Consolidated financial statements of Plurilock Security Inc.

For the years ended December 31, 2024 and 2023

Independent Auditor's Report

To the Shareholders of Plurilock Security Inc.:

Opinion

We have audited the consolidated financial statements of Plurilock Security Inc. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including 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, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2024 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 of 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.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue Recognition

Key Audit Matter Description

We draw attention to Notes 3, and 23 to the consolidated financial statements. The Company has recognized $40,819,016 from software, license and maintenance sales in solutions divisions during the year ended December 31, 2024. Management assessed the various performance obligations present in each contract in effect to determine if revenue was to be recognized at a point in time or over a period of time. Performance obligations in the Company’s contracts generally consist of licensing of software, access to third-party software as a service provided to customers, deployment, configuration and integration activities, essential support, and maintenance during the terms of arrangements.

Significant judgment is involved in determining that the above services are combined together to fulfill the performance obligation of cybersecurity solutions paired with AI-driven cloud-friendly security products to customers which is satisfied over the contract term. Changes in these assessments can have a material impact on the amount of revenue recognized.

The Company uses significant judgment in presentation of revenue contracts with customers in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), to assess whether it acts as a principal in a transaction or as an agent acting on behalf of others in recognition of sale of hardware, software, maintenance and services to customers.

Significant auditor judgment was required to evaluate the Company's significant judgments in assessing each performance obligation within a contract and principal versus agent presentation in consolidated financial statements of the Company. As a result, we considered revenue recognition as a key auditor matter given the significant judgment made by management, an increased extent audit effort was required.

Audit Response

We responded to this matter by performing audit procedures relating to revenue recognition. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated the design and implementation of controls over revenue recognition, including those related to the Company's process to identify performance obligations and principal versus agent assessment.
- For a sample of contracts, reviewed the Company's revenue recognition accounting policy to assess whether performance obligations have been appropriately identified and recognized in accordance with IFRS 15.
- Obtained confirmations from selected customers, reviewed software license recognized over the period based on the license term and verified the mathematical accuracy of management's calculations on the portion of revenue that should be recognized, related accounts receivable and deferred revenue balance.
- On a sample basis, inquired and obtained evidence that the Company is primarily responsible when another party is involved in providing goods or services to a customer.
- Assessed the adequacy and appropriateness of the related consolidated financial statement disclosures.

Assessment of Impairment of Goodwill and Indefinite Life Intangible Assets

Key Audit Matter Description

The Company performs impairment testing related to non-financial assets with indefinite useful lives annually and whenever events or changes in circumstances indicate that the carrying value of a cash generating unit ("CGU") might exceed its recoverable amount. The Company performed impairment tests on goodwill and indefinite life intangible assets that were allocated to its CGUs at December 31, 2024 and the recoverable amount was determined using a value in use method. Refer to Notes 3 and 14 of the consolidated financial statements for further details.

We considered this a key audit matter, as there was a high degree of auditor judgment required to evaluate the significant assumptions used in determining the recoverable amount including, but not restricted to, forecasted revenue, earnings before interest, taxes, depreciation and amortization, long-term growth rates, and discount rates. The sensitivity of reasonable changes to the significant assumptions could have a significant impact on the determination of the recoverable amount of the CGUs and the Company's determination of impairment. This resulted in an increased extent of audit effort, including the involvement of internal specialists.

Audit Response

We responded to this matter by performing audit procedures over the impairment of goodwill and indefinite life intangible assets. Our audit work in relation to this included, but was not restricted to, the following:

- Evaluated the design and implementation of certain internal controls over the impairment process, including the controls related to the significant assumptions used in determining the recoverable amount.
- Assessed management's determination of CGUs, the allocation of goodwill to the identified CGUs and the application of an appropriate valuation methodology to test for impairment.
- Performed 'retrospective review' to compare management's assumptions in prior year expected future cash flows to the actual results to assess the Company's budgeting process and ability to accurately forecast.
- Evaluated the reasonableness of significant assumptions such as forecasted revenue, earnings before interest, taxes, depreciation and amortization and long-term growth rates used in the cash flow model by comparing these assumptions to historical and actual performance, approved budgets, and consistency with industry data. We also considered whether the assumptions were consistent with evidence obtained in other areas of the audit.
- Involved internal specialists in evaluating the appropriateness of management's valuation methodology and assessing the reasonability of the discount rate and other inputs used in the impairment analysis based on industry data and other benchmarks.
- Assessed the appropriateness of the disclosures relating to the assumptions used in the impairment assessment in the notes to the consolidated financial statements.

Emphasis of Matter – Restated Comparative Information

We draw attention to Note 28 to the consolidated financial statements, which explains that certain comparative information presented:

- for the year ended December 31, 2023 has been restated.
- as at January 1, 2023 has been derived from the consolidated statement of financial position as at December 31, 2022 (not presented herein).

Our opinion is not modified in respect of this matter.

The consolidated financial statements for the year ended December 31, 2023 and 2022 (not presented herein but from which the comparative information as at January 1, 2023 has been derived), excluding the adjustments that were applied to restate certain comparative information were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 29, 2024.

As part of our audit of the consolidated financial statements for the year ended December 31, 2024, we also audited the adjustments applied to restate certain comparative information:

- for the year ended December 31, 2023.
- as at January 1, 2023.

In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements:

- for the year ended December 31, 2023.
- for the year ended December 31, 2022 (not presented herein).
- as at January 1, 2023.

Accordingly, we do not express an opinion or any other form of assurance on those consolidated financial statements taken as a whole.

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 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 prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 Accounting Standards as issued by the International Accounting Standards Board, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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 Abhishek Kapoor.

Vancouver, British Columbia

MNP LLP

April 30, 2025

Chartered Professional Accountants

Plurilock Security Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	December 31, 2024 $	*Restated - Note 28* December 31, 2023 $
Assets			
Current assets			
Cash and cash equivalents		**1,399,463**	1,917,770
Restricted cash	5	**20,000**	140,423
Trade and other receivables	6	**8,698,200**	5,123,109
Tax credits receivable	7	**128,979**	172,188
Inventory	8	**12,005**	1,866,017
Prepaid expenses and deposits	9	**19,819,032**	14,602,523
Contract asset	10	**433,002**	—
Total current assets		**30,510,681**	23,822,030
Non-current assets			
Property and equipment	11	**91,543**	83,425
Right-of-use asset	12	**4,416**	52,848
Net investment in sublease	13	**6,495**	45,831
Intangible assets	14	**1,315,883**	1,413,497
Goodwill	14	**2,507,202**	2,308,148
Other non-current assets		**36,970**	26,406
Total assets		**34,473,190**	27,752,185
Liabilities			
Current liabilities			
Trade and other payables	15	**12,142,512**	11,692,102
Unearned revenue	16	**24,703,817**	18,487,955
Short-term loans	17	**2,408,034**	4,504,636
Lease liability	13	**12,390**	109,231
Total current liabilities		**39,266,753**	34,793,924
Non-current liabilities			
Lease liability - non-current	13	**—**	12,922
Deferred tax liability	27	**19,440**	18,441
Convertible debenture	18	**328,296**	1,257,545
Other non-current liabilities	19	**—**	240,733
Total liabilities		**39,614,489**	36,323,565
Shareholders' equity			
Share capital	20(b)	**38,543,997**	25,370,093
Equity reserve		**754,642**	675,879
Foreign currency translation (deficit) reserve		**(595,114)**	(302,145)
Contributed and other surplus		**4,922,606**	2,919,750
Accumulated deficit		**(48,767,430)**	(37,234,957)
Total equity		**(5,141,299)**	(8,571,380)
Total equity and liabilities		**34,473,190**	27,752,185
Nature of operations and going concern	1		
Subsequent events	29		

The accompanying notes are an integral part of these consolidated 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)

		Years ended December 31,	
			Restated -Note 28
		2024	2023
	Notes	**$**	$
Revenue	23	**59,124,540**	59,390,101
Cost of sales		**(51,368,820)**	(54,329,805)
Gross profit		**7,755,720**	5,060,296
Operating expenses			
Research and development	24	**877,215**	1,806,492
Sales and marketing	24	**3,063,365**	3,475,147
General and administrative	24	**10,051,265**	7,660,688
Impairment on goodwill and intangibles	14	**—**	2,313,526
Stock-based compensation	20 (d)	**1,690,639**	317,329
Total operating expenses		**15,682,484**	15,573,182
Operating loss		**(7,926,764)**	(10,512,886)
Other expenses			
Foreign exchange translation gain (loss)		**(235,268)**	442,362
Acquisition-related expenses		**(461,645)**	(434,328)
Financing expenses		**(271,022)**	(175,208)
Loss on convertible debt conversion inducement		**(1,817,470)**	—
Loss on settlement of debt		**(454,128)**	—
Other income		**735,371**	65,898
Impairment on assets		**(4,787)**	(9,093)
Loss on disposal of assets		**407**	(12,512)
Interest expenses		**(1,071,599)**	(874,914)
Total other expenses		**(3,580,141)**	(997,795)
Loss for the year before tax		**(11,506,905)**	(11,510,681)
Income tax (expense) recovery	27	**(25,568)**	31,121
Net loss for the year		**(11,532,473)**	(11,479,560)
Other comprehensive income (loss)			
Items that may be subsequently reclassified to net results			
Foreign exchange translation difference		**(292,969)**	(370,002)
Other comprehensive income (loss)		**(292,969)**	(370,002)
Comprehensive loss for the year		**(11,825,442)**	(11,849,562)
Basic and diluted loss per share	25	**(0.31)**	(1.21)

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, 2023 - Restated (Note 28)		**8,536,073**	**23,014,218**	**2,413,046**	**870,871**	**67,857**	**(25,755,397)**	**610,595**
Units issued for cash	20(b)	1,287,869	1,860,300	-	-	-	-	1,860,300
Share issuance costs	20(b)	-	(68,531)	-	-	-	-	(68,531)
Shares issued as part of acquisition consideration	20(b)	235,294	400,000	-	-	-	-	400,000
Shares issued for convertible debenture interest	20(b)	98,312	131,033	-	-	-	-	131,033
Share issurance costs of convertible debt	18	-	7,398	-	2,457	-	-	9,855
Shares issued for convertible debenture conversion	18	3,509	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
Warrants issued as private placements and convertible debt broker fee	18, 20(b)							-
Exercise of warrants		7,125	15,675	-	(5,700)	-	-	9,975
Expiry of warrants		-	-	189,375	(189,375)	-	-	-
Net loss for the year		-	-	-	-	-	(11,479,560)	(11,479,560)
Other comprehensive loss		-	-	-	-	(370,002)	-	(370,002)
Balance, December 31, 2023 - Restated (Note 28)		**10,168,182**	**25,370,093**	**2,919,750**	**675,879**	**(302,145)**	**(37,234,957)**	**(8,571,380)**
Units issued for cash	20(b)	26,944,443	5,500,000	-	-	-	-	5,500,000
Share issuance costs	20(b)	-	(221,514)	-	-	-	-	(221,514)
Shares issued for debt settlement		1,092,762	437,105	-	-	-	-	437,105
Shares issued pursuant to consulting service agreement	20(b)	400,326	200,163	-	-	-	-	200,163
Shares issued as part of acquisition consideration	20(b)	128,570	245,560	-	-	-	-	245,560
Warrants issued as private placement broker fee	20(b)	-	(169,828)	-	169,828	-	-	-
Shares and warrants issued for convertible debenture interest	20(b)	349,417	146,823	-	-	-	-	146,823
Shares issued for convertible debenture conversion	18	4,367,500	2,324,653	-	664,202	-	-	2,988,855
Equity component of convertible debenture	18	-	-	-	(222,038)	-	-	(222,038)
Warrants issued as part of financing on convertible debt		-	-	85,002	(85,002)	-	-	-
Warrants issued as part of debt settlement		-	-	-	235,576	-	-	235,576
Recognition of stock-based compensation	20(d)	-	-	1,690,639	-	-	-	1,690,639
Exercise of warrants		16,178,051	4,710,942	-	(456,588)	-	-	4,254,354
Expiry of warrants		-	-	227,215	(227,215)	-	-	-
Net loss for the year		-	-	-	-	-	(11,532,473)	(11,532,473)
Other comprehensive loss		-	-	-	-	(292,969)	-	(292,969)
Balance, December 31, 2024		**59,629,251**	**38,543,997**	**4,922,606**	**754,642**	**(595,114)**	**(48,767,430)**	**(5,141,299)**

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, 2024	*Restated - Note 28* 2023
		$	$
Net loss for the year		**(11,532,473)**	(11,479,560)
Operating activities			
Adjustments for			
Amortization	24	**317,321**	566,577
Bad debt		**(3,456)**	—
Income tax expense (recovery)	27	**25,568**	(31,121)
Stock-based compensation	20 (d)	**1,690,639**	317,329
(Gain)/loss on disposal of asset		**(407)**	12,512
Loss on inducement of convertible debt		**1,817,470**	—
Impairment on assets		**4,787**	9,093
Impairment on goodwill	14	**—**	2,313,526
Impairment on unearned revenue		**—**	(33,709)
Interest accretion - convertible debt	18	**96,098**	204,838
Interest expense on convertible debt	18	**84,573**	152,000
Deferred rent		**33,515**	24,474
Interest expense - lease liability	13	**5,670**	19,073
Loss on debt settlement		**454,128**	—
Acquisition-related costs		**53,595**	226,181
Non-cash operating expenses		**200,163**	—
Unrealized foreign exchange (gain)/loss		**235,268**	(432,507)
Changes in working capital and other items			
Trade and other receivables		**(3,571,635)**	3,037,441
Tax credits receivable		**16,868**	46,816
Inventory		**1,854,012**	(1,549,784)
Prepaid expenses and deposits		**(5,216,509)**	4,092,809
Contract asset		**(433,002)**	—
Other non-current assets		**(10,564)**	93,038
Trade and other payables		**847,178**	3,476,651
Unearned revenue		**6,215,862**	(2,896,820)
Other non-current liabilties		**(240,733)**	(39,051)
Net cash flows used in operating activities		**(7,056,064)**	(1,870,194)
Investing activities			
Acquisition of equipment	11	**(42,191)**	(8,729)
Net cash flows used in investing activities		**(42,191)**	(8,729)
Financing activities			
Proceeds from issuance of shares, net of issuance costs	20 (b)	**5,278,486**	1,791,769
Proceeds from warrant exercise		**4,254,354**	9,975
Repayments to short-term loans, net		**(2,489,985)**	(855,630)
Lease payments	13	**(115,433)**	(123,814)
Net cash flows provided by financing activities		**6,927,422**	822,300
Foreign exchange effect on cash and cash equivalents and restricted cash		**(467,897)**	261,709
Net (decrease)/ increase in cash and cash equivalents and restricted cash		**(170,833)**	(1,056,623)
Cash and cash equivalents and restricted cash, beginning of year		**2,058,193**	2,853,107
Cash and cash equivalents and restricted cash, end of year		**1,419,463**	2,058,193

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

(Expressed in Canadian dollars)

Supplemental cash flow information

Non-cash financing and investing activities **Years ended December 31,**

	Notes	**2024** $	2023 $
Warrants issued as brokers fee pursuant to financing	20(e)	**169,828**	60,384
Warrants issued as part of debt settlement	20(e)	**235,576**	-
Shares issued as part of debt settlement	20(b)	**437,105**	-
Shares issued as part of acquisition	20(b)	**245,560**	-
Shares issued as part of service consulting agreement	20(b)	**200,163**	-
Shares issued as part of earn out achieved	20(b)	**-**	400,000
Shares issued for convertible debenture interest payment	20(b)	**146,823**	131,033
Shares issued for convertible debenture conversion	18, 20(b)	**2,324,653**	10,000

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

1. Nature of operations and going concern

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 statements December 31, 2024 date, Plurilock had two wholly owned subsidiaries - Plurilock Security Solutions Inc. ("**PL**") and Integra Network Corporation ("**INC**"). PL was formed following the amalgamation of PL and 1243540 B.C. Ltd. on September 17, 2020 pursuant to a Qualifying Transaction ("**QT**"). INC was acquired on March 4, 2022. PL in turn has one wholly owned subsidiary, Plurilock Security Corp. ("**PLUS**"). PLUS was incorporated on November 15, 2017 in the State of Delaware, USA. On March 31, 2021, PLUS acquired Aurora Systems Consulting Inc. ("**ASC**"), a provider of advanced cybersecurity technology and services based in the State of California, USA. PLUS acquired all of the outstanding securities of ASC. On July 22, 2021, Plurilock incorporated an Indian subsidiary, Plurilock Security Private Limited ("**PSP**"). PSP is owned 99.99% by PSI and 0.01% by PL.

These consolidated financial statements report that the Company has a net loss of $11,532,473 and $11,479,560 for the years ended December 31, 2024, and 2023, respectively and an accumulated deficit of $48,767,430 and $37,234,957 as at December 31, 2024 and 2023, respectively. The Company has financed its operating cash requirements primarily through the issuance of share capital. The Company's ability to realize the carrying value of its assets and to continue as a going concern is dependent upon the successful execution of the Company's strategic plan to improve the scale and profitability of its business to achieve future profitable operations. It will be necessary for the Company to raise additional funds from time to time for the continued execution of its strategic plan. These funds may come from sources which include the issuance of shares, the issuance of debt or alternative sources of financing. The ability of the Company to continue as a going concern is dependent upon the continued support from the Company's shareholders, lenders, and the Company's ability to attain profitable operations in the near future. There can be no assurance that the Company will successfully generate sufficient operating cash flows or raise sufficient funds to continue the execution of its strategic plan and to operate as a going concern. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

During the year ended December 31, 2024, the Company filed for the preliminary short form base shelf prospectus with the BSCB and OSC.

These consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2025.

2. Basis of presentation

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards issued by the International Accounting Standards Board ("IASB") and IFRIC® Interpretations of the IFRS Interpretations Committee issued and effective as of December 31, 2024. The Company's material accounting policies are presented in Note 3 to the consolidated financial statements for the year ended December 31, 2024, 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 statements 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 payables and accruals	Amortized cost
Short term loans	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.

Cash and cash equivalents

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

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: *Revenue from Contract with Customers* ("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 credit 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 statements 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 statements of loss and comprehensive loss.

3. Material accounting policies (continued)

Convertible debenture

Convertible debenture are separated into their liability and equity components using the residual method. The fair value of the liability component at the time of issue is determined based on an estimated discount rate for debentures without the conversion feature. The fair value of the equity component is determined as the difference between the face value of the convertible debentures and the fair value of the liability component. After initial recognition, the liability component is carried on an amortized cost basis and will be accreted to its face value over the term to maturity of the convertible debenture at the effective rate.

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.

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, 2024, the Company has not capitalized any development costs.

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

3. Material accounting policies (continued)

Intangible assets (continued)

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.

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

3. Material accounting policies (continued)

Leases (continued)

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 tax. Taxation is recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the tax is recognized in equity.

Current tax is generally the expected income tax payable on the taxable income for the year calculated using rates enacted or substantively enacted at the date of the statements 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 tax assets and liabilities; i.e. both liabilities and assets are recorded when probable at the Company's best estimate of the amount.

3. Material accounting policies (continued)

Income taxes (continued)

Deferred tax is recognized using the liability method, based on temporary differences between consolidated financial statements carrying amounts of assets and liabilities and their respective income tax bases. Deferred income tax is determined using tax rates that have been

enacted or substantively enacted by the date of the consolidated statements of financial position and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled. The amount of deferred tax recognized is based on the expected manner and timing of realization or settlement of the carrying amount of assets and liabilities. Deferred 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 tax assets are reviewed at each date of the consolidated statements of financial position and amended to the extent that it is no longer probable that the related tax benefit will be realized.

Current 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 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.

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.

3. Material accounting policies (continued)

Revenue recognition (continued)

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

1) Hardware and maintenance 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. Hardware maintenances services performance obligation is to arrange for the delivery of the specified services to the customers and the revenue is recognized on net basis point-in-time.

2) Software, license, and maintenance sales

   Performance obligations in the Company's contracts generally consist of licensing of software, access to third-party software as a service provided to customers, deployment, configuration and integration activities, essential support, and maintenance during the terms of arrangements. Revenue is recognized over time, as customers simultaneously receives and consumes the benefits as the Company performs, the customer controls the service as it is created or enhanced, and the Company has an enforceable right to payment for performance completed to date and revenue is recognized over time on a straight-line basis over the term of the contract as and when the performance obligation is fulfilled evenly over the term of the contract.

3) Professional services

   Professional services are generally on either a fixed fee, milestone based, or time and 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 except for hardware maintenance services, 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. The Company has determined that it acts as an agent in hardware maintenance services offered by a third party.

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.

Contract Assets and Unearned Revenue

Any excess of revenue recognized over progress billings on revenue contracts is carried as a contract asset in the consolidated financial statements.

Any excess of cash received from progress billings over earned revenue on revenue contracts is carried as an unearned revenue in the consolidated financial statements.

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.

3. Material accounting policies (continued)

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

Goodwill

Goodwill is initially recognized and measured as set out above.

Goodwill is not amortized but is reviewed for impairment at least annually at the same time each year. Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to 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.

3. Material accounting policies (continued)

Stock-based compensation plans (continued)

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.

For each restricted share unit ("RSUs") granted to directors, officers and employees, compensation expense is recognized equal to the market value of one common share at the date of grant based on the number of RSUs expected to vest, recognized over the term of the vesting period, with a corresponding credit to contributed surplus.

Warrants

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

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

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 estimates, assumptions 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, assumptions and judgements 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, discharge its liabilities 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.

3. Material accounting policies (continued)

Main sources of estimates, assumptions and critical judgements by management (continued)

- *Going concern considerations (continued)*

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.

The estimates used by the Company in reaching the above conclusion are based on information available as of the date of the consolidated statements 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*

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

3. Material accounting policies (continued)

- *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.

- *Assessment of revenue recognition under IFRS 15*

During the year, management assessed the various performance obligations present in each contract in effect and if revenue was to be recognized at a point in time or over a period of time. Judgment was used to determine the identification of those performance obligations, allocation of the transaction price to the performance obligation, and accounting for the consideration payable by the customer.

The Company has made significant judgements in determining that sale of software license, access to third-party software as a service provided to customers, deployment, configuration and integration activities are combined together to fulfill the performance obligation of cybersecurity solutions paired with AI-driven cloud-friendly security products to customers which is satisfied over the contract term as the Company satisfies a portion of its performance obligation each day it provides the cybersecurity solution and revenue is recognized on a straight-line basis over the contract term.

The Company uses significant judgment in presentation of revenue contracts with customers in accordance with the principles of IFRS 15, to assess whether it acts as a principal in a transaction or as an agent acting on behalf of others in recognition of sale of hardware, software, maintenance and services to customers.

4. New accounting policies

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

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) — the amendments sought to improve the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period. These amendments to IAS 1 override but incorporate the previous amendments, classification of liabilities as current or non-current, issued in January 2020, which clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and are to be applied retrospectively. There was no material impact on adoption.

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.

(Expressed in Canadian dollars)

4. New accounting policies (continued)

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, 2024 to have a significant effect on its consolidated financial statements.

5. Restricted cash

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

6. Trade and other receivables

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

		Restated -Note 28
	December 31, 2024	December 31, 2023
	$	$
Trade receivables	**8,698,200**	5,123,109
	8,698,200	5,123,109

As at December 31, 2024, $977,528 or 11% of the trade receivables balance is over 90 days past due compared to $198,421 or 3% as at December 31, 2023 and 74.5% of the trade receivable balances are owing from 5 customers as at December 31, 2024 compared to 62.2% owing from 5 customers as at December 31, 2023. The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables.

7. Tax credits receivable

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

	December 31, 2024	December 31, 2023
	$	$
Tax credits receivable	**128,979**	172,188
	128,979	172,188

Tax credits receivable balance as at December 31, 2024 of $128,979 is related to goods and services tax ("GST") receivable compared to $172,188 as at December 31, 2023.

(Expressed in Canadian dollars)

8. Inventory

	December 31, 2024	December 31, 2023
	$	$
Finished goods	**12,005**	1,866,017
	12,005	1,866,017

Inventory balance as at December 31, 2024 of $12,005 ($1,866,017 as at December 31, 2023) is related to products under the Company's possession but not yet delivered to customers.

Amounts of $7,556,292 of inventories was expensed during the year ended December 31, 2024, as cost of sales ($17,583,729 during the year ended December 31, 2023).

9. Prepaid expenses and deposits

		Restated -Note 28
	December 31, 2024	December 31, 2023
	$	$
Prepaid service contracts	**321,750**	330,037
Deposits	**954**	1,330
Advance to supplier	**19,496,328**	14,271,156
	19,819,032	14,602,523

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. As at December 31, 2024, the Company had an advance to supplier balance of $19,496,328, compared to $14,271,156 as at December 31, 2023, reflecting prepayments made for inventory.

10. Contract Asset

	December 31, 2024	December 31, 2023
	$	$
Contract Asset	**433,002**	—
	433,002	—

As at December 31, 2024, the Company recognized a contract asset of $433,002, compared to $Nil as at December 31, 2023, reflecting revenue earned but not yet billed, aligning with the Company's revenue recognition policies.

(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, 2023	**237,046**
Additions	8,729
Disposals	(8,764)
Foreign exchange gain	(2,199)
Balance December 31, 2023	**234,812**
Additions	42,191
Foreign exchange gain	(2,031)
Balance December 31, 2024	**274,972**

Property and equipment - accumulated depreciation	$
Balance January 1, 2023	**98,160**
Depreciation for the year	56,296
Disposals	(3,069)
Balance December 31, 2023	**151,387**
Depreciation for the year	32,042
Balance December 31, 2024	**183,429**

Property and equipment net book value	$
At December 31, 2023	**83,425**
At December 31, 2024	**91,543**

12. Right-of-use asset

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

Right-of-use asset	$
Balance January 1, 2023	**211,050**
Derecognition of ROU asset	(82,715)
Depreciation	(75,487)
Balance December 31, 2023	**52,848**
Foreign exchange	1,988
Depreciation	(50,420)
Balance December 31, 2024	**4,416**

(Expressed in Canadian dollars)

13. Lease liability

Lease liability relates to the lease of office spaces acquired as part of business acquisitions, 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, 2024, the Company recognized $5,670 (December 31, 2023 - $19,073) 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, 2023	**226,894**
Add: interest during the year	19,073
Less: payment during the year	(123,814)
Balance December 31, 2023	**122,153**
Add: interest during the year	**5,670**
Less: payment during the year	**(115,433)**
Balance December 31, 2024	**12,390**
Due within twelve months	**12,390**
Due after twelve months	**-**

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.

(Expressed in Canadian dollars)

14. Intangible assets and goodwill (continued)

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

	Patent	Procurement Contract	Customer Relationships	Intellectual Properties	Brand	Total
Cost						
January 1, 2023	**$100,000**	**$271,771**	**$1,807,650**	**$102,566**	**$389,023**	**$2,671,010**
Foreign exchange	-	3,788	(108,366)	-	(19,349)	(123,927)
December 31, 2023	**$100,000**	**$275,559**	**$1,699,284**	**$102,566**	**$369,674**	**$2,547,082**
Foreign exchange	**-**	23,764	104,266	-	31,882	159,912
December 31, 2024	**$100,000**	**$299,323**	**$1,803,550**	**$102,566**	**$401,556**	**$2,706,995**
Amortization						
January 1, 2023	**$40,000**	**$162,902**	**$80,841**	**$ -**	**$ -**	**$283,743**
Impairment*	-	-	332,997	82,053	-	415,050
Additions	5,000	87,058	322,222	20,513	-	434,793
December 31, 2023*	**$45,000**	**$249,960**	**$736,060**	**$ 102,566**	**$ -**	**$1,133,586**
Additions	5,000	26,696	203,163	-	-	234,859
Foreign exchange	**-**	22,667	-	-	-	22,667
December 31, 2024	**$50,000**	**$299,323**	**$939,223**	**$ 102,566**	**$ -**	**$1,391,111**
Net Book Value						
December 31, 2023	**$55,000**	**$25,599**	**$963,224**	**$ -**	**$369,674**	**$1,413,497**
December 31, 2024	**$50,000**	**$ -**	**$864,327**	**$ -**	**$401,556**	**$1,315,883**

* *Restated (Note 28)*

Goodwill	**$**
Balance January 1, 2023	**4,139,853**
Impairment of goodwill (Restated - Note 28)	(1,898,476)
Change in foreign exchange evaluation (Restated - Note 28)	66,771
Balance December 31, 2023 (Restated - Note 28)	**2,308,148**
Change in foreign exchange evaluation	199,054
Balance December 31, 2024	**2,507,202**

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.

The Company reperformed its impairment test on goodwill from CloudCodes CGU at December 31, 2023, and determined that the carrying value was in excess of its recoverable amount. Therefore, the Company recorded an impairment of $1,504,845 from goodwill and $164,488 from intangible assets for the year ended December 31, 2023 and restated the consolidated financial statements (Note 28). 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 Company reperformed its impairment test on goodwill from Integra CGU at December 31, 2023, and determined that the carrying value was in excess of its recoverable amount. Therefore, the Company recorded an impairment of $393,632 from goodwill and $250,562 from intangible assets for the year ended December 31, 2023 and restated the consolidated financial statements (Note 28). 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.

During the year ended December 31, 2024 and 2023, the Company performed goodwill impairment analysis for goodwill from Aurora CGU and no impairment was recorded. 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 Atrion acquisition in 2022 was rolled under the Aurora CGU 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 30.1% and Weighted Average Cost of Capital (WACC) rate of 22.2% were used. In assessing future EBITDA growth, management modelled the underlying movements in the constituents of EBITDA and has used an annual growth rate in the range of 3.7% to 9.3% for revenues including 2.3% revenue growth for the terminal value. 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)

15. Trade and other payables

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

	December 31, 2024	December 31, 2023 (Restated - Note 28)
	$	$
Trade payables and accrued liabilities	**11,493,347**	10,797,404
Payroll liabilities	**709,835**	776,469
Other payables	**(60,670)**	118,229
	12,142,512	11,692,102

Accrued liabilities as at December 31, 2024 included contingent considerations of $212,041 ($186,286 as at December 31, 2023) including performance-based earnout shares to be paid to the vendors as part of business acquisitions. During the year ended December 31, 2024, the Company issued $245,560 of shares to certain vendors as part of the business acquisition consideration of which $191,705 was recorded in accrued liabilities and the remaining balance of $53,855 to the Company's consolidated statements of loss and comprehensive loss.

16. Unearned revenue

	$
Balance January 1, 2023 (Restated Note 28)	**21,418,484**
Amounts received	(19,468,631)
Revenue recognized	16,911,887
Foreign exchange	(373,785)
Balance December 31, 2023 (Restated Note 28)	**18,487,955**
Amounts received	(15,108,695)
Revenue recognized	19,642,975
Foreign exchange	1,681,582
Balance December 31, 2024	**24,703,817**

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

17. Short-term loans

On September 25, 2023, the Company received a short-term loan in the amount of $335,534 ($250,000 USD) with interest bearing at 14% per annum as of the date of disbursement to be fully repaid principal and interest by November 15, 2023. During the year ended December 31, 2024, the short-term loan was fully repaid the principal amount of $337,060 plus $16,467 in interest accrued. During the year ended December 31, 2023, the short-term loan had not been repaid and was accruing interest on the unpaid balance.

On October 17, 2023, the Company announced the increase to its Pathward line of credit ("LOC") from up to US$4 million (CAD$5.7 million) to US$7 million (CAD$10.1 million) to its wholly owned subsidiary, Aurora Systems Consulting, Inc. ("Aurora"). The interest rate of the loan is prime plus 4.25% on any outstanding amount. The loan is eligible up to 85% of accounts receivable. During the year ended December 31, 2024, the Company paid $571,156 (December 30, 2023 - $607,811) in interest on the Pathward line of credit.

(Expressed in Canadian dollars)

17. Short-term loans (continued)

	December 31, 2024	December 31, 2023
	$	$
Line of credit (LOC)	**2,408,034**	4,156,677
Other short-term loans	**—**	347,959
	2,408,034	4,504,636

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 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 as well as IAS 32, part of the debenture units with total value of $1,166,666 has been classified as liabilities on the consolidated statements of financial position. This portion of the debenture units has been valued at its fair value at initial recognition.

The convertible feature of the debenture units as well as the warrants attached with total value of $363,334 have been classified as equity reserves and on the consolidated statements of equity. The fair values of the convertible feature of the debenture units and the warrants are assessed at residual value at initial recognition with no subsequent measurement.

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

Broker fees paid in cash and broker warrants issued were proportionated according to the liabilities and equity portions of the convertible debenture discussed above and accounted for as transaction costs and netted against equity and liabilities accordingly. During the year ended December 31, 2023, the Company issued 44,028 common shares at $1.25 related to the December 31, 2022 interest payment and recognized a total of $152,000 of interest expense related to the June 30, 2023 and December 31, 2023 interest payments of which 54,285 common shares were issued and settled at $1.40.

(Expressed in Canadian dollars)

18. Convertible debenture (continued)

During the year ended December 31, 2024, the Company settled the December 31, 2023 interest payment by issuing 126,666 common shares at $0.60 and 147,756 common shares for interest accrued on conversion and recognized $70,823 of interest expense on the Company's consolidated statements of loss and comprehensive loss. The Company settled the June 30,2024 interest payment by issuing 74,995 common shares at $0.30 and settled the December 31,2024 interest payment of $13,750 in cash. The Company recognized $20,098 of interest accretion on the convertible debt and $10,000 of convertible debt was converted for 3,509 common shares.

On June 28, 2023, the Company announced the repricing of 76,500 of convertible debenture warrants from exercise price of $4.00 per warrant to $2.00 per warrant subject to TSX.V approval. In addition, the Company repriced the initially issued $1,530,000 of convertible debentures with a conversion exercise price of $2.85 per share to $2.00 per share for all unconverted debentures. On July 11, 2023, the TSX.V approved the warrant and conversion exercise reprice to $2.00.

During year ended December 31, 2024, the Company provided Debenture holders an opportunity to convert the Debentures at a reduced conversion price of $0.25 for a period of 30 days. The warrants held by those Debenture holders who elected to convert their debentures during the inducement period were cancelled and received one full common share purchase warrant for each debenture share issued on conversion of the Debentures. Each induced warrant entitles the holder of thereof to purchase one additional share for a period of one year at price of $0.30.

During the year ended December 31, 2024, the Company incurred a loss of $1,153,268 related to convertible debt inducements, contributing to a total net loss of $1,817,470 for the period. During the year ended December 31, 2024, $1,245,000 of convertible debt was converted for 4,367,500 common shares. Upon conversion of the induced convertible debt, 53,500 warrants were canceled and replaced with 4,280,000 new warrants. The fair value of the newly issued warrants was $664,202, which was recognized as a loss on inducement in the Company's consolidated statements of loss and comprehensive loss.

The following table summarizes the continuity of the Convertible Debenture:

	Debt Portion	*Equity Portion*	*Total Convertible Debenture*
	$	**$**	**$**
Balance January 1, 2023	**1,191,366**	**363,334**	**1,554,700**
Interest accretion recognized	73,805	-	73,805
Convertible debt converted to common shares	(7,626)	(2,374)	(10,000)
Balance December 31, 2023	**1,257,545**	**360,960**	**1,618,505**
Interest accretion recognized	20,098	-	20,098
Convertible debt converted to common shares	(949,347)	(307,040)	(1,256,387)
Balance December 31, 2024	**328,296**	**53,920**	**382,216**

19. Other non-current liabilities

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

20. Share capital

(a) Authorized

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

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

The total issued and outstanding share capital consists of 59,629,251 and 10,168,182 common shares without par value as at December 31, 2024 and December 31, 2023 respectively.

(b) Issued and outstanding

During the year ended December 31, 2024, the Company completed the following transactions:

- 22,500,000 units at $0.20 were issued for total gross proceeds of $4,500,000 and share issuance costs of $186,514. Each unit is comprised of one common share and one common share purchase warrant, where each two-year warrant is exercisable at $0.25 in the first year and $0.40 in the second year. There was no value allocated to the warrants under the residual method. 1,016,575 broker warrants were issued, where each two-year warrant is exercisable with the same terms as the other warrants issued. $145,207 was allocated as fair value to the broker warrants and recorded as share issuance costs.

- 4,444,443 units at $0.225 were issued for total gross proceeds of $1,000,000 and share issuance costs of $35,000. Each unit is comprised of one common share and one common share purchase warrant, where each warrant is exercisable at $0.30 for a period of two years. There was no value allocated to the warrants under the residual method. 155,555 broker warrants were issued, where each two-year warrant is exercisable with the same terms as the other warrants issued. $24,621 was allocated as fair value to the broker warrants and recorded as share issuance costs.

- 1,092,762 units at a fair value $0.40 were issued for settlement of debt in the amount of $437,105. Each unit is comprised of one common share and one common share purchase warrants, where each two-year warrant is exercisable at $0.25 in the first year and $0.40 in the second year. The Company recognized a loss on debt settled in the amount of $454,128 on the Company's consolidated statements of loss and comprehensive loss of which $218,552 was related to the excess value of settlement of debt and $235,576 fair value of the warrants issued.

- 128,570 common shares at $1.90 were issued as part of the acquisition consideration of Atrion where $191,705 was recorded in accrued liabilities and the remaining balance was recognized as loss in the Company's consolidated statements of loss and comprehensive loss.

20. Share capital (continued)

(b) Issued and outstanding (continued)

- 126,666 common shares at $0.60 were issued related to the December 31, 2023 interest payment for convertible debenture in the amount of $76,000 recorded in accrued liabilities.

- 74,995 common shares at $0.30 were issued related to the June 30, 2024 interest payment for convertible debenture in the amount of $22,500 recorded in accrued liabilities.

- 4,427,756 common shares were issued on the induced convertible debenture conversion plus interest accrued in the amount of $1,118,323 (Note 16).

- 14,211,451 warrants were exercised at $0.25 for total gross proceeds of $3,552,863.

- 1,892,555 warrants were exercised at $0.30 for total gross proceeds of $567,767.

- 22,826 warrants were exercised at $1.40 for total gross proceeds of $31,956.

- 1,219 warrants were exercised at $1.45 for total gross proceeds of $1,768.

- 50,000 warrants were exercised at $2.00 for total gross proceeds of $100,000.

- 400,326 common shares at $0.50 were issued pursuant to the consulting agreement to a certain director of the Company in the amount of $200,163.

- 87,500 common shares were issued on the convertible debenture conversion in the amount of $175,000 (Note 16).

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

- 7,125 warrants at $2.20 were exercised for total gross proceeds of $15,675.

- 1,145,728 units at $1.45 for total gross proceeds of $1,661,305 and share issuance costs of $61,121. Each unit is comprised of one common share and one common share purchase warrants, where each warrant is exercisable at $2.00 for a period of two years. There was no value allocated to the warrants under the residual method. 42,135 broker warrants were issued, where each two-year warrant is exercisable at $1.45. $55,724 was allocated as fair value to the broker warrants.

- 142,139 units at $1.40 for total gross proceeds of $198,995 and share issuance costs of $7,410. Each unit is comprised of one common share and one common share purchase warrants, where each warrant is exercisable at $2.00 for a period of two years. There was no value allocated to the warrants under the residual method. 12,555 broker warrants were issued, where each two-year warrant is exercisable at $1.40. $4,660 was allocated as fair value to the broker warrants.

- 3,509 units were issued on convertible debenture conversion in the amount of $10,000.

- 235,294 units at $1.70 were issued as part of the INC acquisition consideration performance earn-out achieved in total amount of $400,000.

20. Share capital (continued)

(b) Issued and outstanding (continued)

- 44,028 units $1.25 were issued related to the December 31, 2022 interest payment for convertible debenture in the amount of $55,035 recorded in accrued liabilities.

- 54,284 units $1.40 were issued related to the June 30, 2023 interest payment for convertible debenture in the amount of $75,998.

(c) Stock option plan

On June 18, 2024, the Plurilock Board of Directors approved the replacement of the Plurilock ESOP Plan with a new Plurilock stock option plan ("**Omnibus Incentive Plan**") for the purchase of an aggregate of 3,460,000 common shares to employees, officers, directors, and consultants of the Company, pursuant to the terms of the Omnibus Plan. The stock options are exercisable at $0.30 per share, expire in five years from the date of grant, and most options vest immediately. Some options vest 25% each quarter over the course of the year. Subject to shareholder approval.

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

On January 31, 2023, the Company granted certain officers, employees, and consultants of the Company an aggregate of 390,866 options to purchase common shares at an exercise price of $1.50 per share, which will vest over four years from the grant date.

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

On June 24, 2024, the Company granted to an officer of the Company an aggregate of 3,460,000 options to purchase common shares at an exercise price of $0.30 per share, expire in five years from the date of grant, and most options vest immediately. Some options vest 25% each quarter over the course of the year.

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

On July 30, 2024, the Company granted certain consultants of the Company an aggregate of 20,000 options to purchase common shares at an exercise price of $1.00 per share, which will vest immediately from the grant date.

On August 16, 2024, the Company granted certain consultants of the Company an aggregate of 150,000 options to purchase common shares at an exercise price of $2.13 per share, which will vest immediately from the grant date.

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

(Expressed in Canadian dollars)

20. Share capital (continued)

(c) Stock option plan (continued)

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

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

On October 15, 2024, the Company granted certain employees and consultants of the Company an aggregate of 335,000 options to purchase common shares at an exercise price of $0.66 per share, with various vesting dates.

On November 13, 2024, the Company granted certain employees and consultants of the Company an aggregate of 150,000 options to purchase common shares at an exercise price of $0.435 per share, which will vest immediately from the grant date.

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

	Number of options #	**Weighted average exercise price $**
Balance, January 1, 2023	967,814	3.56
Granted	410,866	1.50
Cancelled	(251,916)	3.59
Balance, December 31, 2023	1,126,764	2.80
Granted	4,713,879	0.45
Forfeited	(339,600)	1.73
Expired	(750,617)	3.24
Balance, December 31, 2024	**4,750,426**	**0.48**

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

The number of exercisable stock options as of December 31, 2024 was 4,138,086 with an average exercise price of $0.48 per stock option as compared to 663,807 with an average exercise price of $3.40 per stock option as of December 31, 2023.

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

(Expressed in Canadian dollars)

20. Share capital (continued)

(c) Stock option plan (continued)

	December 31, 2024		December 31, 2023	
Exercise price	Number of stock options	Weighted average contractual life (in years)	Number of stock options	Weighted average contractual life (in years)
$ 0.30	3,455,000	4.48	-	-
$ 0.44	150,000	4.87	-	-
$ 0.65	20,000	4.71	-	-
$ 0.66	335,000	4.79	-	-
$ 0.73	195,000	4.68	-	-
$ 1.00	120,000	4.66	-	-
$ 1.03	280,000	4.53	-	-
$ 1.40	-	-	20,000	9.44
$ 1.50	40,330	8.11	371,766	9.10
$ 2.00	5,000	8.17	61,627	2.94
$ 2.13	150,000	4.63	-	-
$ 2.60	-	-	30,000	8.33
$ 3.40	-	-	447,315	6.83
$ 3.50	-	-	62,500	6.94
$ 3.70	96	7.23	43,206	8.24
$ 5.00	-	-	5,000	7.10
$ 5.20	-	-	75,350	7.87
$ 5.60	-	-	10,000	2.18
Total	**4,750,426**	**4.57**	**1,126,764**	**7.54**

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

Approval date	Exercise price	Share price at grant date	Expected life (years)	Expected volatility	Risk-free interest rate	Expected dividends	Options issued	Expiry date
March 31, 2023	$ 1.50	$ 1.65	10.00	125%	3.66%	0.00%	5,000	March 31, 2033
February 28, 2023	$ 2.00	$ 1.95	10.00	124%	2.99%	0.00%	5,000	February 28, 2033
January 31, 2023	$ 1.50	$ 1.25	10.00	123%	3.50%	0.00%	5,000	January 31, 2033
January 31, 2023	$ 1.50	$ 1.25	10.00	118%	3.50%	0.00%	89,200	January 31, 2033
March 24, 2022	$ 3.70	$ 3.60	10.00	112%	1.92%	0.00%	58,716	March 24, 2032
June 24, 2024	$ 0.30	$ 0.29	5.00	97%	3.76%	0.00%	3,460,000	June 24, 2029
July 12, 2024	$ 1.03	$ 1.03	5.00	101%	3.10%	0.00%	280,000	July 12, 2029
July 30, 2024	$ 1.00	$ 1.00	5.00	103%	3.10%	0.00%	20,000	July 30, 2029
August 16, 2024	$ 2.13	$ 2.13	5.00	105%	3.10%	0.00%	150,000	August 16, 2029
September 4, 2024	$ 1.00	$ 0.73	5.00	111%	2.84%	0.00%	100,000	September 4, 2029
September 4, 2024	$ 0.73	$ 0.73	5.00	111%	2.84%	0.00%	195,000	September 4, 2029
September 16, 2024	$ 0.65	$ 0.65	5.00	110%	2.66%	0.00%	20,000	September 16, 2029
October 15, 2024	$ 0.66	$ 0.66	5.00	110%	2.90%	0.00%	335,000	October 15, 2029
November 13, 2024	$ 0.44	$ 0.44	5.00	110%	3.02%	0.00%	150,000	November 13, 2029

(d) Stock-based compensation reserve

Total stock-based compensation cost recognized in the Company's consolidated statements of loss and comprehensive loss for the year ended December 31, 2024, was $1,690,639 compared to $317,329 in prior year and is credited to contributed surplus.

(Expressed in Canadian dollars)

20. Share capital (continued)

(d) Stock-based compensation reserve (continued)

Total stock-based compensation expense for the year ended December 31, 2024, is comprised of the expense pursuant to stock options issued to related parties (as discussed in Note 26) of $328,554 compared to $196,168 respectively in prior year and to other parties of $1,025,395 compared to $121,161 respectively in the prior year.

(e) Warrants

There were 18,686,667 warrants as at December 31, 2024, compared to 2,637,800 as at December 31, 2023.

The following table summarizes the continuity of the warrants:

	Number of warrants #	Weighted average exercise price $	
Balance, January 1, 2023	**1,911,640**	**3.50**	
Private placement	1,287,867	2.00	*
Finder's fee for private placement	54,692	1.40	
Convertible debt warrants forfeited on conversion	(500)	1.45	
Expired	(608,774)	6.50	
Warrants Exercised	(7,125)	1.40	
Balance, December 31, 2023	**2,637,800**	**2.10**	
Private placement	**26,944,443**	**0.32**	
Finder's fee for private placement	**1,172,130**	**0.32**	
Convertible debt warrants forfeited on conversion	**(53,000)**	**2.00**	
Convertible debenture conversion warrants issued	**4,280,000**	**0.30**	
Shares for debt settlement	**1,092,762**	**0.33**	
Expired	**(1,209,417)**	**2.13**	
Warrants Exercised	**(16,178,051)**	**0.26**	
Balance, December 31, 2024	**18,686,667**	**0.50**	

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

During the year ended December 31, 2024, the Company provided Debenture holders an opportunity to convert the Debentures at a reduced conversion price of $0.25 for a period of 30 days.

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

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

(Expressed in Canadian dollars)

20. Share capital (continued)

(f) Restricted share units

On June 18, 2024, the Plurilock Board of Directors approved the replacement of the Plurilock ESOP Plan with a new Plurilock stock option plan ("**Omnibus Incentive Plan**") for the purchase of an aggregate of 3,800,000 common shares to employees, officers, directors, and consultants of the Company, pursuant to the terms of the Omnibus Plan.

The RSUs are exercisable at $0.30 per share, 3-year vesting period with 1/3 vesting on the date that is one year from the date of grant and another 1/3 every 12 months thereafter. Under the Omnibus Plan, the Company adopted a rolling 10% stock option plan and fixed 10% RSU plan. The maximum number of RSU's the Company can issue under the plan is 4,051,485 RSUs.

Total stock-based compensation expense for the year ended December 31, 2024, is comprised of the expense pursuant to restricted share unites issued to related parties (as discussed in Note 24) of $336,690 compared to $Nil respectively in prior year.

On June 18, 2024, the Company granted to certain officers, employees, and consultants of the Company an aggregate of 3,800,000 RSU's, which has a 3-year vesting period with 1/3 vesting on the date that is one year from the date of grant and another 1/3 every 12 months thereafter. The total fair value of the RSU's granted is $1,026,000 to be recognized as the RSUs vest. During the year ended December 31, 2024, the Company recognized $336,690 of stock-based compensation on the consolidated statements of loss and comprehensive loss.

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

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, 2024	December 31, 2023
	$	$
Cash and cash equivalents	**1,399,463**	1,917,770
Restricted cash	**20,000**	140,423
Short-term loans	**(2,408,034)**	(4,504,636)
Convertible debenture	**(328,296)**	(1,257,545)
Share capital	**(38,543,997)**	(25,370,093)
Contributed surplus	**(4,922,606)**	(2,919,750)
Equity reserve	**(754,642)**	(675,879)
Total	**(45,538,112)**	(32,669,710)

The Company manages its capital structure and adjusts it considering 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.

(Expressed in Canadian dollars)

22. Financial instruments

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

(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:

		Restated- Note 28
	December 31, 2024	**December 31, 2023**
	$	**$**
Cash and cash equivalents	**1,399,463**	**1,917,770**
Restricted cash	**20,000**	**140,423**
Trade and other receivables	**8,698,200**	**5,123,109**
	10,117,663	**7,181,302**

The Company transacts with customers with strong credit ratings and strives to minimize credit risk by performing credit reviews, ongoing credit evaluation and account monitoring procedures. The credit risk associated with trade receivables with the aging balances over 90 days at December 31, 2024 is considered lower than normal given the customers of the Company are governments. All of the Company's receivables have been reviewed for indicators of impairment and, if any, bad debt expenses have been recorded. The aging of trade and other receivables is as follows:

22. Financial instruments (continued)

Financial risk management

					Restated - Note 28
				December 31, 2024	December 31, 2023
	0-30 days	31-90 days	Over 90 days		
	$	$	$	**$**	$
Trade receivables	6,971,519	749,153	977,528	**8,698,200**	5,123,109
	6,971,519	749,153	977,528	**8,698,200**	5,123,109

(b) Interest rate risk

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

(c) Liquidity risk

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

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

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company enters into foreign currency purchase and sale transactions and has assets and liabilities that are denominated in foreign currencies. The Company is exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk.

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

(Expressed in Canadian dollars)

22. Financial instruments (continued)

Financial risk management (continued)

(d) Currency risk (continued)

	December 31, 2024 $					*Restated - Note 28* December 31, 2023 $			
	USD	**INR**	**EUR**	**CAD**	**Total**	USD	INR	CAD	Total
Cash and cash equivalents	**417,954**	**94,553**	**205,543**	**681,413**	**1,399,463**	1,688,108	58,165	171,497	1,917,770
Restricted cash	**-**	**-**	**-**	**20,000**	**20,000**	70,423	-	70,000	140,423
Trade and other receivables	**7,513,349**	**58,252**	**-**	**1,126,599**	**8,698,200**	4,756,426	45,428	321,255	5,123,109
Trade payables and accruals	**10,033,042**	**72,021**	**-**	**2,037,449**	**12,142,512**	9,187,385	144,668	2,360,049	11,692,102
Short-term loans	**2,408,034**	**-**	**-**	**-**	**2,408,034**	4,461,497	-	43,139	4,504,636
Lease liability	**5,268**	**-**	**-**	**7,122**	**12,390**	59,855	-	62,298	122,153
Convertible debenture	**-**	**-**	**-**	**328,296**	**328,296**	-	-	1,257,545	1,257,545
Non-current liabilities	**-**	**-**	**-**	**-**	**-**	240,733	-	-	240,733

Significant exchange rates used

	December 31, 2024	December 31, 2023
Average rate for the period/year		
US dollar	**1.4000**	1.3500
Indian Rupee	**0.0166**	0.0164
European Euro	**1.4816**	1.4592
Statement of financial position rates		
US dollar	**1.4393**	1.3250
Indian Rupee	**0.0168**	0.0159
European Euro	**1.4928**	1.4626

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, 2024 increase/(decrease) in equity	December 31, 2023 increase/(decrease) in equity
10% appreciation of the U.S. dollar against Canadian dollar	**(535,261)**	(711,291)
10% depreciation of the U.S. dollar against Canadian dollar	**535,261**	711,291
10% appreciation of the European Euro against Canadian dollar	**20,554**	-
10% depreciation of the European Euro against Canadian dollar	**(20,554)**	-
10% appreciation of the Indian Rupee against Canadian dollar	**10,684**	6,061
10% depreciation of the Indian Rupee against Canadian dollar	**(10,684)**	(6,061)

(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 are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

The fair value of financial assets and liabilities are as follows:

	December 31, 2024	*Restated - Note 28* December 31, 2023
	$	$
Cash and cash equivalents	**1,399,463**	1,917,770
Restricted cash	**20,000**	140,423
Trade and other receivables	**8,698,200**	5,123,109
Total financial assets	**10,117,663**	7,181,302
Trade payables and accruals	**12,142,512**	11,692,102
Short-term loans	**2,408,034**	4,504,636
Lease liability	**12,390**	122,153
Convertible debenture	**328,296**	1,257,545
Non-current liabilities	**-**	240,733
Total financial liabilities	**14,891,232**	17,817,169

(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, 2024		
	Due in less than a year	**Due between one to five years**	**Total**
	$	**$**	**$**
Trade payables and other payables	**12,142,512**	**-**	**12,142,512**
Short-term loans	**2,408,034**	**-**	**2,408,034**
Lease liability	**12,390**	**-**	**12,390**
Convertible debenture	**-**	**328,296**	**328,296**
	14,562,936	**328,296**	**14,891,232**

	Restated - Note 28 December 31, 2023		
	Due in less than a year	Due between one to five years	Total
	$	$	$
Trade payables and other payables	11,692,102	-	11,692,102
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
Non-current liabilities	240,733	-	240,733
	16,546,702	1,270,467	17,817,169

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 (continued)

(b) Consolidated total assets and liabilities

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

	December 31, 2024			*Restated - Note 28* December 31, 2023		
	$			$		
	Technology Division	**Solutions Division**	**Total**	Technology Division	Solutions Division	Total
Total assets	2,446,941	32,026,249	34,473,190	3,587,201	24,164,984	27,752,185
Total liabilities	952,165	38,662,324	39,614,489	6,160,773	30,162,792	36,323,565

(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 maintenance sales

Hardware and maintenance 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 years ended December 31, 2024 and 2023 are as follows:

(Expressed in Canadian dollars)

23. Segment information (continued)

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

	Year ended December 31,					
				Restated - Note 28		
	2024			2023		
	Technology Division	Solutions Division	Total Revenue	Technology Division	Solutions Division	Total Revenue
	$	$	$	$	$	$
Hardware and systems sales	-	8,755,823	8,755,823	-	18,865,698	18,865,698
Software, license and maintenance sales	871,848	40,819,016	41,690,864	988,334	36,094,078	37,082,412
Professional services	103,327	8,574,526	8,677,853	-	3,441,991	3,441,991
Total	**975,175**	**58,149,365**	**59,124,540**	**988,334**	**58,401,767**	**59,390,101**

(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 year ended December 31, 2024 and 2023 are as follows:

	For the year ended December 31,					
				Restated - Note 28		
	2024			2023		
	Technology Division	Solutions Division	Total	Technology Division	Solutions Division	Total
	$	$	$	$	$	$
Revenue	975,175	58,149,365	59,124,540	988,334	58,401,767	59,390,101
Cost of sales	312,486	51,056,334	51,368,820	380,416	53,949,389	54,329,805
Gross profit	662,689	7,093,031	7,755,720	607,918	4,452,378	5,060,296
Gross margin	68.0%	12.2%	13.1%	61.5%	7.6%	8.5%
Total operating expenses	7,945,275	7,737,209	15,682,484	8,274,943	7,298,239	15,573,182
Other expenses	2,381,117	1,199,024	3,580,141	551,931	445,864	997,795
Net income (loss) before taxes	**(9,663,703)**	**(1,843,202)**	**(11,506,905)**	**(8,218,956)**	**(3,291,725)**	**(11,510,681)**

(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, intangible assets, and goodwill.

(Expressed in Canadian dollars)

23. Segment information (continued)

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

	For the year ended	
		Restated - Note 28
	December 31, 2024	December 31, 2023
	$	$
Revenue		
United States	**54,920,302**	52,562,195
India	**475,572**	487,764
Canada	**3,728,666**	6,340,142
	59,124,540	59,390,101

		Restated - Note 28
	December 31, 2024	December, 2023
	$	$
Long-lived assets		
United States	**3,894,621**	3,853,126
India	**—**	1,265
Canada	**67,888**	75,764
	3,962,509	3,930,155

(Expressed in Canadian dollars)

24. Operating expenses

	For the years ended December 31, 2024	December 31, 2023
	$	$
Research and development		
Communication and IT services	**220,357**	570,785
Contractors	**29,726**	158,335
Government assistance	**-**	(33,800)
Office and general	**1,583**	2,567
Salaries and benefits	**691,185**	1,284,075
COGS allocation	**(65,636)**	(178,142)
Travel and entertainment	**-**	2,672
	877,215	**1,806,492**
Sales and marketing		
Advertising and promotion	**63,820**	45,715
Communication and IT services	**67,064**	116,944
Contractors	**34,913**	64,322
Marketing	**15,956**	325,539
Office and general	**78**	518
Salaries and benefits	**2,331,149**	2,536,628
Sales commission	**527,717**	377,705
Travel and entertainment	**22,668**	7,776
	3,063,365	**3,475,147**
General and administrative		
Amortization and depreciaition	**317,321**	566,577
Bad debt	**(3,456)**	(124)
Communication and IT services	**350,597**	375,198
Contractors	**690,923**	439,730
Insurance	**212,301**	125,298
Office and general	**576,156**	608,375
Professional fees	**1,238,638**	853,497
Investor relations and regulatory filing	**1,810,764**	882,206
Salaries and benefits	**4,688,790**	3,676,819
Travel and entertainment	**169,231**	133,112
	10,051,265	**7,660,688**

(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, 2024 and December 31, 2023 were anti-dilutive as the Company was in a loss position.

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

	For the years ended	
		Restated - Note 28
	December 31, 2024	December 31, 2023
	$	$
Numerator		
Net loss for the year	**(11,532,473)**	(11,479,560)
Denominator		
Weighted average number of common shares outstanding, basic and diluted	**37,535,168**	9,490,368
Basic and diluted loss per share	**(0.31)**	(1.21)

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, 2024	December 31, 2023
	$	$
Salaries, benefits and consulting fees	**2,023,936**	1,076,432
Stock-based compensation expense*	**665,244**	196,168
	2,689,180	1,272,600

* 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, 2024 **$**	*Restated - Note 28* December 31, 2023 $
Current		
Canadian income tax	**—**	—
Foreign income tax	**29,813**	12,687
Adjustments in respect of prior year	**(4,806)**	(46,279)
Total current tax	**25,007**	(33,592)
Deferred		
Canadian income tax	**—**	—
Foreign income tax	**561**	2,471
Adjustments in respect of prior year	**—**	—
Total deferred tax	**561**	2,471
Income tax expense (recovery)	**25,568**	(31,121)

(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, 2024 **$**	*Restated - Note 28* December 31, 2023 $
Net loss for the year	(11,506,905)	(11,510,681)
Statutory tax rate	27%	27%
Recovery of tax at statutory rates	(3,106,864)	(3,107,884)
Permanent differences and other	1,370,493	96,198
Rate differential	(2,133)	(23,666)
Benefit of deferred tax assets not recognized	1,851,967	3,315,234
Foreign exchange	(87,411)	(271,149)
Recovery of prior year taxes	(4,806)	(46,279)
Other	4,322	6,425
Income tax expense (recovery)	**25,568**	**(31,121)**

(Expressed in Canadian dollars)

27. Income taxes (continued)

(c) Deferred tax balances

	December 31, 2024 $	*Restated - Note 28* December 31, 2023 $
Deferred tax asset		
Tax losses carryforwards	—	29,482
Subtotal	—	29,482
Deferred tax liability		
Equipment and other	(6,587)	(13,176)
Intangibles	(12,853)	(34,747)
Subtotal	(19,440)	(47,923)
Net deferred tax liability	**(19,440)**	**(18,441)**

Deferred 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, 2024 $	*Restated - Note 28* December 31, 2023 $
Tax loss carryfowards	29,935,242	24,855,250
Financing costs -20(1)(e)	1,027,673	1,040,849
Deductible SR&ED pool	492,716	492,716
Lease obligation	700	4,521
Deferred revenue	2,799,283	2,023,755
Equipment and other	2,463,141	1,943,843
Subtotal	**36,718,755**	**30,360,934**

(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	Canada	India	US	As at December 31, 2024
2033	62,120	-	-	62,120
2034	310,875	-	-	310,875
2035	710,497	-	-	710,497
2036	421,898	-	-	421,898
2037	702,068	-	-	702,068
2038	956,961	-	-	956,961
2039	1,199,903	-	-	1,199,903
2040	840,773	-	-	840,773
2041	2,474,211	-	-	2,474,211
2042	7,251,219	31,060	-	7,282,279
2043	4,631,485	128,389	-	4,759,874
2044	5,749,555	-	-	5,749,555
No expiry date	-	-	4,464,228	4,464,228
Subtotal	**25,311,565**	**159,449**	**4,464,228**	**29,935,242**

28. Restatement of previously issued consolidated financial statements

The Company has restated its comparative column to these consolidated financial statements for the year ended December 31, 2023.

The Company reviewed its revenue recognition in accordance with IFRS 15. The Company has reassessed and changed from principal recognition to agent recognition for hardware maintenance and support transactions where the vendor has prime responsibility for carrying out the contractual obligations. The Company also reassessed that where it is reselling software and is principal, the revenue recognition is over time as opposed to a point in time. These changes created the following changes as represented in the tables below:

1. On the Statements of Loss and Comprehensive Loss for the year ended December 31, 2023:
    a. Revenue was decreased by $11,030,030.
    b. Cost of sales was decreased by $10,238,348.
2. On the Statements of Financial Position as at December 31, 2023:
    a. Trade and other receivables decreased by $12,056,855.
    b. Prepaid expenses and deposits increase by $14,271,156.
    c. Trade and other payables decreased by $11,994,223.
    d. Unearned revenue increased by $16,846,292.
3. On the Statements of Financial Position's opening balances as at January 1, 2023:
    a. Trade and other receivables decreased by $3,859,181.
    b. Prepaid expenses and deposits increase by $18,042,534.
    c. Trade and other payables decreased by $4,853,393.
    d. Unearned revenue increased by $20,729,444.

The Company also reviewed its impairment of goodwill and intangible assets as a result of an impact in cash flows due to change in revenue recognition. The Company recorded an impairment of $1,182,802 for goodwill and $415,050 for intangible assets.

The net impact of the above changes resulted a decrease in the foreign currency translation reserve of $60,949 for the opening balance of the statement of financial position on January 1, 2023 and a decrease of $210,150 as at December 31, 2023. Accumulated deficit increased as a result of the above changes by $1,631,749 for the opening balance on January 1, 2023 and $2,393,721 for the year ended December 31, 2023.

All issued and outstanding common shares, per share amounts, earnings per share, and outstanding equity instruments and awards exercisable into common shares in the consolidated financial statements of the Company and notes thereto have been retroactively adjusted to reflect the (10:1) share consolidation on April 19, 2024 for all prior periods presented.

(Expressed in Canadian dollars)

The following tables present the impact of the restatement on the Company's previously reported consolidated statements of financial position for the year ended December 31, 2023:

	Previously reported	Adjustments	Restated
	$	$	$
Assets			
Current			
Cash and cash equivalents	1,917,770	—	1,917,770
Restricted cash	140,423	—	140,423
Trade and other receivables	17,179,964	(12,056,855)	5,123,109
Tax credits receivable	172,188	—	172,188
Inventory	1,866,017	—	1,866,017
Prepaid expenses and deposits	331,367	14,271,156	14,602,523
Total current assets	21,607,729	2,214,301	23,822,030
Non-current			
Property and equipment	83,425	—	83,425
Right-of-use asset	52,848	—	52,848
Net investment in sublease	45,831	—	45,831
Intangible assets	1,828,547	(415,050)	1,413,497
Goodwill	3,490,950	(1,182,802)	2,308,148
Other non-current assets	26,406	—	26,406
Total assets	27,135,736	616,449	27,752,185
Liabilities			
Current			
Trade and other payables	23,686,325	(11,994,223)	11,692,102
Unearned revenue	1,641,663	16,846,292	18,487,955
Short-term loans	4,504,636	—	4,504,636
Lease liability - current	109,231	—	109,231
Total current liabilities	29,941,855	4,852,069	34,793,924
Non-current			
Lease liability - non-current	12,922	—	12,922
Deferred income tax liability	18,441	—	18,441
Convertible debenture	1,257,545	—	1,257,545
Other non-current liabilties	240,733	—	240,733
Total liabilities	31,471,496	4,852,069	36,323,565
Shareholders' equity			
Share capital	25,370,093	—	25,370,093
Equity reserve	675,879	—	675,879
Foreign currency translation reserve*	(91,995)	(210,150)	(302,145)
Contributed and other surplus	2,919,750	—	2,919,750
Accumulated deficit**	(33,209,487)	(4,025,470)	(37,234,957)
Total equity	(4,335,760)	(4,235,620)	(8,571,380)
Total equity and liabilities	27,135,736	616,449	27,752,185

* Included in the foreign currency translation reserve adjustment, $(60,949) is from opening balance adjustment as of January 1, 2023.
** Included in the accumulated deficit adjustment, $(1,631,749) is from opening balance adjustment as of January 1, 2023.

(Expressed in Canadian dollars)

The following tables present the impact of the restatement on the Company's previously reported consolidated statements of loss and comprehensive loss and cash flows for the year ended December 31, 2023:

	Previously reported	Adjustments	Restated
	$	$	$
Revenue	70,420,131	(11,030,030)	59,390,101
Cost of sales	(64,568,153)	10,238,348	(54,329,805)
Gross profit	5,851,978	(791,682)	5,060,296
Operating Expenses			
Research and development	1,806,492	—	1,806,492
Sales and marketing	3,475,147	—	3,475,147
General and administrative	7,660,688	—	7,660,688
Impairment on goodwill and intangibles	711,487	1,602,039	2,313,526
Share-based compensation	317,329	—	317,329
Total operating expenses	13,971,143	1,602,039	15,573,182
Operating income (loss)	(8,119,165)	(2,393,721)	(10,512,886)
Other income (expenses)			
Foreign exchange gain (loss)	442,362	—	442,362
Other income (expense)	65,898	—	65,898
Acquisition related expenses	(434,328)	—	(434,328)
Financing expenses	(175,208)	—	(175,208)
Impairment on assets	(9,093)	—	(9,093)
Loss on disposal of assets	(12,512)	—	(12,512)
Interest expense	(874,914)	—	(874,914)
Total other expenses	(997,795)	—	(997,795)
Loss for the period before tax	(9,116,960)	(2,393,721)	(11,510,681)
Income tax recovery	31,121	—	31,121
Net loss for the period	(9,085,839)	(2,393,721)	(11,479,560)
Other comprehensive (loss) income			
Items that may be subsequently reclassified to net loss			
Foreign exchange translation difference	(220,801)	(149,201)	(370,002)
Other comprehensive (loss) income	(220,801)	(149,201)	(370,002)
Total comprehensive loss for the year	(9,306,640)	(2,542,922)	(11,849,562)
Loss per share - basic, dilutive			
Basic loss per share	(0.96)	(0.25)	(1.21)

Statement of cash flow impacts	Previously reported	Adjustments	Restated
	$	$	$
Net cash used in operating activities	(2,130,536)	260,342	(1,870,194)
Net cash provided by financing activities	963,188	(140,888)	822,300
Net cash used in investing activities	(8,729)	-	(8,729)
Effect of exchange rate on cash	381,163	(119,454)	261,709

(Expressed in Canadian dollars)

The following tables present the impact of the restatement on the Company's opening balances at January 1, 2023 for liabilities and shareholders' equity:

	Previously reported	Adjustments	Restated
	$	$	$
Assets			
Current			
Cash and cash equivalents	2,712,684	—	2,712,684
Restricted cash	140,423	—	140,423
Trade and other receivables	12,019,731	(3,859,181)	8,160,550
Tax credits receivable	219,004	—	219,004
Inventory	316,233	—	316,233
Prepaid expenses and deposits	652,798	18,042,534	18,695,332
Total current assets	16,060,873	14,183,353	30,244,226
Non-current			
Property and equipment	138,886	—	138,886
Right-of-use asset	211,050	—	211,050
Intangible assets	2,387,267	—	2,387,267
Goodwill	4,139,853	—	4,139,853
Other non-current assets	121,401	—	121,401
Total assets	23,059,330	14,183,353	37,242,683
Liabilities			
Current			
Trade and other payables	13,090,663	(4,853,393)	8,237,270
Unearned revenue	689,040	20,729,444	21,418,484
Short-term loans	5,262,320	—	5,262,320
Lease liability - current	89,522	—	89,522
Total current liabilities	19,131,545	15,876,051	35,007,596
Non-current			
Lease liability - non-current	137,372	—	137,372
Deferred income tax liability	15,970	—	15,970
Convertible debenture	1,191,366	—	1,191,366
Other non-current liabilties	279,784	—	279,784
Total liabilities	20,756,037	15,876,051	36,632,088
Shareholders' equity			
Share capital	23,014,218	—	23,014,218
Equity reserve	870,871	—	870,871
Foreign currency translation reserve	128,806	(60,949)	67,857
Contributed and other surplus	2,413,046	—	2,413,046
Accumulated deficit	(24,123,648)	(1,631,749)	(25,755,397)
Total equity	2,303,293	(1,692,698)	610,595
Total equity and liabilities	23,059,330	14,183,353	37,242,683

29. Subsequent events

The Company closed a non-brokered private placement of 12,459,125 special warrants (the "Special Warrants") at the price of $0.40 per Special Warrant for gross proceeds of $4,983,650 (the "Offering"). Each Special Warrant will automatically convert into one unit of the Company. Each Unit shall consist of one common share of the Company and one transferable common share purchase warrant. Each Warrant shall entitle the holder thereof to acquire one Share at a price of $0.50 per Share for a period of three years following the date of issue. The Warrants are subject to an accelerated expiry if the volume weighted average daily trading price of the Shares on the TSX Venture Exchange or such other market as the Shares may trade from time to time, is or exceeds $0.65 for any five (5) consecutive trading days, in which event the Warrant 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.