



**01 Communique Laboratory Inc.**

**Interim Consolidated Financial Statements**

**for the period ended January 31, 2024**

**(Unaudited)**

**TSX-V : ONE; OTC Pink: OONEF**

Dated: March 20, 2024

# 01 COMMUNIQUE LABORATORY INC.

Consolidated Statements of Financial Position

(In Canadian dollars)

**Unaudited**

As at January 31, 2024 and October 31, 2023

|                                                    | 31-Jan-24         | 31-Oct-23         |
|----------------------------------------------------|-------------------|-------------------|
| Assets                                             |                   |                   |
| Current assets                                     |                   |                   |
| Cash                                               | \$ 199,464        | \$ 272,540        |
| Guaranteed investment certificate (note 4)         | 20,000            | 80,000            |
| Accounts receivable                                | 93,044            | 87,966            |
| Prepaid expenses and other assets                  | 4,424             | 6,060             |
|                                                    | 316,932           | 446,566           |
| Plant and equipment (note 5)                       | 24,230            | 37,375            |
| Total assets                                       | <u>\$ 341,162</u> | <u>\$ 483,941</u> |
| Liabilities and Shareholders' Deficit              |                   |                   |
| Current liabilities                                |                   |                   |
| Accounts payable                                   | \$ 114,257        | \$ 145,989        |
| Deferred revenue                                   | 3,470             | 4,009             |
| Lease liability (note 6 and 16)                    | 7,984             | 19,878            |
| Canadian emergency business account loan (note 15) | -                 | 40,000            |
|                                                    | 125,711           | 209,876           |
| Shareholders' deficit                              |                   |                   |
| Share capital (note 7 (a))                         | 44,282,090        | 44,282,090        |
| Contributed surplus                                | 6,340,840         | 6,287,173         |
| Warrants (note 7 (c))                              | 16,875            | 16,875            |
| Deficit                                            | (50,424,354)      | (50,312,073)      |
|                                                    | 215,451           | 274,065           |
| Total liabilities and shareholders' deficit        | <u>\$ 341,162</u> | <u>\$ 483,941</u> |

See accompanying notes to the consolidated financial statements.

# 01 COMMUNIQUE LABORATORY INC.

Interim Consolidated Statements of Operations and Comprehensive Loss

(In Canadian dollars)

**Unaudited**

For the three month periods ended January 31, 2024 and 2023

|                                                    | <i>three months ended</i> |                  |
|----------------------------------------------------|---------------------------|------------------|
|                                                    | <i>31-Jan-24</i>          | <i>31-Jan-23</i> |
| Revenue (note 8 and 11)                            | \$ 98,470                 | \$ 106,803       |
| Expenses (note 14):                                |                           |                  |
| Selling, general and administrative                | 152,114                   | 199,225          |
| Research and development                           | 51,747                    | 147,683          |
| Withholding taxes                                  | 8,510                     | 10,250           |
|                                                    | 212,371                   | 357,158          |
| Loss before other income and expense               | (113,901)                 | (250,355)        |
| Interest income                                    | 2,112                     | 3,644            |
| Interest expense                                   | (492)                     | (797)            |
| Loss for the period and comprehensive loss         | \$ (112,281)              | \$ (247,508)     |
|                                                    |                           |                  |
| Loss per common share (note 9):                    |                           |                  |
| Basic                                              | \$ (0.00)                 | \$ (0.00)        |
| Diluted                                            | \$ (0.00)                 | \$ (0.00)        |
|                                                    |                           |                  |
| Weighted average number of common shares (note 9): |                           |                  |
| Basic                                              | 96,364,554                | 96,101,646       |
| Diluted                                            | 96,364,554                | 96,101,646       |

# 01 COMMUNIQUE LABORATORY INC.

Interim Consolidated Statements of Changes in Shareholders' Equity

(In Canadian dollars)

**Unaudited**

For the three month periods ended January 31, 2024 and 2023

| January 31, 2024                                    | Number of<br>shares | Share Capital | Contributed<br>Surplus | Warrants  | Deficit        | Total<br>shareholders'<br>equity |
|-----------------------------------------------------|---------------------|---------------|------------------------|-----------|----------------|----------------------------------|
| Balance October 31, 2023                            | 96,364,554          | \$44,282,090  | \$6,287,173            | \$ 16,875 | \$(50,312,073) | \$ 274,065                       |
| Comprehensive loss for<br>the period                | -                   | -             | -                      | -         | (112,281)      | (112,281)                        |
| Stock based<br>compensation expense<br>(note 7 (b)) | -                   | -             | 53,667                 | -         | -              | 53,667                           |
| Balance, January 31, 2024                           | 96,364,554          | \$44,282,090  | \$6,340,840            | \$ 16,875 | \$(50,424,354) | \$ 215,451                       |

| January 31, 2023                                    | Number of<br>shares | Share Capital | Contributed<br>Surplus | Warrants  | Deficit        | Total<br>shareholders'<br>equity |
|-----------------------------------------------------|---------------------|---------------|------------------------|-----------|----------------|----------------------------------|
| Balance October 31, 2022                            | 95,802,054          | \$44,214,590  | \$6,083,350            | \$ 16,875 | \$(49,589,961) | \$ 724,854                       |
| Comprehensive loss for<br>the period                | -                   | -             | -                      | -         | (247,508)      | (247,508)                        |
| Private placement                                   | 562,500             | 67,500        | -                      | -         | -              | 67,500                           |
| Stock based<br>compensation expense<br>(note 7 (b)) | -                   | -             | 59,091                 | -         | -              | 59,091                           |
| Balance, January 31, 2023                           | 96,364,554          | \$44,282,090  | \$6,142,441            | \$ 16,875 | \$(49,837,469) | \$ 603,937                       |

See accompanying notes to consolidated financial statements.

# 01 COMMUNIQUE LABORATORY INC.

Consolidated Statements of Cash Flows

(In Canadian dollars)

**Unaudited**

For the three month periods ended January 31, 2024 and 2023

|                                                                                           | <i>three months ended</i> |                  |
|-------------------------------------------------------------------------------------------|---------------------------|------------------|
|                                                                                           | <i>31-Jan-24</i>          | <i>31-Jan-23</i> |
| Cash provided by (used in):                                                               |                           |                  |
| Operating activities:                                                                     |                           |                  |
| Loss and comprehensive loss for the period                                                | \$ (112,281)              | \$ (247,508)     |
| Adjustments to reconcile loss for the period to net cash flows from operating activities: |                           |                  |
| Depreciation of property and equipment (note 5)                                           | 2,469                     | 2,522            |
| Amortization of right-of-use asset (note 5)                                               | 11,219                    | 11,219           |
| Stock-based compensation expense                                                          | 53,667                    | 59,091           |
| Change in non-cash working capital                                                        | (35,713)                  | 65,323           |
|                                                                                           | (80,639)                  | (109,353)        |
| Financing activities:                                                                     |                           |                  |
| Payment of loan (note 15)                                                                 | (40,000)                  | -                |
| Proceeds from private placement                                                           | -                         | 67,500           |
| Lease payments made (note 6 and 16)                                                       | (11,894)                  | (11,606)         |
|                                                                                           | (51,894)                  | 55,894           |
| Investing activities:                                                                     |                           |                  |
| Proceeds from guaranteed investment certificate (note 4)                                  | 60,000                    | 30,000           |
| Purchase of property and equipment (note 5)                                               | (543)                     | -                |
|                                                                                           | 59,457                    | 30,000           |
| Decrease in cash                                                                          | (73,076)                  | (23,459)         |
| Cash, beginning of period                                                                 | 272,540                   | 487,179          |
| Cash, end of period                                                                       | \$ 199,464                | \$ 463,720       |

See accompanying notes to consolidated financial statements.

# 01 COMMUNIQUE LABORATORY INC.

Notes to Interim Consolidated Financial Statements

(In Canadian dollars)

**Unaudited**

For the three month periods ended January 31, 2024 and 2023

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## **Notice to reader of the interim consolidated financial statements**

These unaudited interim condensed consolidated financial statements ("interim consolidated financial statements") of 01 Communique Laboratory Inc. (the "Company"), which include the accompanying interim consolidated statement of financial position as at January 31, 2024 and the interim consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the three month periods ended January 31, 2024 and 2023, are the responsibility of the Company's management. These interim consolidated financial statements have not been audited or reviewed on behalf of the shareholders by the independent external auditors of the Company, McGovern Hurley LLP. The unaudited interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with accounting principles generally accepted in Canada. These unaudited interim consolidated financial statements are prepared under International Financial Reporting Standards ("IFRS") and reflect management's best estimates and judgment based on information currently available.

01 Communique Laboratory Inc. (the "Company") was incorporated on October 7, 1992 under the laws of Ontario. The Company's cybersecurity business unit focuses on its IronCAP™ patented cryptographic system. The Company's remote access business unit focuses on its I'm InTouch suite of secure remote access services and products.

The Company's head office is located at 789 Don Mills Road, Suite 700, Toronto, Ontario M3C 1T5 and its common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol ONE and quoted on the OTC Pink market in the United States under the symbol OONEF.

### **1. Significant Accounting Policies:**

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, unless otherwise indicated:

#### **(a) Statement of compliance:**

These consolidated financial statements, including comparatives, are prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective for the Company's reporting for the three month periods ended January 31, 2024 and 2023. These consolidated financial statements reflect management's best estimates and judgment based on information currently available.

These consolidated financial statements were authorized for issue by the Board of Directors on March 20, 2024.

# 01 COMMUNIQUE LABORATORY INC.

Notes to Interim Consolidated Financial Statements

(In Canadian dollars)

**Unaudited**

For the three month periods ended January 31, 2024 and 2023

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(b) Basis of presentation:

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 01 Communique (GP) Inc. and 01 Communique Laboratory Hong Kong Limited. Intercompany transactions and balances are eliminated on consolidation.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are deconsolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The consolidated financial statements have been prepared on the historical cost basis, except for certain items which may be accounted for at fair value as further discussed in subsequent notes, using the Significant accounting policies and measurement bases summarized below.

The consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Presentation of the consolidated statements of financial position differentiates between current and non-current assets and liabilities. The consolidated statements of operations and comprehensive loss are presented using the functional classification for expenses.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The Company has sustained substantial losses and negative cash flows from operations in recent years and its ability to continue as a going concern is dependent on the Company's ability to generate future profitable operations and cash flows and/or obtain additional financing.

Should the Company not be able to generate sufficient cash flows to become profitable in the future and generate sufficient working capital to fund operations, it will become necessary to secure additional sources of financing. However, there can be no assurances that any such financing will be available to the Company on acceptable terms or at all. These consolidated

# 01 COMMUNIQUE LABORATORY INC.

Notes to Interim Consolidated Financial Statements  
(In Canadian dollars)

## Unaudited

For the three month periods ended January 31, 2024 and 2023

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

## 2. Financial Instruments and Financial Risk Management:

### (a) Financial instruments:

The Company has classified its financial instruments as follows:

|                                                   | 31-Jan- 24 | 31-Oct-23  |
|---------------------------------------------------|------------|------------|
| Financial assets:                                 |            |            |
| Financial assets measured at amortized cost:      |            |            |
| Cash                                              | \$ 199,464 | \$ 272,540 |
| Guaranteed investment certificate                 | 20,000     | 80,000     |
| Accounts receivable                               | 93,044     | 87,966     |
| Financial liabilities:                            |            |            |
| Financial liabilities measured at amortized cost: |            |            |
| Accounts payable and accrued liabilities          | 114,257    | 145,989    |
| Canadian emergency business loan                  | -          | 40,000     |

Accounts receivable comprise the following:

|                                   | 31-Jan-24 | 31-Oct-23 |
|-----------------------------------|-----------|-----------|
| Trade receivables                 | \$ 56,876 | \$ 55,857 |
| Investment tax credits receivable | 20,000    | 20,000    |
| HST receivable                    | 16,168    | 12,109    |
|                                   | \$ 93,044 | \$ 87,966 |

### (b) Financial risk management:

#### (i) Overview:

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.



# 01 COMMUNIQUE LABORATORY INC.

Notes to Interim Consolidated Financial Statements

(In Canadian dollars)

**Unaudited**

For the three month periods ended January 31, 2024 and 2023

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(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and accounts receivable. The carrying amount of financial assets represents the maximum credit exposure.

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company generally does not require collateral for sales on credit. The Company closely monitors extensions of credit and has not experienced significant credit losses in the past. At January 31, 2024 and October 31, 2023, the Company had a nil balance in the allowance for doubtful accounts and had no material past due trade receivables.

The Company invests its cash with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations. The Company invests its cash with Canadian chartered banks that are of high credit quality. Given these high credit ratings, the Company does not expect these counterparties to fail to meet their obligations.

Concentrations of credit risk:

There was one customer that comprised 97% (in 2023 - 96%) of the Company's total revenue for the three months ended January 31, 2024. No other customers exceeded 10% of revenue during the current or prior period. The customer comprising 97% of revenue in 2024 (2023 – 96%) comprised 100% of trade receivables, as at January 31, 2024 (2023 – 100%).

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions.

However, the Company has sustained substantial losses in recent years and its ability to continue as a going concern is dependent on the Company's ability to generate future profitable operations and cash flows and/or obtain additional financing, which would be contingent upon market and other conditions in the future, which are beyond the Company's control.

# 01 COMMUNIQUE LABORATORY INC.

Notes to Interim Consolidated Financial Statements  
(In Canadian dollars)

## Unaudited

For the three month periods ended January 31, 2024 and 2023

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At January 31, 2024, the Company had financial assets, consisting of cash, guaranteed investment certificate and accounts receivable of \$312,508 (Oct. 31, 2023 - \$440,506) and financial liabilities, consisting of accounts payable and accrued liabilities, and the lease liability of \$122,241 (Oct. 31, 2023 - \$205,867 which includes \$40,000 Canadian emergency business loan).

The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and market price risk. The Company is exposed to currency risk and interest rate risk.

Currency risk:

Net monetary assets and liabilities due in U.S. dollars include accounts payable of USD 1,207 (Oct. 31, 2023 - USD 22,759) and cash of USD 123,915 (Oct. 31, 2023 - USD 135,069). Net monetary assets due in Japanese Yen include accounts payable of 609,168 Yen (Oct. 31, 2023 - 608,880 Yen), \$5,674 CAD equivalent, (Oct. 31, 2023 - \$5,583) and accounts receivable of 6,311,683 Yen, \$56,876 CAD equivalent (October 31, 2023 - 6,100,741 Yen, \$55,834 CAD equivalent).

The Company reports its results in Canadian dollars. The Company markets its products in Canada, the United States ("U.S.") and other jurisdictions, including Japan. Sales to Japanese customers are primarily denominated in the Japanese Yen and sales to U.S. and other customers outside Canada in U.S. dollars. Substantially all of the Company's sales are either in U.S. dollars or the Japanese Yen. As a result, the Company is subject to currency risk from sales made and expenses incurred in U.S. dollars and the Japanese Yen. The Company does not hedge the risk related to fluctuations in the exchange rate between the U.S. dollar or the Japanese Yen and the Canadian dollar from either the date of the sales transaction to the collection date due or from the date an expense is incurred to the date the payment is made. As at January 31, 2024, the Company had net monetary assets in U.S. dollars of USD \$164,223 (Oct. 31, 2023 - USD \$109,520) and net monetary assets in the Japanese Yen of 5,702,515 (October 31, 2023 - 8,239,494 Japanese Yen). An increase or decrease in the U.S. to Canadian dollar exchange rate by 10% as at January 31, 2024 would have resulted in a gain in the amount of \$22,500 (2023 - \$15,400) or a loss of \$22,500 (2023 - \$15,400), respectively. An increase or decrease in the Japanese Yen to Canadian dollar exchange

# 01 COMMUNIQUE LABORATORY INC.

Notes to Interim Consolidated Financial Statements  
(In Canadian dollars)

## Unaudited

For the three month periods ended January 31, 2024 and 2023

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rate by 10% as at January 31, 2024 would have resulted in a gain in the amount of \$5,120 (2023 – \$7,550) or a loss of \$5,120 (2023 - \$7,550), respectively.

Interest rate risk:

The Company is exposed to interest rate risk on its fixed rate financial instruments. Fixed rate instruments subject the Company to fair value interest rate risk, as the fair value of the financial instrument fluctuates due to changes in market interest rates. Financial instruments subject to interest rate risk include demand deposits and the liability component of the debenture.

(ii) Fair values of financial instruments:

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Values based on prices or valuations techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

As at January 31, 2024 and October 31, 2023, the Company measures its investment at fair value, and it is categorized as level 3.

### 3. Capital Risk Management:

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund operations and discharge liabilities as they become due. Management performs regular reviews of its forecasted cash flow requirements to ensure cash flow needs are addressed.

The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to consist of shareholders' equity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant

# 01 COMMUNIQUE LABORATORY INC.

Notes to Interim Consolidated Financial Statements  
(In Canadian dollars)

## Unaudited

For the three month periods ended January 31, 2024 and 2023

changes in the Company's approach to capital management during the three month periods ended January 31, 2024 and 2023.

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months. As at January 31, 2024 and October 31, 2023, the Company believes it is compliant with the policies of the TSXV.

### 4. Guaranteed Investment Certificate:

|                                                                                                                                                               | 31-Jan-24 | 31-Oct-23  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------|
| i) One year prime linked cashable guaranteed investment certificate. At the date of issuance the rate was 4.75% per annum. Maturity date is October 10, 2024. | \$ 20,000 | \$ 80,000  |
|                                                                                                                                                               | \$ 80,000 | \$ 150,000 |

### 5. Property and Equipment:

|                             | Computer systems | Communications equipment | Furniture and fixtures and leasehold improvements | Right of Use Asset | Total      |
|-----------------------------|------------------|--------------------------|---------------------------------------------------|--------------------|------------|
| <b>Cost</b>                 |                  |                          |                                                   |                    |            |
| Balance at October 31, 2023 | \$ 576,602       | \$ 3,394                 | \$ 99,513                                         | \$ 134,634         | \$ 814,143 |
| Additions                   | 543              | -                        | -                                                 | -                  | 543        |
| Dispositions                | -                | -                        | -                                                 | -                  | -          |
| Balance at January 31, 2024 | \$ 577,145       | \$ 3,394                 | \$ 99,513                                         | \$ 134,634         | \$ 814,686 |
| <b>Depreciation</b>         |                  |                          |                                                   |                    |            |
| Balance at October 31, 2023 | \$ 559,770       | \$ 1,555                 | \$ 99,513                                         | \$ 115,930         | \$ 776,768 |
| Additions                   | 2,385            | 85                       | -                                                 | 11,219             | 13,688     |
| Dispositions                | -                | -                        | -                                                 | -                  | -          |
| Balance at January 31, 2024 | \$ 562,155       | \$ 1,640                 | \$ 99,513                                         | \$ 127,149         | \$ 790,456 |
| <b>Carry amounts</b>        |                  |                          |                                                   |                    |            |
| Balance at October 31, 2023 | \$ 16,832        | \$ 1,839                 | \$ -                                              | \$ 18,704          | \$ 37,375  |
| Balance at January 31, 2024 | \$ 14,991        | \$ 1,755                 | \$ -                                              | \$ 7,485           | \$ 24,230  |

# 01 COMMUNIQUE LABORATORY INC.

Notes to Interim Consolidated Financial Statements  
(In Canadian dollars)

## Unaudited

For the three month periods ended January 31, 2024 and 2023

### 6. Lease Commitment:

The Company's head office, located at 789 Don Mills Road, Suite 700, Toronto, Ontario M3C 1T5, is leased and considered to be a right-of-use asset. On March 1, 2021 the lease was amended with the expiry date extended to March 31, 2024 with no renewal term. Lease payments (including the Company's share of property taxes, operating costs, utilities and extra services) for the three months ended January 31, 2024 were \$11,894 (2023- \$11,606).

The lease liability has been measured by discounting future lease payments at the incremental borrowing rate at March 1, 2021. The incremental borrowing rate applied was determined to be 5.0% per annum for the lease and represents the Company's best estimate of the rate of interest that it would expect to pay to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in the current economic environment. As a result, the Company recorded an increase in capital assets, right of use asset, of \$134,634 and an increase in lease liability of \$134,634. The carrying value included as part of property and equipment as at January 31, 2024 is \$7,485 (Oct. 31, 2023 - \$18,704). The current lease liability as at January 31, 2024 is \$7,984 (Oct. 31, 2023 - \$19,878). Future undiscounted contractual lease payments required through to the end of the lease on March 31, 2024 are \$8,472.

The following details the changes in the lease liability for the three month period ended January 31, 2024:

|                                              |    |          |
|----------------------------------------------|----|----------|
| Balance, October 31, 2023                    | \$ | 19,878   |
| Interest expense                             |    | 492      |
| Undiscounted contractual lease payments made |    | (12,386) |
| Balance, January 31, 2024                    | \$ | 7,984    |

### 7. Shareholders' Equity:

(a) Share capital authorized, issued and outstanding:

|                                                            | 31-Jan-24     | 31-Oct-23     |
|------------------------------------------------------------|---------------|---------------|
| Authorized:                                                |               |               |
| 50,000 Series A preference shares                          |               |               |
| Unlimited preference shares,<br>issuable in series         |               |               |
| Unlimited common shares                                    |               |               |
| Issued: 96,364,554<br>common shares<br>(2023 – 96,364,554) | \$ 44,282,090 | \$ 44,282,090 |

# 01 COMMUNIQUE LABORATORY INC.

Notes to Interim Consolidated Financial Statements  
(In Canadian dollars)

## Unaudited

For the three month periods ended January 31, 2024 and 2023

There were no changes in issued and outstanding shares for the three month period ended January 31, 2024.

|                                                | Common shares |               |
|------------------------------------------------|---------------|---------------|
|                                                | Number        | Amount        |
| Balance, January 31, 2024 and October 31, 2023 | 96,364,554    | \$ 44,282,090 |

### (b) Employee option plan:

The Company maintains a share option plan (the "Plan") for the benefit of management, directors, officers, contractors and employees. The Plan is a "rolling" stock option plan, pursuant to which the maximum number of common shares that may be reserved for issuance under outstanding stock options will be 10% of the Company's issued and outstanding common shares, as constituted on the date of any grant of options under the Plan.

Options are granted under the Plan at the discretion of the Board of Directors at exercise prices determined as the trading prices of the Company's common shares on the TSX-V on the day preceding the effective date of the grant. In general, options granted under the Plan vest over the period of up to a maximum of five years from the grant date and expire by no later than the fifth anniversary of the date of grant.

There were no changes in outstanding options during the three month period ended January 31, 2024.

|                                                            | Number    | Weighted average exercise price |
|------------------------------------------------------------|-----------|---------------------------------|
| Options outstanding, January 31, 2024 and October 31, 2023 | 5,425,000 | \$ 0.16                         |

The following table summarizes information about stock options outstanding at January 31, 2024:

| Range of exercise prices | Options outstanding |                                                     |                                 | Options exercisable |                                 |
|--------------------------|---------------------|-----------------------------------------------------|---------------------------------|---------------------|---------------------------------|
|                          | Number outstanding  | Weighted average remaining contractual life (years) | Weighted average exercise price | Number exercisable  | Weighted average exercise price |
| \$0.10 to \$0.13         | 3,325,000           | 2.7                                                 | \$ 0.12                         | 1,242,500           | \$ 0.12                         |
| \$0.14 to \$0.17         | 1,150,000           | 2.4                                                 | \$ 0.14                         | 925,000             | \$ 0.14                         |
| \$0.23 to \$0.38         | 1,070,000           | 1.4                                                 | \$ 0.33                         | 945,000             | \$ 0.35                         |
|                          | 5,545,000           | 2.4                                                 | \$ 0.17                         | 3,112,500           | \$ 0.19                         |

# 01 COMMUNIQUE LABORATORY INC.

Notes to Interim Consolidated Financial Statements  
(In Canadian dollars)

## Unaudited

For the three month periods ended January 31, 2024 and 2023

There were no options granted during the three months ended January 31, 2024 (2023 – 1,285,000). The average grant date fair value of options granted during the three months ended January 31, 2023 was \$0.09. The fair value of each option granted has been estimated on the date of grant using the Black-Scholes fair value option-pricing model with the following assumptions used for grants for the three months ended January 31, 2024: expected dividend yield of nil, expected volatility of 110%, weighted average risk-free interest rate of 3% and expected lives of four years (2023 – 4 years).

During the three month period ended January 31, 2024, the Company recorded stock option expense for stock options granted in the current and previous periods of \$53,667 (2023 - \$59,091).

### (c) Warrants:

There were no changes in the share purchase warrants for the three months ended January 31, 2024. The following table summarizes information about warrants outstanding at January 31, 2024 and October 31, 2023:

|                                                                          | Exercise price | Number<br>outstanding | Weighted<br>average<br>remaining<br>contractual life<br>(years) | Weighted<br>average<br>exercise<br>price |
|--------------------------------------------------------------------------|----------------|-----------------------|-----------------------------------------------------------------|------------------------------------------|
| Warrants issued on private<br>placement expiring on September<br>6, 2024 | \$ 0.35        | 281,250               | 1.60                                                            | \$ 0.35                                  |

## 8. Revenues:

The significant categories of revenue recognized for the three month periods ended January 31, 2024 and 2023 are as follows:

|                                                        | For the three months ended |                   |
|--------------------------------------------------------|----------------------------|-------------------|
|                                                        | 31-Jan-24                  | 31-Jan-23         |
| Royalty, development fees, engineering and maintenance | \$ 95,153                  | \$ 102,502        |
| Subscription fees                                      | 3,317                      | 4,301             |
|                                                        | <u>\$ 98,470</u>           | <u>\$ 106,803</u> |

# 01 COMMUNIQUE LABORATORY INC.

Notes to Interim Consolidated Financial Statements  
(In Canadian dollars)

## Unaudited

For the three month periods ended January 31, 2024 and 2023

### 9. Loss per Common Share:

The computations for basic and diluted loss per share for the three month periods ended January 31, 2024 and 2023 are as follows:

|                                          | For the three months ended |            |
|------------------------------------------|----------------------------|------------|
|                                          | 31-Jan-24                  | 31-Jan-23  |
| Loss per common share                    |                            |            |
| Basic                                    | \$ (0.00)                  | \$ (0.00)  |
| Diluted                                  | \$ (0.00)                  | \$ (0.00)  |
| Weighted average number of common shares |                            |            |
| Basic                                    | 96,364,554                 | 96,101,646 |
| Diluted                                  | 96,364,554                 | 96,101,646 |

As the Company is in a loss position for the three month periods ended January 31, 2024 and 2023, the inclusion of options and warrants in the calculation of diluted earnings per share would be anti-dilutive, and accordingly, were excluded from the diluted loss per share calculation.

### 10. Change in Non-Cash Operating Working Capital:

For the three month periods ended:

|                                   | 31-Jan-24          | 31-Jan-23        |
|-----------------------------------|--------------------|------------------|
| Accounts receivable               | \$ (5,078)         | \$ 184,154       |
| Prepaid expenses and other assets | 1,636              | 10,045           |
| Accounts payable and accruals     | (31,732)           | (128,481)        |
| Deferred revenue                  | (539)              | (395)            |
|                                   | <u>\$ (35,713)</u> | <u>\$ 65,323</u> |



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### 11. Segmented Information:

The Company currently operates in one business segment, which is the development and marketing of its remote access software and its cryptographic software. The Company markets its products primarily in the United States, Asia/Pacific and Canada.

Revenue attributable to geographic location based on the location of the customer for the three month periods ended January 31, 2024 and 2023 is as follows:

|               | For the three months ended |                   |
|---------------|----------------------------|-------------------|
|               | 31-Jan-24                  | 31-Jan-23         |
| United States | \$ 1,759                   | \$ 1,620          |
| Canada        | 1,559                      | 2,681             |
| Asia/Pacific  | 95,153                     | 102,502           |
|               | <u>\$ 98,470</u>           | <u>\$ 106,803</u> |

Substantially all of the Company's identifiable assets as at January 31, 2024 and October 31, 2023 are located in Canada.

### 12. Related Party Transactions:

The remuneration of directors and other key management personnel of the Company during the three month periods ended January 31, 2024 and 2023 was as follows:

|                              | For the 3 months ending |                   |
|------------------------------|-------------------------|-------------------|
|                              | 31-Jan-24               | 31-Jan-23         |
| Salaries and contractor fees | \$ 61,000               | \$ 69,000         |
| Stock based compensation     | 51,614                  | 45,291            |
|                              | <u>\$ 112,614</u>       | <u>\$ 114,291</u> |

The Company's President and Chief Executive Officer ("CEO") invoices the Company for his services that pertain to research and development pursuant to a contractor agreement. Fees paid under this agreement during the three month periods ended January 31, 2024 were \$16,500 (2023 - \$24,500) and have been included in research and development expenses and are included in the salaries and contractor fees amounts in the above table. In addition, the CEO received a salary for the three month periods ended January 31, 2024 of \$21,000 (2023 - \$21,000) which has been recorded in selling, general and administrative expenses, and is included in the salaries and contractor fees amounts in the above table.

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Salary and contractor fees included in the above table owing to directors and other key management personnel and so included in accounts payable and accrued liabilities at January 31, 2024 is \$7,300 (October 31, 2023 - \$12,300). They are unsecured, non-interest bearing with no fixed terms of payment and were paid subsequent to the end of the quarter.

## 13. Contingencies:

The Company is engaged in legal actions from time to time arising in the ordinary course of business. None of these actions, individually or in the aggregate, is expected to have a material adverse effect on the consolidated financial position or results of operations.

## 14. Operating Expenses:

The Company presents functional consolidated statements of operations in which expenses are aggregated according to the function to which they relate. The Company has identified the major functions as selling, general and administrative expenses; and research and development expenses. The following tables present the expenses based on their nature:

| for the three months ended<br>31-Jan-24            | Selling, general<br>and administrative | Research and<br>development | Total             |
|----------------------------------------------------|----------------------------------------|-----------------------------|-------------------|
| Salaries, contractors, commissions<br>and benefits | \$ 69,144                              | \$ 34,498                   | \$ 103,642        |
| Stock-based compensation                           | 53,667                                 | -                           | 53,667            |
| Other operating expenses                           | 29,303                                 | 17,249                      | 46,552            |
|                                                    | <u>\$ 152,114</u>                      | <u>\$ 51,747</u>            | <u>\$ 203,861</u> |

| for the three months ended<br>31-Jan-23            | Selling, general<br>and administrative | Research and<br>development | Total             |
|----------------------------------------------------|----------------------------------------|-----------------------------|-------------------|
| Salaries, contractors, commissions<br>and benefits | \$ 74,688                              | \$ 122,225                  | \$ 196,913        |
| Stock-based compensation                           | 59,091                                 | -                           | 59,091            |
| Other operating expenses                           | 65,446                                 | 25,458                      | 90,904            |
|                                                    | <u>\$ 199,225</u>                      | <u>\$ 147,683</u>           | <u>\$ 346,908</u> |

## 15. Government Assistance:

The Canada Emergency Business Account ("CEBA") provides interest-free bank loans, guaranteed by the government of Canada, of up to \$60,000 to small businesses that qualify. The Company's loan consisted of a \$60,000 CEBA loan that is interest free and was repaid prior to maturity of January 18, 2024 and as such \$20,000 of the loan was forgiven. Management had assessed at the time the loan was received that the Company would be able to repay the balance

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of the loans by January 18, 2024 and accordingly, the total forgivable amount of \$20,000 was recorded as government assistance income in 2021.

## **16. Subsequent Event:**

Subsequent to January 31, 2024 the Company entered into an agreement amending the terms of its premise lease. The lease was amended with the expiry date extended for one year to March 31, 2025 with no renewal term. Lease payments (including the Company's share of property taxes, operating costs, utilities and extra services) will be \$4,330 per month.