changes in working capital and other items			
Trade and other receivables		**(5,160,233)**	(781,344)
Tax credits receivable		**46,816**	62,180
Inventory		**(1,549,784)**	445,987
Prepaid expenses and deposits		**321,431**	(177,660)
Other non-current assets		**93,038**	(99,736)
Trade and other payables		**10,617,481**	(2,207,251)
Unearned revenue		**986,332**	7,498
Other non-current liabilties		**(39,051)**	33,245
Net cash flows used in operating activities		**(2,130,536)**	(9,837,363)
Investing activities			
Acquisition of equipment	11	**(8,729)**	(33,585)
Net cash (paid) / acquired from/for business acquisition	5	**—**	(4,631,837)
Net cash flows used in investing activities		**(8,729)**	(4,665,422)
Financing activities			
Proceeds from issuance of shares, net of issuance costs	20 (b)	**1,791,769**	1,484,832
Proceeds from warrant exercise		**9,975**	3,843
Proceeds from convertible debt, net of issuance costs	18	**—**	1,484,329
Proceeds from short-term loans		**340,239**	—
Shares issued for convertible debenture interest payment		**131,033**	—
Shares issued for convertible debenture conversion		**9,855**	—
Net (repayment)/proceeds from short-term loans (LOC)		**(1,195,869)**	5,222,643
Repayment of SBA loan		**—**	(211,564)
Lease payments	13	**(123,814)**	(42,308)
Net cash flows provided by financing activities		**963,188**	7,941,775
Foreign exchange effect on cash and cash equivalents and restricted cash		**381,163**	(53,987)
Net (decrease)/ increase in cash and cash equivalents and restricted cash		**(1,176,077)**	(6,561,010)
Cash and cash equivalents and restricted cash, beginning of year		**2,853,107**	9,468,104
Cash and cash equivalents and restricted cash, end of year		**2,058,193**	2,853,107

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

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

Supplemental cash flow information

Non-cash financing and investing activities		**Years ended December 31,**	*Restated - see Note 5*
		2023	2022
	Notes	**$**	$
Warrants issued as brokers fee pursuant to financing	20(e)	**60,384**	55,128
Warrants issued as part of financing of convertible debt	20(e)	**-**	87,695
Shares issued as part of acquisition	5	**-**	1,031,562
Shares issued as part of earn out achieved	5	**400,000**	375,270
Shares issued for convertible debenture interest paymer	20(b)	**131,033**	-
Shares issued for convertible debenture conversion	18	**10,000**	-
Shares issued as part of acquisition - FMV adjustment	20(b)	**-**	493,283

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 consolidated financial statement December 31, 2023 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 consolidated financial statements report that the Company has a net loss of $9,085,839 and $8,446,521 for the years ended December 31, 2023, and 2022, respectively and an accumulated deficit of $33,209,487 and $24,123,648 as at December 31, 2023 and 2022, respectively. The Company has financed its operating cash requirements primarily through the issuance of share capital. The Company's ability to realize the carrying value of its assets and to continue as a going concern is dependent upon the successful execution of the Company's strategic plan to improve the scale and profitability of its business to achieve future profitable operations. It will be necessary for the Company to raise additional funds from time to time for the continued execution of its strategic plan. These funds may come from sources which include the issuance of shares, the issuance of debt or alternative sources of financing. The ability of the Company to continue as a going concern is dependent upon the continued support from the Company's shareholders, lenders, and the Company's ability to attain profitable operations in the near future. There can be no assurance that the Company will successfully generate sufficient operating cash flows or raise sufficient funds to continue the execution of its strategic plan and to operate as a going concern. Please refer to subsequent events (Note 28) for more information.

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

2. Basis of presentation

Statement of compliance

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

Basis of presentation

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

3. Material accounting policies

Principles of consolidation

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

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

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

Foreign currency translation

The presentation currency for the consolidated financial statements is the Canadian dollars. Items included in these consolidated financial statements of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the individual entity operates (the "**functional currency**"). The functional currency of the Company is the Canadian dollar and the functional currency of the Company's subsidiaries is as follows: PL- Canadian dollar; INC – Canadian dollar; PLUS - U.S. dollar; ASC – U.S. dollar and PSP – Indian Rupee.

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

3. Material accounting policies (continued)

Foreign currency translation (continued)

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

Financial instruments

The Company classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss ("**FVTPL**"): Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the consolidated statement of comprehensive loss in the period in which they arise.
- Financial assets at fair value through other comprehensive income ("**FVTOCI**"): Financial assets are recognized as FVTOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Financial assets at amortized cost: All other financial assets not categorized as FVTPL or FVTOCI are considered financial assets at amortized cost. Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

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

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

Equity instruments that are not held for trading may be irrevocably designated as FVTOCI on initial recognition, on an investment-by-investment basis, and any subsequent changes in the instrument's fair value are recognized in other comprehensive income. Debt instruments that are not designated as FVTPL can be recognized as FVTOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

The component parts of convertible financial liabilities issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. The fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using

3. Material accounting policies (continued)

Financial instruments (continued)

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

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital.

Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognized in equity will be transferred to deficit. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

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

Financial instruments	**Classification and measurement basis**
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Trade and other receivables	Amortized cost
Trade receivables as collateral for loans	FVTOCI
Trade payables and accruals	Amortized cost
Short term loans	Amortized cost
Lease liability	Amortized cost
Convertible debenture	Amortized cost

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

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

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

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

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

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

Cash and cash equivalents

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

3. Material accounting policies (continued)

Restricted cash

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

Trade and other receivables

Trade and other receivables are recognized initially at the amount determined under IFRS 15 and subsequently measured at amortized cost less provision for impairment. A provision for impairment of trade receivables is established based on a forward-looking "expected loss" impairment model. The carrying amount of the trade receivables is reduced using the provision for impairment account, and the amount of any increase in the provision for impairment is recognized in the 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 collateral for loans

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

Convertible debenture

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

Property and equipment

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

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

Intangible assets

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

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

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

3. Material accounting policies (continued)

Intangible assets (continued)

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

Research costs are charged to operations when they are incurred. Development costs are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development. At December 31, 2023, the Company has not capitalized any development costs.

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

Patents	20 years
Procurement Contract	69 months
Brand Name	Indefinite (Brand is recognized as part of a business combinations and does not have an identifiable finite number of useful life)
Customer Relationships	5-7 years
Intellectual Properties	5-7 years

Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to an individual CGU or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

3. Material accounting policies (continued)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

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

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

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

Income taxes

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

3. Material accounting policies (continued)

Income taxes (continued)

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

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

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

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

Share capital

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

Revenue recognition

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

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

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

3. Material accounting policies (continued)

Revenue recognition (continued)

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

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

1) Hardware and systems sales

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

2) Software, license, and maintenance sales

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

3) 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.

3. Material accounting policies (continued)

Revenue recognition (continued)

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

Revenue recognition – Right of return

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

Cost of sales

The primary components of cost of sales are the purchase price for all computer hardware, software, and related support, as well as an allocation of the related employee compensation and benefits, costs related to the operation of the Company's SaaS-hosted infrastructure, services and any operating supplies.

Business combinations

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

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

3. Material accounting policies (continued)

Goodwill

Goodwill is initially recognized and measured as set out above.

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized under profit and loss and not reversed in a subsequent period. On disposal of a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Inventory

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

Government grants

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

Stock-based compensation plans

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

Warrants

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

3. Material accounting policies (continued)

Warrants (continued)

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

Loss per share

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

Main sources of estimation uncertainty and critical judgements by management

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the carrying amount of assets and liabilities, and disclosures of contingent assets and liabilities as at the date of the consolidated financial statements, and the recorded amount of revenues and expenses for the reporting period.

These estimates are changed periodically, and as adjustments become necessary, they are reported in profit or loss in the period in which they become known.

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

- *Going concern considerations*

The Company has financed its operating cash requirements primarily through the issuance of share capital. The Company's ability to realize the carrying value of its assets and to continue as a going concern is based upon the continued support from the Company's shareholders and the successful execution of the Company's strategic plan to improve the scale and profitability of its business to achieve future profitable operations. It will be necessary for the Company to raise additional funds from time to time for the continued execution of its strategic plan. These funds may come from sources which include the issuance of shares, the issuance of debt or alternative sources of financing. There can be no assurance that the Company will successfully generate sufficient operating cash flows or raise sufficient funds to continue the execution of its strategic plan and to operate as a going concern.

During the year ended December 31, 2023, the Company obtained a Line of Credit ("**LOC**") (Note 17) increase of $500,000 CAD to the INC LOC and an increase of US$3.0 million to the ASC LOC for an aggregate ASC LOC and INC LOC availability up to $11.3 million. As at December 31, 2023, $4.1 million of the $11.3 million was utilized. Please see Note 28, Subsequent Events, for further information.

3. Material accounting policies (continued)

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

- *Going concern considerations (continued)*

On January 17, 2023, the Company closed the third and final tranche of the Units Financing for aggregate gross proceeds to the Company of $198,995 consisting of 1,421,393 units at a price of $0.14 per unit and share issuance costs of $7,410 (Note 20(b)).

On June 21, 2023 and June 28, 2023, the Company closed the first and second tranche respectively of the non-brokered private placement, together for aggregate gross proceeds of $1,646,805 consisting of 11,357,276 units at a price of $0.145 per unit and share issuance costs of $60,106 (Note 20(b)).

On July 14, 2023, the Company closed the third and final tranche of the Units Financing for aggregate gross proceeds to the Company of $14,500 consisting of 100,000 units at a price of $0.14 per unit and share issuance costs of $1,015 (Note 20(b)).

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

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

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

- *Valuation of stock-based compensation*

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

- *Valuation of warrants issued for services*

For warrants issued for services and as part of financing, the Company follows guidelines under IFRS 2 and uses the Black-Scholes model to assess these warrants. The model's estimates include inputs that require management estimates and judgement, such as volatility of the underlying equity instruments, forfeiture rate and expected life of warrants.

- *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

3. Material accounting policies (continued)

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

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

an assessment of both the current as well as the forecast direction of conditions at the reporting date.

- *Fair value measurement and valuation processes*

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

The critical judgements that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimates above, that has the most significant effect on the amounts in the Company's consolidated financial statements, are related to the determination of the functional currency of the Company and its subsidiaries.

4. New accounting policies not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2023.

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

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

The Company does not expect the amendment or any other amendments to standards and interpretations applicable to the Company and not yet effective for the year ended December 31, 2023 to have a significant effect on its consolidated financial statements.

(Expressed in Canadian dollars)

5. 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 "**INC Acquisition**"). 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 paid in cash as part of the final working capital adjustment; (iii) 476,190 common shares of Plurilock (the "**INC Consideration Shares**"), issued at $0.42 per Consideration Share. $75,000 in cash and 178,571 INC Consideration Shares were 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 "**INC Earnout Shares**") may be issued to the Vendor. The INC 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 INC Earnout Shares. The INC 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 $120,383 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 Consolidated Statement of Loss and Comprehensive Loss.

During the year ended December 31, 2023, the performance-based earnout was achieved by the vendor and was issued 2,352,941 common shares of Plurilock at $0.17 per share for an aggregate of $400,000 of which $173,819 was recorded as a reduction of accrued liabilities which had previously been recorded as contingent consideration and the remaining was expensed through the 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 consolidated statement of financial position as of December 31, 2023.

Revenue and net income from INC's statement of income and comprehensive income were included in the Company's consolidated statement of loss and comprehensive loss for the year ended December 31, 2023.

The impact of the INC acquisition on revenue and net income for the year ended December 31, 2023 and 2022, is presented below:

	For the year ended December 31, 2023	**For the year ended December 31, 2022**
	$	$
Revenue	6,679,072	3,019,043
Net income (loss)	(48,872)	(400,234)

The table below shows the impact of the INC Acquisition on revenue and net loss for the year ended December 31, 2022 as if the INC Acquisition took place on January 1, 2022:

	For the year ended December 31, 2022
	(Pro forma)
	$
Revenue	4,184,250
Net loss	(428,712)

(Expressed in Canadian dollars)

5. Business acquisitions (continued)

Integra Acquisition (continued)

This supplementary pro forma information is not necessarily representative of the Company's future consolidated net income.

The INC 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 ("**INC 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.

Fair value of purchase consideration	$
Cash paid at closing of business acquisition	1,015,996
Cash paid in escrow at closing of business acquisition	75,000
Cash payable in relation to working capital adjustments	78,786
Shares issued	142,000
Contingent consideration/Earnout shares	173,819
Total	**1,485,601**

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
Prepaids	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	393,632
Customer relationships	414,251
Total	**1,485,601**

CloudCodes Acquisition

On August 26, 2022, the Company completed the acquisition of certain assets of CloudCodes Software Private Limited ("**CloudCodes**" or "**CC**"), 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 $1,460,960 is as follows: (i) $908,810 paid on closing; (ii) a promissory note of

(Expressed in Canadian dollars)

5. Business acquisitions (continued)

CloudCodes Acquisition (continued)

$384,855 on closing date and paid in full on November 8, 2022 ("**Promissory Note**"); (iii) $167,295 made up of 992,755 common shares of Plurilock (the "**CC Consideration Shares**") at $0.23 per share which was discounted to $0.1685 per share for lack of marketability. The Consideration Shares were placed in escrow for 18 months to satisfy any indemnification obligations to the Company.

The Company incurred $291,883 of transaction fees in relation to the CloudCodes acquisition including legal and consulting fees for the year which have been included under Acquisition-related expenses on the consolidated statement of loss and comprehensive loss.

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 CloudCodes acquisition are as set out in the table below ("**CloudCodes Purchase Price Allocation**"). All assets acquired and liabilities assumed have been consolidated as part of the Company's consolidated statement of financial position as of December 31, 2023. CloudCodes revenues and expenses for the year ended December 31, 2023 have been included in the Company's consolidated statement of loss and comprehensive loss for the period ended December 31, 2023.

Fair value of purchase consideration	$
Cash paid at closing of business acquisition	908,810
Cash paid through promissory note	384,855
Common shares issued at closing of business acquistion	167,295
Total purchase consideration	**1,460,960**

Fair values of CloudCodes' assets and liabilities acquired	$
Customer relationships	111,654
Property and equipment	5,343
Intellectual properties	102,566
Unearned revenue	(215,758)
Total assets and liabilities acquired	**3,805**

Values attributable to following booked under Plurilock	$
Goodwill	1,457,155
Total	**1,460,960**

During the year ended December 31, 2023, the Company completed its purchase price allocation for CloudCodes and retrospectively adjusted the provisional amounts reported in 2022 to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Adjustments made to the 2022 provisional amounts are as follows:

Decrease in purchase price by $497,918
Decrease in share capital by $493,283
Increase in goodwill by $1,021,342
Decrease in intellectual property by $1,313,958
Decrease in customer relationship by $261,463
Decrease in unearned revenue by $50,818
Decrease in foreign exchange translation reserve by $4,635

(Expressed in Canadian dollars)

5. Business acquisitions (continued)

CloudCodes Acquisition (continued)

The impact of the CloudCodes acquisition on revenue and net loss for the year ended December 31, 2023 and 2022 is presented below:

	For the year ended December 31, 2023	For the year ended December 31, 2022
	$	$
Revenue	738,756	217,267
Net loss	(32,084)	(105,170)

The table below shows the impact of the CC acquisition on revenue and net loss for the year ended December 31, 2022 as if the CC acquisition took place on January 1, 2022:

	For the year ended December 31, 2022 (pro forma)
	$
Revenue	619,550
Net loss	(299,899)

This supplementary pro forma information is not necessarily representative of the Company's future consolidated net income.

After evaluating the goodwill, an amount of $711,487 was impaired during the year ended December 31, 2023.

Atrion Acquisition

On September 26, 2022, 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 $2,474,688 (US $1,924,779) and issued 1,285,700 common shares of Plurilock ("**Plurilock Shares**") at $0.19 per share. Pursuant to the terms of the Purchase Agreement, the Company paid Atrion $509,916 (US$396,606) in cash on the date that is 90 days following closing and will issue to Atrion 1,285,700 Plurilock Shares on the date that is one year following the closing.

(Expressed in Canadian dollars)

5. Business acquisitions (continued)

Atrion Acquisition (continued)

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. The amount of 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 performance-based earnout payments ("**Atrion 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 $215,217 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 consolidated statement of loss and comprehensive loss.

The impact of the Atrion acquisition on revenue and net loss for the year ended December 31, 2023 and 2022 is presented below:

	For the year ended December 31, 2023	**For the year ended December 31, 2022**
	$	$
Revenue	25,609,195	7,088,469
Net income (loss)	2,740,593	(544,755)

The table below shows the impact of the Atrion acquisition on revenue and net loss for the year ended December 31, 2022 as if the Atrion acquisition took place on January 1, 2022:

	For the year ended December 31, 2022
	(pro forma)
	$
Revenue	16,463,200
Net loss	(900,804)

This supplementary pro forma information is not necessarily representative of the Company's future consolidated net income.

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 ("**Atrion Purchase Price Allocation**"). All assets acquired and liabilities assumed have been consolidated as part of the Company's consolidated statement of financial position as of December 31, 2023. Atrion's revenues and expenses for the year ended December 31, 2023 have been included in the Company's consolidated statement of loss and comprehensive loss for the year ended December 31, 2023.

(Expressed in Canadian dollars)

5. Business acquisitions (continued)

Atrion Acquisition (continued)

Fair value of purchase consideration	$
Cash paid at closing of business acquisition	2,474,688
Common shares issued at closing of business acquisition	228,984
Cash paid 90 days after closing	509,916
Common shares to be issued one year after closing	180,762
Performance based payout payable	233,595
Total	**3,627,945**

Fair values of Atrion's assets and liabilities acquired	$
Cash	518,270
Trade and other receivables	4,010,440
Prepaids and deposits	95,173
Furniture, vehicle and equipment	37,760
Leasehold improvement	37,316
Right-of-use asset	111,372
Trade and other payables	(3,393,682)
Unearned revenue	(138,021)
Sales tax payable	(45,516)
Lease liability	(114,623)
Net book value of Atrion	**1,118,489**

Values attributable to following booked under ASC	$
Goodwill	1,371,611
Customer relationships	1,137,845
Total	**3,627,945**

Goodwill from acquisitions

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

Goodwill	*Restated* **$**
Balance January 1, 2022	**852,032**
Additions through acquisition	3,222,398
Change in foreign exchange evaluation	65,423
Balance December 31, 2022	**4,139,853**
Impairment of goodwill	(711,487)
Change in foreign exchange evaluation	62,584
Balance December 31, 2023	**3,490,950**

(Expressed in Canadian dollars)

6. Restricted cash

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

7. Trade and other receivables

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

	December 31, 2023 $	December 31, 2022 $
Trade receivables	**17,179,964**	11,707,707
Other receivables	**—**	312,024
	17,179,964	12,019,731

As at December 31, 2023, $244,149 or 1.421% of the trade receivables balance is over 90 days past due compared to $685,219 or 5.853% as at December 31, 2022 and 61.4% of the trade receivable balances are owing from 5 customers as at December 31, 2023 compared to 45.0% owing from 5 customers as at December 31, 2022. The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. On December 31, 2023, the Company had no expected credit loss ($Nil expected credit loss on December 31, 2022).

8. Tax credits receivable

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

	December 31, 2023 $	December 31, 2022 $
Tax credits receivable	**172,188**	219,004
	172,188	219,004

Tax credits receivable balance as at December 31, 2023 of $172,188 is related to goods and services tax ("GST") receivable compared to $219,004 as at December 31, 2022.

(Expressed in Canadian dollars)

9. Inventory

	December 31, 2023	December 31, 2022
	$	$
Finished goods	**1,866,017**	316,233
	1,866,017	316,233

Inventory balance as at December 31, 2023 of $1,866,017 ($316,233 as at December 31, 2022) is related to products under the Company's possession but not yet delivered to customers.

9. Inventory (continued)

Amounts of $52,521,232 of inventories was expensed during the year ended December 31, 2023, as cost of sales ($53,387,595 during the year ended December 31, 2022).

10. Prepaid expenses and deposits

	December 31, 2023	December 31, 2022
	$	$
Prepaid service contracts	**330,833**	645,870
Deposits	**534**	6,928
	331,367	652,798

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.

(Expressed in Canadian dollars)

11. 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	33,585
Additions through acquisition	82,405
Foreign exchange gain	9,905
Balance December 31, 2022	**237,046**
Additions	8,729
Disposals	(8,764)
Foreign exchange gain	(2,199)
Balance December 31, 2023	**234,812**

Property and equipment - accumulated amortization	$
Balance January 1, 2022	**46,290**
Amortization for the year	51,870
Balance December 31, 2022	**98,160**
Amortization for the period	56,296
Disposals	(3,069)
Balance December 31, 2023	**151,387**

Property and equipment net book value	$
At December 31, 2022	**138,886**
At December 31, 2023	**83,425**

12. Right-of-use asset

Right-of-use asset relates to an office space lease acquired as part of the business acquisition (Note 5). The following table provides a reconciliation of this right-of-use asset:

Right-of-use asset	$
Balance January 1, 2022	**-**
Additions through acquisition	247,020
Amortization	(35,970)
Balance December 31, 2022	**211,050**
Derecognition of ROU asset	(82,715)
Amortization	(75,487)
Balance December 31, 2023	**52,848**

(Expressed in Canadian dollars)

13. Lease liability

Lease liability relates to the lease of office spaces acquired as part of business acquisitions (Note 5), for which the lease term ends on January 31, 2025, and February 28, 2025 respectively, and were discounted using an interest rate of 10%. During the year ended December 31, 2023, the Company recognized $19,073 (December 31, 2022 - $9,358) in interest expense on lease liability.

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

Lease liablity	**$**
Balance January 1, 2022	**-**
Additions through acquisition	259,844
Add: interest during the year	9,358
Less: payment during the year	(42,308)
Balance December 31, 2022	**226,894**
Add: interest during the period	**19,073**
Less: payment during the period	**(123,814)**
Balance December 31, 2023	**122,153**
Due within twelve months	**109,231**
Due after twelve months	**12,922**

14. Intangible assets and goodwill

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

(Expressed in Canadian dollars)

14. Intangible assets and goodwill (continued)

The changes in the Company's intangible assets for the years ended December 31, 2023 and 2022 are as follows:

	Patent	Procurement Contract	Customer Relationships	Intellectual Properties	Brand	Total
Cost						
January 1, 2022	**$100,000**	**$271,771**	**$ -**	**$ -**	**$352,670**	**$724,441**
Additions	-	-	1,743,837	99,709	-	1,843,546
Foreign exchange	-	-	63,813	2,857	36,353	103,023
December 31, 2022 *(Restated – See Note 5)*	**$100,000**	**$271,771**	**$1,807,650**	**$102,566**	**$389,023**	**$2,671,010**
Foreign exchange	**-**	3,788	(108,365)	-	(19,349)	(123,926)
December 31, 2023	**$100,000**	**$275,559**	**$1,699,285**	**$102,566**	**$369,674**	**$2,547,084**
Amortization						
January 1, 2022	**$35,000**	**$66,684**	**$ -**	**$ -**	**$ -**	**$101,684**
Additions	5,000	96,218	80,841	-	-	182,059
December 31, 2022 *(Restated – see Note 5)*	**$40,000**	**$162,902**	**$80,841**	**$ -**	**$ -**	**$283,743**
Additions	5,000	87,058	322,222	20,513	-	434,793
December 31, 2023	**$45,000**	**$249,960**	**$403,063**	**$ 20,513**	**$ -**	**$718,536**
Net Book Value						
December 31, 2022 *(Restated – See Note 5)*	**$60,000**	**$108,869**	**$1,726,809**	**$ 102,566**	**$389,023**	**$2,387,267**
December 31, 2023	**$55,000**	**$ 25,599**	**$1,296,222**	**$ 82,053**	**$369,674**	**$1,828,547**

Goodwill	*Restated - See Note 5* **$**
Balance January 1, 2022	**852,032**
Additions through acquisition	3,222,398
Change in foreign exchange evaluation	65,423
Balance December 31, 2022	**4,139,853**
Impairment of goodwill	(711,487)
Change in foreign exchange evaluation	62,584
Balance December 31, 2023	**3,490,950**

14. Intangible assets and goodwill (continued)

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

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

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

During the year ended December 31, 2023, the Company performed goodwill impairment analysis for goodwill obtained from the CloudCodes acquisition and impairment was recorded for $711,487. The key assumptions on which the VIU calculations are related to the future business performance over the forecast period (five years), projected growth rates and discount rates applied.

The financial forecast used in the VIU calculation includes the latest estimates on future revenue, growth, pricing, costs of goods sold and operating expenses of CloudCodes, which underlie CloudCodes' EBITDA. Management has reviewed and approved the assumptions applied in the financial model using historical experience, industry knowledge and considering economic and business risks. In assessing CloudCodes' VIU a pre-tax discount rate of 32.9% and Weighted Average Cost of Capital (WACC) rate of 27.3% was used. In assessing future EBITDA growth, management modelled the underlying movements in the constituents of EBITDA and has used annual growth rates ranging from 12% to 23% for revenues including 4.6% revenue growth for the terminal value, and ranges from 7% to 20% for cost of goods sold, and 2% to 3% for operating expenses. EBITDA % conversion of sales to profit is projected to grow with the continuation of price stability, scale, and market penetration. Management has also considered reasonable possible changes in the key assumptions underpinning EBITDA including revenue growth, WACC, and EBITDA as a percentage of revenue. After performing this calculation and analysis, management determined an impairment of $711,487 was necessary to record.

During the year ended December 31, 2023, the Company performed goodwill impairment analysis for goodwill obtained from the ASC acquisition in 2021 and INC acquisition in 2022 and no impairment was recorded for ASC or INC. The key assumptions on which the VIU calculations are related to future business performance over the forecast period (five years), projected growth rates and the discount rates applied. The goodwill from the ATR acquisition in 2022 was rolled under the ASC acquisition for impairment testing purposes as the Company treats the unit as one CGU.

The financial forecast used in the VIU calculation includes the latest estimates on future revenue growth, pricing, cost of goods sold and operating expenses of ASC, which underlie ASC's EBITDA. Management has reviewed and approved the assumptions applied in the financial forecast using historical experience, industry knowledge and considering economic and business risks. In assessing ASC's VIU a pre-tax discount rate of 26.6% and Weighted Average Cost of Capital (WACC) rate of 19.7% were used. In assessing future EBITDA growth, management modelled the underlying movements in the constituents of EBITDA and has used an annual growth rate of 3.0% for revenues including 2.9% revenue growth for the terminal value, and increases of 3.0% for cost of goods sold, and increases of 3.0% for operating expenses. EBITDA % conversion of sales to profit is projected to grow with the continuation of the price architecture. Management has also considered reasonable possible changes in the key assumptions underpinning EBITDA including revenue growth, WACC and EBITDA as a percentage of revenue and noticed that there is still available headroom under different scenarios before an impairment needs to be considered.

(Expressed in Canadian dollars)

14. Intangible assets and goodwill (continued)

The financial forecast used in the VIU calculation includes the latest estimates on future revenue growth, pricing, cost of goods sold and operating expenses of INC, which underlie INC's EBITDA. Management has reviewed and approved the assumptions applied in the financial forecast using historical experience, industry knowledge and considering economic and business risks. In assessing INC's VIU a pre-tax discount rate of 20.7% and Weighted Average Cost of Capital (WACC) rate of 15.4% were used. In assessing future EBITDA growth, management modelled the underlying movements in the constituents of EBITDA and has used an annual growth rate of 3.0% for revenues including 2.5% revenue growth for the terminal value, and increases of 3.0% for cost of goods sold, and increases of 3.0% for operating expenses. EBITDA % conversion of sales to profit is projected to grow with the continuation of the price architecture. Management has also considered reasonable possible changes in the key assumptions underpinning EBITDA including revenue growth, WACC and EBITDA as a percentage of revenue and noticed that there is still available headroom under different scenarios before an impairment needs to be considered.

15. Trade and other payables

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

	December 31, 2023	December 31, 2022
	$	$
Trade payables	**18,685,454**	8,465,364
Accrued liabilities	**4,106,173**	3,208,596
Payroll liabilities	**776,469**	996,019
Other payables	**118,229**	420,684
	23,686,325	13,090,663

Accrued liabilities as at December 31, 2023 included contingent considerations of $186,286 ($396,874 as at December 31, 2022) including performance-based earnout shares to be paid to the vendors as part of business acquisitions (Note 5).

16. Unearned revenue

	Restated - see Note 5
	$
Balance January 1, 2022	**327,763**
Acquired through acquisition	353,779
Revenue recognized	(550,020)
Amounts received	557,968
Foreign exchange	(450)
Balance December 31, 2022	**689,040**
Revenue recognized	(2,497,885)
Amounts received	3,449,898
Foreign exchange	610
Balance December 31, 2023	**1,641,663**

Unearned revenue as at December 31, 2023 and December 31, 2022 consisted of cash collected under customer contracts with goods or services that had not yet been delivered.

(Expressed in Canadian dollars)

17. 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 for ASC. The LOC is secured against all of ASC's accounts receivables and inventory. On September 26, 2022, the revolving line of credit from Pathward was increased to up to US$4 million (Note 5). As at December 31, 2023, ASC's accounts receivable was $16,444,050 and ASC's inventory was $1,865,692.

On August 16, 2022, a promissory note of $407,085 (US$300,000) was issued as part of the aggregate consideration of the CloudCodes acquisition (Note 5). During the year ended December 31, 2022, the Company repaid in full the US$300,000 promissory note.

On September 6, 2022, the Company obtained an additional revolving LOC from Pathward for INC for up to $1.5 million. The proceeds of the LOC have been used for working capital purposes for INC. The LOC is secured against all of INC's assets. As at December 31 2023, INC's total assets were $603,491.

On March 22, 2023, the Company was approved for an increase to its existing INC $1.5 million LOC for up to $2.0 million effective March 8, 2023.

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

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

	December 31, 2023	December 31, 2022
	$	$
Line of credit (LOC)	**4,504,636**	5,262,320
	4,504,636	5,262,320

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 $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

18. Convertible debenture (continued)

per Debenture Share. On September 20, 2022, the Company completed the second tranche (the "Second Tranche") of the financing for aggregate gross proceeds of $285,000 through non-brokered private placement of debenture units at $1,000 per debenture unit. These debenture units have the same terms as the First Tranche debenture units.

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

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

A total of $38,273 broker fee and direct expenses were incurred in relation to the First and Second Tranche of the financing. An additional amount of broker warrants of $13,800 was issued as compensation for completing the financing. The broker warrants have been classified as equity and its fair values were assessed with the Black-Scholes model with no subsequent revaluation. Broker fees paid in cash and broker warrants issued were proportionated according to the liabilities and equity portions of the convertible debenture discussed above and accounted for as transaction costs and netted against equity and liabilities accordingly. During the year ended December 31, 2022, the Company recognized $55,036 of interest expense accrued and to be settled in shares and $24,700 was recognized as interest accretion on the convertible debt. During the year ended December 31, 2023, the Company issued 440,277 common shares at $0.125 related to the December 31, 2022 interest payment and recognized a total of $152,000 of interest expense related to the June 30, 2023 and December 31, 2023 interest payments of which 542,847 common shares were issued and settled at $0.14. Subsequent to the year ended December 31, 2023, the Company settled the December 31, 2023 interest payment by issuing 1,266,657 common shares at $0.06. The Company recognized $73,805 of interest accretion on the convertible debt and $10,000 of convertible debt was converted for 35,087 common shares.

On June 28, 2023, the Company announced the repricing of 765,000 of convertible debenture warrants from exercise price of $0.40 per warrant to $0.20 per warrant subject to TSX.V approval. In addition, the Company repriced the initially issued $1,530,000 of convertible debentures with a conversion exercise price of $0.285 per share to $0.20 per share for all unconverted debentures. On July 11, 2023, the TSX.V approved the warrant and conversion exercise reprice to $0.20.

19. Other non-current liabilities

Other non-current liabilities consist of $Nil ($33,245 as at December 31, 2022) of non-current payroll liabilities as well as $240,733 ($246,539 as at December 31, 2022) contingent consideration pursuant to the non-current portion of the performance-based earnout payments related to the Atrion acquisition.

20. Share capital

(a) Authorized

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

20. Share capital (continued)

(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 5). 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.

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 5).

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 5). The Company recorded a $493,283 FMV adjustment to the shares issued as part of the acquisition consideration. The FMV value of the shares resulted in a share price of $0.23 and was further discounted to $0.1685 per share due to lack of marketability.

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 $0.19 per share to the vendor as part of the Atrion acquisition (Note 5).

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.

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

20. Share capital (continued)

(b) Issued and outstanding (continued)

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.

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.

On December 22, 2022, the Company closed the first tranche of the non-brokered private placement consisting of the issuance of 8,668,123 units at a subscription price of $0.14 per unit, for aggregate gross proceeds to the Company of $1,213,537 and share issuance cost of $54,827 related to this non-broker private placement. An additional amount of broker warrants of $31,330 was issued as compensation for completing the financing.

On December 31, 2022, the Company closed the second tranche of the non-brokered private placement consisting of the issuance of 2,447,022 units at a subscription price of $0.14 per unit, for aggregate gross proceeds to the Company of $342,583. Share issuance costs of $16,461 related to this non-broker private placement were incurred. An additional amount of broker warrants of $9,406 was issued as compensation for completing the financing.

On January 3, 2023, the Company issued 440,277 of common shares at $0.125 related to the convertible debenture December 31, 2022, interest payment of $55,036 (Note 18).

On January 17, 2023, the Company closed the third and final tranche of the Units Financing for aggregate gross proceeds to the Company of $198,995 consisting of 1,421,393 units at a price of $0.14 per unit and share issuance costs of $7,410. An additional amount of broker warrants of $4,660 was issued as compensation for completing the financing.

On March 1, 2023, the Company issued 35,087 common shares related to the $10,000 of convertible debenture conversion.

On March 1, 2023, the Company issued 71,250 common shares at $0.22 related to the exercise of warrants for gross proceeds of $15,675.

On June 21, 2023, the Company closed the first tranche of the non-brokered private placement consisting of the issuance of 4,857,588 units at a subscription price of $0.145 per unit, for aggregate gross proceeds to the Company of $704,350 and share issuance cost of $31,907 related to this non-broker private placement. An additional amount of broker warrants of $24,206 was issued as compensation for completing the financing.

On June 28, 2023, the Company closed the second tranche of the non-brokered private placement consisting of the issuance of 6,499,688 units at a subscription price of $0.145 per unit, for aggregate gross proceeds to the Company of $942,455. Share issuance costs of $28,199 related to this non-broker private placement were incurred. An additional amount of broker warrants of $23,316 was issued as compensation for completing the financing.

On June 30, 2023, the Company issued 542,847 of common shares at $0.14 related to the convertible debenture June 30, 2023, interest payment of $75,998 (Note 18).

(Expressed in Canadian dollars)

20. Share capital (continued)

(b) Issued and outstanding (continued)

On July 11, 2023, the TSX.V approved the repricing of 12,536,538 non-brokered private placement warrants and 765,000 convertible debenture warrants ranging from original exercise price of $0.25-$0.40 to $0.20.

On July 14, 2023, the Company closed the third and final tranche of the non-brokered private placement for aggregate gross proceeds to the Company of $14,500 consisting of 100,000 units at a price of $0.145 per unit and share issuance costs of $1,015. An additional amount of broker warrants of $810 was issued as compensation for completing the financing.

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

	Number of common shares #	*Restated - see Note 5* $
Balance, January 1, 2022	**69,687,572**	**20,496,808**
Shares issued for cash	11,115,145	1,556,120
Share issuance costs	—	(71,288)
Shares issued for services	361,242	90,400
Shares issued as part of acquisition consideration	3,909,321	1,422,132
Shares issued as part of acquisition consideration - FMV adjustment	—	(493,283)
Shares issued pursuant to acquisition broker fee	274,637	64,700
Share issurance costs for convertible debt	—	(18,320)
Warrants issued pursuant to private placement	—	(40,736)
Exercise of warrants	12,808	7,685
Balance, December 31, 2022	**85,360,725**	**23,014,218**
Shares issued for cash	12,878,669	1,860,300
Share issuance costs	—	(68,531)
Shares issued as part of acquisition consideration	2,352,941	400,000
Shares issued for convertible debenture interest	983,124	131,033
Share issurance costs for convertible debt	—	7,398
Shares issued for convertible debenture conversion	35,087	10,000
Exercise of warrants	71,250	15,675
Balance, December 31, 2023	**101,681,796**	**25,370,093**

(c) Stock option plan

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

Libby K established a stock option plan ("**Libby K Plan**") in 2018 whereby eligible employees, consultants, and directors were granted stock options to purchase common shares in Plurilock.

20. Share capital (continued)

(c) Stock option plan (continued)

The maximum number of non-voting shares available for issuance under the Libby K Plan was 10% of the issued and outstanding common shares. The options expire 10 years from the grant date and generally vested at the date of the grant.

Prior to the completion of the QT, Libby K had 1,110,000 stock options granted to directors, consultants, senior officers, and employees. Upon the completion of the QT, the 1,110,000 outstanding options of Libby K were converted to Plurilock 555,000 options.

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

On 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 ESOP.

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.

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.

On January 31, 2023, the Company granted certain officers, employees, and consultants of the Company an aggregate of 3,908,667 options to purchase common shares at an exercise price of $0.15 per share, which will vest over four years from the grant date.

On June 5, 2023, the Company granted to an officer of the Company an aggregate of 200,000 options to purchase common shares at an exercise price of $0.14 per share, which will vest over four years from the grant date.

(Expressed in Canadian dollars)

20. Share capital (continued)

(c) Stock option plan (continued)

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

	Number of options #	Weighted average exercise price $
Balance, January 1, 2022	9,761,907	0.37
Granted	1,874,400	0.32
Cancelled/Expired	(1,958,168)	0.42
Balance, December 31, 2022	9,678,139	0.36
Granted	4,108,667	0.15
Cancelled/Expired	(2,519,166)	0.36
Balance, December 31, 2023	**11,267,640**	**0.28**

Additional information concerning stock options outstanding as at December 31, 2023 and December 31, 2022 is as follows:

The number of exercisable stock options as of December 31, 2023, was 6,638,072 with an average exercise price of $0.34 per stock option as compared to 6,142,967 with an average exercise price of $0.34 per stock option as of December 31, 2022.

The weighted average remaining contractual life and exercise prices of stock options outstanding as at December 31, 2023, and December 31, 2022 as follows:

		December 31, 2023		December 31, 2022
Exercise price range	**Number of stock options**	**Weighted average contractual life (in years)**	Number of stock options	Weighted average contractual life (in years)
$0.10-$0.20	**3,917,667**	**9.11**	-	-
$0.21-$0.30	**916,250**	**4.71**	866,250	5.45
$0.31-$0.40	**5,530,223**	**6.95**	7,554,889	7.96
$0.41-$0.50	**50,000**	**7.10**	50,000	8.10
$0.51-$0.60	**853,500**	**7.20**	1,207,000	8.40
Total	**11,267,640**	**7.54**	9,678,139	7.79

The estimated fair value of each option granted under the Company's SOP was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions. The volatility used is based on volatilities of peer companies:

(Expressed in Canadian dollars)

20. Share capital (continued)

(c) Stock option plan (continued)

	December 31, 2023	December 31, 2022
Risk-free interest rate	**3.26%**	0.27%-2.10%
Dividend yield	**—**	—
Expected life (in years)	**6.27**	0.32-6.18
Volatility	**119%**	100-113%

(d) Stock-based compensation reserve

Total stock-based compensation cost recognized in income for the year ended December 31, 2023, was $317,329 compared to $671,804 in prior year and is credited to contributed surplus.

Total stock-based compensation expense for the year ended December 31, 2023, is comprised of the expense pursuant to stock options issued to related parties (as discussed in Note 26) of $196,168 compared to $553,028 respectively in prior year and to other parties of $121,161 compared to $118,776 respectively in the prior year.

(e) Warrants

There were 26,377,996 warrants as at December 31, 2023, compared to 19,116,400 as at December 31, 2022.

The following table summarizes the continuity of the warrants:

	Number of warrants #	**Weighted average exercise price $**	
Balance, January 1, 2022	**12,011,258**	**0.53**	
Private placement	11,115,125	0.20	*
Finder's fee for private placement	509,198	0.14	
Finder's fees for convertible debenture financing	112,235	0.29	
Convertible debenture financing	765,000	0.20	*
Exercised	(12,808)	0.30	
Expired	(5,383,608)	0.39	
Balance, December 31, 2022	**19,116,400**	**0.35**	
Private placement	**12,878,669**	**0.20**	
Finder's fee for private placement	**546,919**	**0.14**	
Convertible debt warrants forfeited on conversion	**(5,000)**	**0.15**	
Expired	**(6,087,742)**	**0.65**	
Exercised	**(71,250)**	**0.14**	
Balance, December 31, 2023	**26,377,996**	**0.21**	

*12,536,538 non-broker private placement warrants were repriced to $0.20 per warrant from the original price of $.25 per warrant. 765,000 convertible debenture warrants were repriced to $0.20 per warrant from the original price of $.40 per warrant. See note below.

On June 28, 2023, the Company announced the repricing of 12,536,538 non-brokered private placement warrants and 765,000 convertible debenture warrants ranging from original exercise price of $0.25-$0.40 to $0.20 per warrant. On July 11, 2023, the TSX.V approved the warrant reprice to $0.20.

(Expressed in Canadian dollars)

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:

	December 31, 2023	*Restated - see Note 5* December 31, 2022
	$	$
Cash and cash equivalents	**1,917,770**	2,712,684
Restricted cash	**140,423**	140,423
Short-term loans	**4,504,636**	5,262,320
Convertible debenture	**1,257,545**	1,191,366
Share capital	**25,370,093**	23,014,218
Contributed surplus	**2,919,750**	2,413,046
Equity reserve	**675,879**	870,871
Total	**36,786,096**	35,604,928

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, lease liability, short term loans, and convertible debenture.

Cash and cash equivalents and restricted cash are classified as financial assets at amortized cost and are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Trade receivables as collateral for loans are classified as financial assets at FVTOCI and are initially recognized at fair value and subsequently measured with FVTOCI. Trade and other receivables other than trade receivables as collateral for loans are classified as financial assets at amortized cost and are initially recognized at fair value and subsequently carried at amortized cost less any impairment. The carrying value of these financial assets approximates their fair value due to the relatively short period to maturity.

Trade payables and accruals, short term loans, lease liability, and a portion of convertible debenture are classified as financial liabilities at amortized cost and recognized at fair value and subsequently carried at amortized cost. The carrying value of other financial liabilities approximate fair value due to the relatively short period to maturity.

Financial risk management

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

(Expressed in Canadian dollars)

22. Financial instruments (continued)

Financial risk management

(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:

	December 31, 2023 $	December 31, 2022 $
Cash and cash equivalents	1,917,770	2,712,684
Restricted cash	140,423	140,423
Trade and other receivables	17,179,964	12,019,731
	19,238,157	14,872,838

(b) Interest rate risk

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

(c) Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due or can only do so at excessive costs.

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due, through cash flows from its operations and anticipating any investing and financing activities. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company enters into foreign currency purchase and sale transactions and has assets and liabilities that are denominated

22. Financial instruments (continued)

Financial risk management (continued)

(d) Currency risk (continued)

in foreign currencies. The Company is exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates.

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

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

	December 31, 2023				December 31, 2022			
	USD	INR	CAD	Total	USD	INR	CAD	Total
Cash and cash equivalents	1,719,696	26,577	171,497	1,917,770	1,600,672	47,181	1,064,831	2,712,684
Restricted cash	70,423	-	70,000	140,423	90,423	-	50,000	140,423
Trade and other receivables	16,799,912	45,428	334,624	17,179,964	10,736,990	50,680	1,232,061	12,019,731
Trade payables and accruals	20,992,690	42,982	1,755,955	22,791,627	9,457,808	41,519	2,174,633	11,673,960
Short-term loans	4,461,497	-	43,139	4,504,636	5,014,436	-	247,884	5,262,320
Lease liability	59,855	-	62,298	122,153	138,869	-	88,025	226,894
Convertible debenture	-	-	1,257,545	1,257,545	-	-	1,191,366	1,191,366

Significant exchange rates used

	December 31, 2023	December 31, 2022
Average rate for the period/year		
US dollar	1.3500	1.3016
Indian Rupee	0.0164	0.0166
Statement of financial position rates		
US dollar	1.3250	1.3569
Indian Rupee	0.0159	0.0164

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:

	December 31, 2023 increase/(decrease) in equity	December 31, 2022 increase/(decrease) in equity
10% appreciation of the U.S. dollar against Canadian dollar	(692,401)	(218,303)
10% depreciation of the U.S. dollar against Canadian dollar	692,401	218,303
10% appreciation of the Indian Rupee against Canadian dollar	2,902	5,634
10% depreciation of the Indian Rupee against Canadian dollar	(2,902)	(5,634)

(Expressed in Canadian dollars)

22. Financial instruments (continued)

Financial risk management (continued)

(e) Fair values

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

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

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

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

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

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

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

	December 31, 2023	December 31, 2022
Cash and cash equivalents	**1,917,770**	2,712,684
Restricted cash	**140,423**	140,423
Trade and other receivables	**17,179,964**	12,019,731
Total financial assets	**19,238,157**	14,872,838
Trade payables and accruals	**22,791,627**	11,673,960
Short-term loans	**4,504,636**	5,262,320
Lease liability	**122,153**	226,894
Convertible debenture	**1,257,545**	1,191,366
Total financial liabilities	**28,675,961**	18,354,540

(f) Contractual cash flows

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

(Expressed in Canadian dollars)

22. Financial instruments (continued)

Financial risk management (continued)

(f) Contractual cash flows (continued)

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

	December 31, 2022			
	Due in less than a year	Due between one to five years	Due after five years	Total
Trade payables and accruals	11,673,960	-	-	11,673,960
Short-term loans	5,262,320	-	-	5,262,320
Lease liability	89,522	137,372	-	226,894
Convertible debenture	-	1,191,366	-	1,191,366
	17,025,802	1,328,738	-	18,354,540

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 product (DEFEND) as well as the acquired product (CloudCodes). The Technology division is operated by PSI, PL, PLUS and PSP. The Company's corporate overhead expenses associated with PSI are allocated to the Technology Division.

Solutions Division

The Solutions division is separately operated by ASC and INC. The Solutions division offers services, cybersecurity industry products and technologies other than Plurlock's own proprietary products (DEFEND). Acquisition related costs associated with acquiring ASC and INC have also been allocated to the Solutions Division.

(Expressed in Canadian dollars)

23. Segment information

(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:

	December 31, 2023			*Restated - See Note 5* December 31, 2022		
	$			$		
	Technology Division	**Solutions Division**	**Total**	Technology Division	Solutions Division	Total
Total assets	3,587,201	23,548,535	27,135,736	6,119,173	16,940,157	23,059,330
Total liabilities	6,160,773	25,310,723	31,471,496	5,109,676	15,646,361	20,756,037

(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 year ended December 31, 2023 and 2022 are as follows:

(Expressed in Canadian dollars)

23. Segment information (continued)

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

	For the years ended December 31,					
	2023			2022		
	Technology Division	Solutions Division	Total Revenue	Technology Division	Solutions Division	Total Revenue
Hardware and systems sales	-	55,716,530	55,716,530	-	56,919,768	56,919,768
Software, license and maintenance sales	988,333	10,933,207	11,921,540	444,841	6,525,216	6,970,057
Professional services	-	2,782,061	2,782,061	-	742,546	742,546
Total	**988,333**	**69,431,798**	**70,420,131**	**444,841**	**64,187,530**	**64,632,371**

(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 years ended December 31, 2023 and 2022 are as follows:

	For the years ended December 31,					
	2023			2022		
	Technology Division	Solutions Division	Total	Technology Division	Solutions Division	Total
Revenue	988,333	69,431,798	70,420,131	444,841	64,187,530	64,632,371
Cost of sales	380,416	64,187,737	64,568,153	255,093	59,395,348	59,650,441
Gross profit	607,917	5,244,061	5,851,978	189,748	4,792,182	4,981,930
Gross margin	61.5%	7.6%	8.3%	42.7%	7.5%	7.7%
Total operating expenses	6,672,905	7,298,238	13,971,143	7,818,328	4,196,781	12,015,109
Other expenses	n.a	n.a	997,795	n.a	n.a	1,417,933
Net income (loss) before taxes	**(6,064,988)**	**(2,054,177)**	**(9,116,960)**	**(7,628,580)**	**595,401**	**(8,451,112)**

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

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

(Expressed in Canadian dollars)

23. Segment information (continued)

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

	December 31, 2023 **$**	December 31, 2022 $
Revenue		
United States	**62,793,365**	61,224,975
India	**487,764**	151,006
Canada	**7,139,002**	3,256,390
	70,420,131	64,632,371

	December 31, 2023 **$**	*Restated - see Note 5* December 31, 2022 $
Long-lived assets		
United States	**1,499,147**	2,019,363
India	**42,043**	7,298
Canada	**450,036**	831,943
	1,991,226	2,858,604

(Expressed in Canadian dollars)

24. Operating expenses

	For the years ended December 31, 2023	December 31, 2022
	$	$
Research and development		
Communication and IT services	**570,785**	739,120
Contractors	**158,335**	299,409
Government assistance	**(33,800)**	-
Office and general	**2,567**	7,864
Salaries and benefits	**1,284,075**	1,653,307
COS allocation	**(178,142)**	(231,322)
Travel and entertainment	**2,672**	16,868
	1,806,492	**2,485,246**
Sales and marketing		
Advertising and promotion	**45,715**	10,312
Communication and IT services	**116,944**	137,310
Contractors	**64,322**	233,809
Marketing	**325,539**	153,040
Office and general	**518**	56,553
Salaries and benefits	**2,536,628**	1,988,401
Sales commission	**377,705**	831,700
Travel and entertainment	**7,776**	26,016
	3,475,147	**3,437,141**
General and administrative		
Amortization	**566,577**	269,899
Bad debt	**(124)**	-
Communication and IT services	**375,198**	181,958
Contractors	**439,730**	414,003
Insurance	**125,298**	109,777
Office and general	**608,375**	433,006
Professional fees	**853,497**	854,549
Investor relations and regulatory filing	**882,206**	849,996
Salaries and benefits	**3,676,819**	2,227,409
Travel and entertainment	**133,112**	80,321
	7,660,688	**5,420,918**

(Expressed in Canadian dollars)

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 December 31, 2023 and December 31, 2022 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 years ended	
	December 31, 2023 $	December 31, 2022 $
Numerator		
Net loss for the year	**(9,085,839)**	(8,446,521)
Denominator		
Weighted average number of common shares outstanding, basic and diluted	**94,903,681**	72,306,538
Basic and diluted loss per share	**(0.10)**	(0.12)

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.

The following table summarizes the related party transactions:

	For the years ended	
	December 31, 2023 $	December 31, 2022 $
Salaries, benefits and consulting fees	**1,076,432**	737,936
Stock-based compensation expense*	**196,168**	553,028
	1,272,600	1,290,964

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

(Expressed in Canadian dollars)

27. Income taxes

(a) Income tax expense

	December 31, 2023 **$**	December 31, 2022 $
Current		
Canadian income tax	**—**	—
Foreign income tax	**12,687**	—
Adjustments in respect of prior year	**(46,279)**	—
Total current tax	**(33,592)**	—
Deferred		
Canadian income tax	**—**	—
Foreign income tax	**2,471**	(4,591)
Adjustments in respect of prior year	**—**	—
Total deferred tax	**2,471**	(4,591)
Income tax recovery	**(31,121)**	(4,591)

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

	December 31, 2023 **$**	December 31, 2022 $
Net loss for the year	(9,116,960)	(8,451,112)
Statutory tax rate	27%	27%
Recovery of tax at statutory rates	(2,461,579)	(2,281,800)
Permanent differences and other	96,198	122,116
Rate differential	(23,666)	55,453
Benefit of deferred tax assets not recognized	2,493,000	2,072,879
Foreign exchange	(59,617)	66,239
Share issue costs in equity	(35,602)	(36,758)
Recovery of prior year taxes	(46,279)	—
Other	6,424	(2,720)
Tax recovery	**(31,121)**	**(4,591)**

(Expressed in Canadian dollars)

27. Income taxes (continued)

(c) Deferred tax balances

	December 31, 2023	December 31, 2022
	$	$
Deferred tax asset		
Tax losses	29,482	79,484
Subtotal	29,482	79,484
Deferred tax liability		
Equipment and other	(13,176)	(19,210)
Intangibles	(34,747)	(76,244)
Subtotal	(47,923)	(95,454)
Net deferred tax liability	**(18,441)**	**(15,970)**

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

(d) Unrecognized losses and other temporary differences

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

	December 31, 2023	December 31, 2022
	$	$
Tax loss carryfowards	25,014,701	16,032,827
Financing costs -20(1)(e)	1,040,849	896,017
Deductible SR&ED pool	492,716	492,716
Lease obligation	4,521	—
Equipment and other	742,156	764,039
Subtotal	**27,294,943**	**18,185,599**

(Expressed in Canadian dollars)

27. Income taxes (continued)

(d) Unrecognized losses and other temporary differences (continued)

The Company's total unused tax losses:

Year of expiry	As at December 31, 2023
2033	62,120
2034	310,875
2035	710,497
2036	421,898
2037	702,607
2038	1,034,746
2039	1,125,877
2040	837,014
2041	2,487,297
2042	7,378,281
2043	5,133,824
No expiry date	4,809,665
Subtotal	**25,014,701**

28. Subsequent events

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

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

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

28. Subsequent events (continued)

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

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

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