



**QUANTUM SECURE ENCRYPTION CORP.**  
*(Formerly SCOPE TECHNOLOGIES CORP.)*

Consolidated Financial Statements  
For the Years Ended September 30, 2025 and 2024  
(Expressed in Canadian Dollars)

# Mao & Ying LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Quantum Secure Encryption Corp. (formerly Scope Technologies Corp.)**

### Opinion

We have audited the consolidated financial statements of **Quantum Secure Encryption Corp. (formerly Scope Technologies Corp.)** (the "Company"), which comprise the statements of financial position as at September 30, 2025 and 2024, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated financial statements* section of our report. We are independent of the Company in accordance with 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 describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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 this report.

### Purchase price allocation – evaluation of the fair value of significant identifiable assets and liabilities in business combination

As described in Note 8 to the consolidated financial statements, the Company acquired 100% of issued and outstanding shares of Plurilock Security Private Limited on September 9, 2025 for total consideration of \$1,582,000, consisting of \$100,000 and 4,200,000 common shares valued at the Company's stock trading price at the date of issuance. The acquisition was accounted for as a business combination under in accordance with IFRS 3 – Business Combination. The preliminary purchase price allocation resulted in recognition of significant identifiable intangible assets and goodwill, as well as assumption of deferred revenue, all of which were required to be measured at fair value at the acquisition date.

The purchase price allocation involved management's significant management judgement and estimation uncertainty, particularly in determining:

- the identification of separately recognizable intangible assets;
- the fair value of intangible assets using valuation models incorporating assumptions; and

- the fair value of deferred revenue using a cost-to-fill market-participate margin approach.

Given the subjective nature of the valuation techniques, the significance of the amounts recognized, and the extent of management judgement involved, we considered this matter to be a key audit matter. In addition, the audit effort involved the use of professionals with specialized skills and knowledge in the field of valuation. Our audit procedures included, among others:

- Evaluating whether the acquisition was appropriately accounted for a business combination in accordance with IFRS 3, including the determination of the acquisition date and the consideration transferred;
- Assessing the completeness of identifiable assets acquired and liabilities assumed, including evaluating management's identification of separately recognizable intangible assets;
- With the assistance of our valuation specialist, evaluating the appropriateness of the valuation methodologies applied by management to measure the fair value of identifiable assets and deferred revenue, including the use of the income approach and cost approach, as applicable;
- Assessing the reasonableness of significant assumptions used in the valuation models;
- Testing the mathematical accuracy of the valuation models and evaluating the internal consistency of the key inputs and outputs;
- Reviewed and assessed the accounting memos including impairment assessment prepared by management;
- Traced the cash payment and shares issued relating to the consideration payment; and
- Assessing the adequacy of the related disclosures in the financial statements regarding the business combination and the provision nature of the purchase price allocation, where applicable.

#### **Other information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 these consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### **Auditor's Responsibilities for the Audit of the Consolidated financial statements**

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

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Linda Zhu.

Vancouver, Canada,  
February 5, 2026

*Mao & Ying LLP*

Chartered Professional Accountants

**Quantum Secure Encryption Corp.**  
**(Formerly Scope Technologies Corp.)**  
Consolidated Statements of Financial Position  
As of September 30, 2025 and 2024  
(Expressed in Canadian Dollars)

|                                        | Note | September 30,<br>2025 | September 30,<br>2024 |
|----------------------------------------|------|-----------------------|-----------------------|
|                                        |      | \$                    | \$                    |
| <b>Assets</b>                          |      |                       |                       |
| Current                                |      |                       |                       |
| Cash and cash equivalents              | 14   | 901,936               | 1,075,575             |
| Accounts and other receivables         |      | 182,195               | 36,013                |
| Prepaid expenses                       | 16   | 84,277                | 704,576               |
|                                        |      | 1,168,408             | 1,816,164             |
| Non-current                            |      |                       |                       |
| Intangible asset                       | 8    | 1,601,001             | 1                     |
| Goodwill                               | 8    | 380,707               | -                     |
|                                        |      | 1,981,708             | 1                     |
|                                        |      | 3,150,116             | 1,816,165             |
| <b>Liabilities</b>                     |      |                       |                       |
| Current                                |      |                       |                       |
| Accounts payable & accrued liabilities |      | 229,832               | 74,803                |
| Due to related parties                 | 9    | 823                   | 413,524               |
| Other liabilities                      | 10   | 50,000                | -                     |
| Deferred revenue                       |      | 68,738                | -                     |
|                                        |      | 349,393               | 488,327               |
| Non-current                            |      |                       |                       |
| Deferred income tax                    | 17   | 482,553               | -                     |
|                                        |      | 482,553               | -                     |
|                                        |      | 831,946               | 488,327               |
| <b>Shareholder's Equity</b>            |      |                       |                       |
| Share capital                          | 12   | 18,667,020            | 13,648,641            |
| Reserves                               |      | 2,279,324             | 2,683,067             |
| Deficit                                |      | (18,628,174)          | (15,003,870)          |
|                                        |      | 2,318,170             | 1,327,838             |
|                                        |      | 3,150,116             | 1,816,165             |

Going concern (Note 1)

Approved and authorized on behalf of the Board of Directors on February 5, 2026.

"Darien Lattanzi" Director

"Alan Tam" Director

# Quantum Secure Encryption Corp.

(Formerly Scope Technologies Corp.)

Consolidated Statements of Loss and Comprehensive Loss

For the Years Ended September 30, 2025 and 2024

(Expressed in Canadian Dollars)

|                                                      |      | Years ended           |                       |
|------------------------------------------------------|------|-----------------------|-----------------------|
|                                                      | Note | September 30,<br>2025 | September 30,<br>2024 |
|                                                      |      | \$                    | \$                    |
| <b>Revenue</b>                                       |      |                       |                       |
| Revenues from customers                              |      | 40,883                | -                     |
| <b>Cost of Sales</b>                                 |      |                       |                       |
| Service and maintenance                              |      | 19,757                | -                     |
| <b>Expenses</b>                                      |      |                       |                       |
| Advertising and promotion                            |      | 2,239,468             | 1,518,538             |
| Bank charges                                         |      | 5,419                 | 2,678                 |
| Consulting and salaries                              | 9    | 618,223               | 295,679               |
| Currency exchange                                    |      | 17,341                | 13,058                |
| Filing and transfer agent fees                       |      | 95,997                | 94,394                |
| Investor relations                                   |      | 94,486                | 46,859                |
| Office expenses                                      | 9    | 155,752               | 54,565                |
| Professional fees                                    |      | 281,869               | 234,078               |
| Research and development                             | 9    | 508,733               | 131,251               |
| Share-based compensation (reversal)                  | 12   | (372,632)             | 2,388,819             |
| Travel and entertainment                             |      | -                     | 2,225                 |
|                                                      |      | 3,644,656             | 4,782,144             |
| <b>Operating loss</b>                                |      | (3,623,530)           | (4,782,144)           |
| Impairment of investments                            | 7    | -                     | 688,298               |
| Impairment of intangible asset                       | 8    | -                     | 5,999,999             |
| Interest expense                                     | 11   | 39,792                | -                     |
| Interest income                                      |      | (47,039)              | (30,970)              |
| Loss on settlement of convertible loan               | 11   | 96,434                | -                     |
|                                                      |      | 89,187                | 6,657,327             |
| <b>Net loss before tax</b>                           |      | (3,712,717)           | (11,439,471)          |
| Income tax recovery                                  |      | -                     | 10,055                |
| <b>Net loss and comprehensive loss for the year</b>  |      | (3,712,717)           | (11,429,416)          |
| <b>Basic and diluted net loss per share</b>          | 12   | (0.07)                | (0.26)                |
| <b>Weighted average number of shares outstanding</b> |      | 53,940,737            | 44,283,389            |

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

**Quantum Secure Encryption Corp.**  
**(Formerly Scope Technologies Corp.)**  
Consolidated Statements of Changes in Equity  
For the Years Ended September 30, 2025 and 2024  
(Expressed in Canadian Dollars)

|                                                                   | Share<br>Capital  | Share<br>Capital  | Equity<br>Component<br>of<br>Convertible<br>Loan | Reserves         | Deficit             | Total            |
|-------------------------------------------------------------------|-------------------|-------------------|--------------------------------------------------|------------------|---------------------|------------------|
|                                                                   | Number            | \$                | \$                                               | \$               | \$                  | \$               |
| <b>Balance, September 30, 2023</b>                                | <b>39,000,001</b> | <b>2,135,890</b>  | -                                                | <b>1,226,658</b> | <b>(3,574,454)</b>  | <b>(211,906)</b> |
| Issued - private placement                                        | 2,500,000         | 4,000,000         | -                                                | -                | -                   | 4,000,000        |
| Less: Issue costs - cash                                          | -                 | (114,659)         | -                                                | -                | -                   | (114,659)        |
| Issued - exercise of restricted share rights                      | 400,000           | 760,000           | -                                                | (760,000)        | -                   | -                |
| Issued - exercise of warrants                                     | 6,000,000         | 1,095,000         | -                                                | -                | -                   | 1,095,000        |
| Issued - technology acquisition                                   | 2,800,000         | 5,600,000         | -                                                | -                | -                   | 5,600,000        |
| Transfer equity reserve related to warrants exercised             | -                 | 172,410           | -                                                | (172,410)        | -                   | -                |
| Share-based compensation                                          | -                 | -                 | -                                                | 2,388,819        | -                   | 2,388,819        |
| Net loss                                                          | -                 | -                 | -                                                | -                | (11,429,416)        | (11,429,416)     |
| <b>Balance, September 30, 2024</b>                                | <b>50,700,001</b> | <b>13,648,641</b> | -                                                | <b>2,683,067</b> | <b>(15,003,870)</b> | <b>1,327,838</b> |
| Issued - private placement                                        | 4,285,708         | 2,837,136         | -                                                | 462,855          | -                   | 3,299,991        |
| Less: Issue costs - cash                                          | -                 | (167,485)         | -                                                | -                | -                   | (167,485)        |
| Issued - exercise of options                                      | 705,667           | 423,400           | -                                                | -                | -                   | 423,400          |
| Issued - business acquisition                                     | 4,200,000         | 1,428,000         | -                                                | -                | -                   | 1,428,000        |
| Issuance of convertible loan                                      | -                 | -                 | 91,775                                           | -                | -                   | 91,775           |
| Transfer equity reserve related to settlement of convertible loan | -                 | -                 | (91,775)                                         | 91,775           | -                   | -                |
| Transfer equity reserve related to options exercised              | -                 | 497,328           | -                                                | (497,328)        | -                   | -                |
| Transfer equity reserve related to options expired                | -                 | -                 | -                                                | (88,413)         | 88,413              | -                |
| Share-based compensation                                          | -                 | -                 | -                                                | (372,632)        | -                   | (372,632)        |
| Net loss                                                          | -                 | -                 | -                                                | -                | (3,712,717)         | (3,712,717)      |
| <b>Balance, September 30, 2025</b>                                | <b>59,891,376</b> | <b>18,667,020</b> | -                                                | <b>2,279,324</b> | <b>(18,628,174)</b> | <b>2,318,170</b> |

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

**Quantum Secure Encryption Corp.**  
**(Formerly Scope Technologies Corp.)**  
Consolidated Statements of Cash Flows  
For the Years Ended September 30, 2025 and 2024  
(Expressed in Canadian Dollars)

|                                                         | September 30,<br>2025 | September 30,<br>2024 |
|---------------------------------------------------------|-----------------------|-----------------------|
|                                                         | \$                    | \$                    |
| <b>Operating Activities</b>                             |                       |                       |
| Net Loss                                                | (3,712,717)           | (11,429,416)          |
| <i>Items not involving cash:</i>                        |                       |                       |
| Deferred revenue fair value amortization                | (10,247)              | -                     |
| Impairment of investments                               | -                     | 688,298               |
| Impairment of intangible asset                          | -                     | 5,999,999             |
| Interest accretion                                      | 39,600                | -                     |
| Loss on settlement of convertible loan                  | 96,434                | -                     |
| Share-based compensation                                | (372,632)             | 2,388,819             |
| <i>Changes in non-cash working capital:</i>             |                       |                       |
| Accounts and other receivables                          | (55,918)              | 5,152                 |
| Prepaid expenses                                        | 621,535               | (649,813)             |
| Accounts payable and accrued liabilities                | 119,325               | (156,361)             |
| Due to related parties                                  | (12,701)              | 8,278                 |
| <b>Cash used in Operating Activities</b>                | <b>(3,287,321)</b>    | <b>(3,145,044)</b>    |
| <b>Investing Activities</b>                             |                       |                       |
| Cloud Codes acquisition                                 | (100,000)             | -                     |
| QSE Technology acquisition                              | (400,000)             | -                     |
| Loans advanced                                          | -                     | (688,294)             |
| <b>Cash used in Investing Activities</b>                | <b>(500,000)</b>      | <b>(688,294)</b>      |
| <b>Financing Activities</b>                             |                       |                       |
| Proceeds from short-term loans                          | 50,000                | 50,000                |
| Repayment of short-term loans                           | -                     | (100,000)             |
| Proceeds from convertible loan                          | 1,000,000             | -                     |
| Convertible loan transaction costs                      | (34,000)              | -                     |
| Repayment of convertible loan                           | (1,010,259)           | -                     |
| Cash acquired in business combination                   | 52,035                | -                     |
| Shares issued for cash, net                             | 3,555,906             | 4,980,341             |
| Share subscriptions in advance                          | -                     | (72,000)              |
| <b>Cash provided by Financing Activities</b>            | <b>3,613,682</b>      | <b>4,858,341</b>      |
| <b>(Decrease) Increase in Cash and Cash Equivalents</b> | <b>(173,639)</b>      | <b>1,025,003</b>      |
| <b>Cash and Cash Equivalents, Beginning of Year</b>     | <b>1,075,575</b>      | <b>50,572</b>         |
| <b>Cash and Cash Equivalents, End of Year</b>           | <b>901,936</b>        | <b>1,075,575</b>      |
| <br><b>Cash</b>                                         | <br><b>136,936</b>    | <br><b>107,426</b>    |
| <b>Cash Equivalents</b>                                 | <b>750,000</b>        | <b>968,149</b>        |
| <b>Restricted Cash</b>                                  | <b>15,000</b>         | <b>-</b>              |
|                                                         | <b>901,936</b>        | <b>1,075,575</b>      |

Supplemental cash flow information (Note 14)

# Quantum Secure Encryption Corp.

(Formerly Scope Technologies Corp.)

Notes to the Consolidated Financial Statements

For the Years Ended September 30, 2025 and 2024

(Expressed in Canadian Dollars)

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

Quantum Secure Encryption Corp. (the "Company") was incorporated under the Business Companies Act (British Columbia) on June 20, 2018. On December 3, 2025, the Company changed its name from Scope Technologies Corp. to Quantum Secure Encryption Corp. The Company, through its brands, QSE Group and GEM AI, provides solutions in data security, quantum encryption, and neural networks. The Company's registered and corporate head office is located at 1800-510 West Georgia Street, Vancouver, British Columbia, V6B 0M3.

These consolidated financial statements were prepared on a going-concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As of September 30, 2025, the Company had a working capital surplus of \$819,015 (2024 - \$1,327,837). The Company incurred a net loss of \$3,712,717 for the year ended September 30, 2025 (2024 - \$11,429,416) and had an accumulated deficit of \$18,628,174 as of September 30, 2025 (2024 - \$15,003,870).

The continued operations of the Company are dependent on its ability to develop a sufficient financing plan or generate profitable operations in the future. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. To finance future activities, the Company may be required to issue further share capital through private placements, the exercise of warrants and options or obtain debt. There can be no assurance that such financing will be available to the Company and, therefore, a material uncertainty exists which may cast significant doubt about the Company's ability to continue as a going concern.

The economic uncertainties around persistent inflation pressure, geopolitical events and other global factors have the potential to slow growth in the global economy. Future developments in these challenging areas could impact on the Company's results and financial condition and the full extent of that impact remains unknown. However, as of September 30, 2025, the Company has not been significantly impacted by these matters.

These consolidated financial statements do not include the adjustments to assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

## 2. BASIS OF PRESENTATION, MEASUREMENT AND CONSOLIDATION

### *Statement of Compliance and Basis of Measurement*

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") using historical cost and the accrual basis, except for cash flow information and financial instruments measured at fair value.

### *Basis of Consolidation*

These consolidated financial statements include the accounts of the Company and subsidiary entities over which the Company has control. Control exists when the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the power over the entity. Subsidiary entities are fully consolidated from the date on which control is transferred to the Company and deconsolidated from the date that control ceases. Intercompany transactions, balances, income, and expenses on transactions between the Company's entities are eliminated upon consolidation.

The Company acquired the entire equity of the following subsidiary effective September 9, 2025: Plurilock Security Private Limited ("PSPL"), an Indian Company.

**Quantum Secure Encryption Corp.**  
**(Formerly Scope Technologies Corp.)**  
Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2025 and 2024  
(Expressed in Canadian Dollars)

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**2. BASIS OF PRESENTATION, MEASUREMENT AND CONSOLIDATION, continued**

The consolidated financial statements are presented in Canadian dollars.

**3. MATERIAL ACCOUNTING POLICIES**

Material Accounting Policy Information

*Cash and cash equivalents*

Cash and cash equivalents include cash on deposit and highly liquid short-term interest-bearing investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

*Business combination*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. The acquisition date is the date at which the Company obtains control over the acquiree, which is generally the date that consideration is transferred, and the Company acquires the assets and assumes the liabilities of the acquiree. Under the acquisition method, identifiable assets acquired and liabilities assumed are recorded at their respective fair values at the date of acquisition. Acquisition-related costs are expensed as incurred.

A business consists of inputs, including non-current assets, and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Company and its shareholders. A business also includes those assets and liabilities that do not necessarily have all the inputs and processes required to produce outputs but can be integrated with the inputs and processes of the Company to create outputs. When acquiring a set of activities or others, which may not have outputs, the Company considers other factors to determine whether the set of activities or assets is a business. Those factors include, but are not limited to, whether the set of activities or assets: (i) has begun planned principal activities; (ii) has employees, intellectual property and other inputs and processes that could be applied to those inputs; (iii) is pursuing a plan to produce outputs; and (iv) will be able to obtain access to customers that will purchase the outputs. Not all of the above factors need to be present for a particular integrated set of activities to qualify as a business.

*Goodwill*

Goodwill represents the excess of the consideration transferred for the acquired businesses over the estimated fair value at the acquisition date of net identifiable assets acquired. Goodwill is not subject to amortization and is carried at cost less accumulated impairment loss but is tested for impairment on an annual basis or more frequently if events or circumstances indicate that it might be impaired.

For the purpose of impairment testing, goodwill is allocated to each cash generating unit ("CGU") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually or more frequently if events or circumstances indicate that the carrying value may not be recoverable.

**Quantum Secure Encryption Corp.**  
(Formerly Scope Technologies Corp.)  
Notes to the Consolidated Financial Statements  
For the Years Ended September 30, 2025 and 2024  
(Expressed in Canadian Dollars)

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**3. MATERIAL ACCOUNTING POLICIES, continued**

If the higher of the recoverable amount of the CGU's fair value less costs to sell (FVLCS), or its value in use is less than its carrying amount, 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 prorata on the basis of the carrying amount of each asset in the unit.

An impairment loss recognized for goodwill cannot be reversed in a subsequent period.

*Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if applicable. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of loss and comprehensive loss.

Identifiable intangible assets are recorded at cost and amortized using the methods mentioned below and over the period of their expected useful lives as follows:

Customer contracts - straight-line 3 years

Intellectual property and software - straight-line 3 years

No amortization expense was recorded for customer contracts and intellectual property and software for the year ended September 30, 2025 due to immateriality given the short post-acquisition period.

*Impairment of non-financial assets*

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the asset group to which the asset belongs.

An asset's 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 estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount.

Impairment is recognized immediately as additional depreciation or amortization. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of the recoverable amount, but only to the extent that this does not exceed the carrying value that would have been determined had no impairment been previously recognized. A reversal is recognized as a reduction in the depreciation or amortization charge for the period.

**3. MATERIAL ACCOUNTING POLICIES, continued**

*Related Party Transactions*

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties and is measured at the transaction amounts of the services rendered.

*Convertible Loan*

Convertible loan issuances by the Company represent a compound financial instrument that includes the host debt liability and the convertible component, with the proceeds received allocated between the two components at the date of issue. The Company assesses whether the convertible component qualifies as equity or is considered a derivative liability. If the conversion feature meets the definition of equity, the fair value of the liability component is estimated at the date of issue of the instrument using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability (net of transaction costs) on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component 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. Transaction costs are apportioned between the liability and equity components of the convertible instrument, based on the allocation of proceeds to the financial liability and equity components when the instruments are initially recognized.

Upon conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

If settled before maturity, the loan is extinguished and derecognized from the financial statements by allocating the settlement consideration between the liability and equity components on a pro-rata basis based on their relative carrying amounts at the settlement date. Any difference between the carrying amount of the liability component and the fair value of the consideration allocated to it is recognized in profit or loss as a gain or loss on settlement. The portion of the consideration allocated to the equity component is recorded directly in equity and not remeasured or recycled to profit or loss.

If the conversion feature of a convertible instrument does not meet the definition of equity, it is classified as an embedded derivative and measured accordingly. The debt component of the instrument is determined by deducting the fair value of the embedded derivative at inception from the fair value of the consideration received for the instrument as a whole. The debt component is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

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**3. MATERIAL ACCOUNTING POLICIES, continued**

*Income Taxes*

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the enactment date.

Deferred tax assets also result from unused tax losses carried forward, resource related tax pools, and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

*Share Capital*

Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are issued, and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds prorated to common shares and share purchase warrants. In the event of modification of warrants issued as part of private placement units, no re-measurement adjustment is recognized within equity.

*Revenue recognition*

The Company's SaaS arrangements typically provide customers with a right to access the hosted software platform over the contractual subscription term, including ongoing support, updates, and maintenance. The Company has determined that these services represent a single performance obligation that is satisfied over time, as customers simultaneously receive and consume the benefits of access to the platform throughout the subscription period.

The transaction price is generally fixed and is based on the contractual subscription fees agreed with the customer. Revenue is recognized on a straight-line basis over the subscription term, which reflects the pattern in which the performance obligation is satisfied.

Deferred revenue represents amounts invoiced or received in advance of the Company satisfying its related performance obligations. Deferred revenue primarily arises from advance billings for SaaS subscription services and is recognized as revenue over the contractual service period as the Company provides continuous access to the software platform.

*Research and development expenses*

Research and development expenses are charged to the consolidated statement of loss and comprehensive loss in the period they are incurred unless certain criteria are met. To date, the Company has not capitalized any development costs.

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**3. MATERIAL ACCOUNTING POLICIES, continued**

*Share-based Payments*

Share-based payments for employees are measured at fair value of the instruments issued on the date of grant and share-based payments for non-employees are measured at either the fair value of the goods or services received, or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded on the date the goods or services are received.

Consideration received on the exercise of stock options and other equity instruments is recorded as share capital and the related fair value previously recorded is transferred from share-based payment reserve to share capital. Upon expiry or cancellation, related fair value previously recorded is transferred from share-based payment reserve to deficit.

Restricted share rights ("RSRs") are recorded at fair value based on the Company's stock trading price on the date of grant and recognized in comprehensive loss over the vesting period. When RSR's vest, the share-based payment expense associated with the RSR's included in reserves is credited to share capital.

*Foreign Currency Translation*

Items included in the consolidated financial statements of the Company and its subsidiary are measured using the currency of the primary economic environment in which the respective entity operates (the "functional currency"). The functional currency of the Company's head office is the Canadian dollar and the functional currency of the Company's subsidiary, PSPL, is the Indian Rupee.

For consolidation purposes, the assets and liabilities of the Company's foreign operations are translated into Canadian dollars at the exchange rates prevailing on the reporting date. Income and expenses 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. Foreign exchange differences arising on translation are recognized in other comprehensive income/loss and accumulated in a foreign currency translation reserve within equity. As at September 30, 2025, and for the year ended September 30, 2025, the Company did not have material foreign currency translation differences arising from its foreign operations.

*Foreign Currency Transaction*

Transactions in currencies other than functional currency are recorded as follows: monetary assets and liabilities, at the rate of exchange in effect as at the reporting date; non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction; and gains and losses arising from this translation of foreign currency are included in the determination of net loss.

*Loss per Share*

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants, and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options, warrants, and similar instruments that would be antidilutive.

### **3. MATERIAL ACCOUNTING POLICIES, continued**

#### *Financial Instruments*

The category into which a financial asset is placed, and the resultant accounting treatment, is largely dependent on the nature of the business of the entity holding the financial asset. All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs.

#### Financial assets

The Company initially recognizes financial assets on the trade date, which is the date that the Company becomes a party to the contractual provisions of the financial instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies its financial assets as subsequently measured at amortized cost except for financial assets that do not meet the criteria to be recognized as subsequently measured at amortized cost or subsequently measured at fair value through other comprehensive income either from the Business Model test or from the solely payments of principal and interest test, are classified as fair value through profit or loss.

#### Financial liabilities

Financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires.

#### Fair value

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

#### Impairment of financial assets carried at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost, in accordance with IFRS 9 - Financial Instruments.

Expected credit losses are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted as necessary for forward-looking information, including current and expected economic conditions. The Company considers factors such as customer credit risk, the aging of receivables, payment history, and the financial condition of customers.

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**3. MATERIAL ACCOUNTING POLICIES, continued**

The loss allowance is reviewed at each reporting date and represents management's best estimate of expected credit losses. Changes in the loss allowance are recognized in profit or loss.

For the year ended September 30, 2025, the Company did not recognize a material expected credit loss allowance. For the year ended September 30, 2024, the Company recognized an expected credit loss of \$688,294 related to the loan receivable from Farm Flight Inc. (Note 7).

*New and amended standards adopted by the Company*

Amendments to IAS 1 Presentation of Financial Statements IAS 1 has been amended to clarify classification of liabilities as current or non-current. The amendments are effective for the years beginning on or after January 1, 2024. The amendment had no impact to the Company.

*Recent Accounting Pronouncements*

In April 2024, the IASB issued IFRS 18 – Presentation and Disclosure in Financial Statements ("IFRS 18") to replace IAS 1 – Presentation of Financial Statements. This standard focuses on updates to the statement of profit or loss, including: (a) the structure of the statement of profit or loss; (b) required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and (c) enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. The Company will apply IFRS 18 for the annual period beginning October 1, 2027, and it will be applied retrospectively, requiring the comparative information for the financial year ending September 30, 2026 to be restated in accordance with IFRS 18. The Company is currently assessing the effect of this new standard on its consolidated financial statements.

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make estimates and judgments that affect amounts reported in the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and subject to measurement uncertainty. The effect on the consolidated financial statements of changes in such estimates in future reporting periods could be significant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the financial statements include:

*Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned development programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The factors considered by the Company include, among other things, the Company's cash position on September 30, 2025, its projected development and general operating costs, its ability to raise financing, and its intention to continue operating the Company.

#### **4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued**

##### *Business Combination*

Accounting for the acquisition of PSPL requires management to recognize and measure the identifiable assets acquired and liabilities assumed at fair value at the acquisition date in accordance with IFRS 3. As quoted market prices are generally not available for many acquired items, fair value measurements require the use of valuation techniques and involve significant judgment and estimation uncertainty.

Management applied significant judgment in estimating the fair value of intangible assets and deferred revenue assumed, including:

- the acquired intellectual property and software technology was valued using a cost approach, based on management's estimate of the replacement cost a market participant would incur to recreate the asset, including assumptions related to development effort, labour rates, overhead, and an appropriate profit margin);
- customer-related intangible assets were valued using valuation techniques that incorporate assumptions regarding expected contract terms, renewal patterns, attrition, and other relevant market participant inputs; and
- the deferred revenue assumed was measured at fair value at the acquisition date using a cost-to-fulfil approach, which reflects the expected costs required to satisfy the remaining performance obligations, plus a reasonable market participant profit margin. Significant assumptions include the estimated remaining service period, direct fulfilment costs, and the profit margin applied.

In developing these estimates, management engaged an independent professional valuator to assist in the application of appropriate valuation methodologies and the determination of key assumptions. The purchase price allocation remains provisional as at September 30, 2025, and management continues to assess certain fair value inputs during the measurement period. Actual results could differ from these estimates, and changes in assumptions could result in adjustments to the provisional purchase price allocation during the IFRS 3 measurement period.

##### *Control*

Management consolidates all subsidiaries and entities which it is determined that the Company controls. The determination of the acquirer in business acquisitions is subject to judgment and requires the Company to determine which party obtains control of the combining entities. Control is evaluated on the ability of the Company to direct the activities of the subsidiary or entity to derive variable returns, and management uses judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns. The assessment of whether an acquisition constitutes a business is also subject to judgment and requires the Company to review whether the acquired entity contains all three elements of a business, including inputs, processes, and the ability to create output.

##### *Intangible assets*

Judgment is required in determining the economic useful lives of identifiable intangible assets. Judgment is also required to determine the frequency with which these assets are to be tested for impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's intangible assets.

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued**

*Impairment of investments*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. Significant judgment is required in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If information becomes available suggesting that the recovery of investments is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

*Share-based payments*

Share-based payments are determined using the Black-Scholes option pricing model at the date of grant and are expensed to comprehensive loss over each award's vesting period with the offset credit to share-based payment reserve. These models utilize subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

*Convertible Loan*

The identification of convertible loan components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible note at issuance and the subsequent measurement of interest on the liability component. The determination of fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates, and the presence of any derivative financial instruments. Additionally, significant judgement is required when accounting for the redemption, conversion, or modification of these instruments. The key assumptions applied in the valuation include an estimated 15% market discount rate.

**5. FINANCIAL INSTRUMENTS FAIR VALUE MEASUREMENTS AND RISK MANAGEMENT**

The Company's financial instruments include cash and cash equivalents and other non-tax receivables which are classified as financial assets at amortized cost, and accounts payable and accrued liabilities, due to related parties and other liabilities which are classified as financial liabilities at amortized cost. The fair value of these financial instruments approximates their carrying value due to the immediate or short-term maturity of these financial instruments. The Company does not have financial instruments measured at fair value on a recurring basis.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, and market risks, which comprises interest rate risk, currency risk, and other price risk. The Company's exposure to the other risks and its methods of managing these risks are summarized as follows:

(i) Interest Rate Risk

Interest rate risk is the risk that future cash flows or fair values will fluctuate as a result of changes in market interest rates. The Company's exposure to interest rate risk relates to deposits of excess funds into cashable term deposits at prevailing market rates and is not deemed material.

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**5. FINANCIAL INSTRUMENTS FAIR VALUE MEASUREMENTS AND RISK MANAGEMENT, continued**

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations, anticipated investing, and financing activities and through management of its capital structure. As of September 30, 2025, all of the Company's financial liabilities are either due immediately or have contractual maturities of less than 90 days.

(iii) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to managing its cash. The Company's risk management policies require significant cash deposits, or any short-term investments be invested with Canadian chartered banks rated BBB or better. The maximum credit risk exposure is the carrying value of cash and cash equivalents.

(iv) 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 is exposed to currency risk to the extent expenditures incurred, funds received, and balances maintained in currencies other than the Canadian dollar for the Company's head office or the Indian rupee for PSPL. The Company does not manage currency risks through hedging or other currency management tools.

The Company does not engage in material transactions denominated in currencies other than the respective functional currencies of the entities within the group. Accordingly, the Company is not exposed to material foreign exchange risk arising from transactions and from the holding of assets and liabilities denominated in currencies other than the respective functional currencies.

(v) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

**6. CAPITAL MANAGEMENT**

The Company's capital includes components of equity. The Company's objectives in managing its capital are to maintain the ability to continue as a going concern and to continue its development programs for the benefit of its stakeholders. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget to manage costs, commitments, and development activities.

The Company is not subject to any regulatory capital requirements. The Company's operations have been substantially funded by the issuance of equity instruments, and the Company will continue to rely on such funding depending upon market and economic conditions at the time.

There have been no changes in the Company's approach to capital management during the year ended September 30, 2025.

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**7. INVESTMENTS**

During the year ended September 30, 2024, the Company advanced \$688,294 (USD\$504,000) to Farm Flight Inc. ("Farm Flight") pursuant to a Loan Facility Agreement. During that time, the Company undertook further review of the financial condition of Farm Flight, and it became evident that the transactions originally proposed would not proceed as planned. The Company concluded that it did not expect recovery of any amounts advanced. Management therefore recorded an impairment of \$688,294 in accordance with Level 3 of the fair value hierarchy in the comparative period.

**8. INTANGIBLE ASSET AND GOODWILL**

*Intangible Assets*

|                                    | <b>QSE<br/>Technology</b> | <b>Cloud Codes</b> | <b>Total</b>     |
|------------------------------------|---------------------------|--------------------|------------------|
|                                    | <b>\$</b>                 | <b>\$</b>          | <b>\$</b>        |
| <b>Cost</b>                        |                           |                    |                  |
| Balance, September 30, 2023        | -                         | -                  | -                |
| Additions                          | 6,000,000                 | -                  | 6,000,000        |
| Balance, September 30, 2024        | 6,000,000                 | -                  | 6,000,000        |
| Additions                          | -                         | 1,601,000          | 1,601,000        |
| <b>Balance, September 30, 2025</b> | <b>6,000,000</b>          | <b>1,601,000</b>   | <b>7,601,000</b> |
| <b>Accumulated impairment</b>      |                           |                    |                  |
| Balance, September 30, 2023        | -                         | -                  | -                |
| Impairments                        | 5,999,999                 | -                  | 5,999,999        |
| Balance, September 30, 2024        | 5,999,999                 | -                  | 5,999,999        |
| <b>Balance, September 30, 2025</b> | <b>5,999,999</b>          | <b>-</b>           | <b>5,999,999</b> |
| <b>Carrying amounts</b>            |                           |                    |                  |
| Balance, September 30, 2024        | 1                         | -                  | 1                |
| <b>Balance, September 30, 2025</b> | <b>1</b>                  | <b>1,601,000</b>   | <b>1,601,001</b> |

QSE Technology

On July 9, 2024, the Company entered into a technology agreement (the "Technology Agreement") with Ovryde Ltd. ("Ovryde") whereby Ovryde agreed to transfer its ownership and rights relating to delivery and application of quantum resilient entropy (the "QSE Technology"). Ovryde is controlled by the spouse of Sean Prescott, who is an officer and former director of the Company (Note 9).

Consideration for the acquisition was valued at \$6,000,000, consisting of 2,800,000 common shares (issued on August 6, 2024) valued at \$2.00 per common share, which was the Company's stock trading price at the date of issuance, and payment of \$400,000 cash (included in due to related parties balance as of September 30, 2024 (Note 9) and paid in October 2024).

As the QSE Technology is an emerging technology that has yet to be broadly adopted, and there is a significant uncertainty of the existence of a market, the Company was unable to determine if it will generate probable future economic benefits and therefore recognized an impairment provision of \$5,999,999 during the year ended September 30, 2024.

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**8. INTANGIBLE ASSET AND GOODWILL, continued**

Cloud Codes

On September 9, 2025, the Company closed the asset purchase agreement dated August 20, 2025 with Plurilock Security Inc. ("Plurilock"), a company listed on the TSX Venture Exchange, whereby the Company acquired PSPL, an Indian corporation, and related "Cloud Codes" assets ("Cloud Codes"). In consideration, the Company paid \$100,000 and issued 4,200,000 common shares of the Company at a price of \$0.34 per share. The total consideration for Cloud Codes was \$1,528,000. As a result of the acquisition of Cloud Codes, the Company acquired a revenue generating business and is able to offer its QSE product offering to existing Cloud Codes customers.

The transaction has been accounted for as a business combination under IFRS 3 using the acquisition method of accounting. The total purchase price was allocated to the assets acquired and liabilities assumed based on the fair value of the total consideration at the closing date of the transaction.

|                                          |                  |
|------------------------------------------|------------------|
| <b>Net assets acquired</b>               | <b>\$</b>        |
| Cash                                     | 52,035           |
| Accounts and other receivables           | 90,264           |
| Prepaid expenses                         | 1,236            |
| Customer contracts                       | 158,000          |
| Intellectual property and software       | 1,443,000        |
| Accounts payable and accrued liabilities | (35,704)         |
| Deferred revenue                         | (78,985)         |
| Deferred income tax                      | (482,553)        |
| Goodwill                                 | 380,707          |
| <b>Total net identifiable net assets</b> | <b>1,528,000</b> |

|                                    |                  |
|------------------------------------|------------------|
| <b>Consideration paid</b>          | <b>\$</b>        |
| Cash                               | 100,000          |
| Fair value of common shares issued | 1,428,000        |
| <b>Consideration paid</b>          | <b>1,528,000</b> |

Deferred tax liability recognized on the acquisition date arises from temporary differences on fair value adjustments to acquired intangible assets and deferred revenue, as the related tax bases were not stepped up on acquisition.

For the period from the acquisition date September 9, 2025 to the reporting date September 30, 2025, PSPL contributed approximately \$40,883 of revenue and \$5,371 of net loss to the consolidated statement of loss and comprehensive loss.

Had the acquisition of PSPL occurred at the beginning of the fiscal year, the Company's pro forma consolidated revenue and net loss for the year ended September 30, 2025, would have been approximately \$583,832 and \$3,828,848, respectively. These pro forma amounts are presented for illustrative purposes only. The information does not purport to represent the actual results that would have been achieved had the acquisition been completed at that date, nor is it necessarily indicative of the Company's future operating result.

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**8. INTANGIBLE ASSET AND GOODWILL, continued**

The purchase price allocation remains provisional as of September 30, 2025. Management is continuing to obtain information necessary to finalize the fair values of identifiable intangible assets. Any measurement period adjustments will be recorded retrospectively as if the accounting had been completed at the acquisition date.

*Goodwill*

|                                      | <b>Total<br/>\$</b> |
|--------------------------------------|---------------------|
| <b>Cost</b>                          |                     |
| Balance, September 30, 2023 and 2024 | -                   |
| Additions                            | 380,707             |
| <b>Balance, September 30, 2025</b>   | <b>380,707</b>      |
| <b>Carrying amounts</b>              |                     |
| Balance, September 30, 2024          | -                   |
| <b>Balance, September 30, 2025</b>   | <b>380,707</b>      |

Goodwill represents the expected benefits from integrating Cloud Codes into the Company's platform, including anticipated synergies, assembled workforce, and the ability to accelerate market entry. Goodwill is not deductible for tax purposes.

As at September 30, 2025, management assessed whether any indicators of impairment existed in respect of the intangible assets and goodwill acquired from Cloud Codes and concluded that no impairment indicators were identified.

**9. RELATED PARTY TRANSACTIONS**

Related party transactions are in the normal course of operations and have been measured at the exchange amount of consideration agreed between the related parties. Except as disclosed elsewhere, the Company entered into the following related party transactions with amounts due to related parties being unsecured, non-interest-bearing, and with no formal terms of repayment:

- Effective April 2024, the Company entered into an employment agreement appointing James Young as Chief Executive Officer. On June 5, 2025, Mr. Young resigned as Chief Executive Officer. The agreement provided remuneration payable of \$120,000 per annum, provision for an annual discretionary bonus (\$nil to date) and grant of restricted share rights as determined by the Equity Incentive Plan. Fees in the amount of \$nil (2024 – \$15,000) were charged by James Young Consulting, a company controlled by Young pursuant to a contract for consulting services.
- Effective February 2025, the Company entered into an employment agreement with Ted Carefoot. Under the agreement, remuneration payable was \$100,000 per annum. Effective June 5, 2025, a revised agreement was entered into in conjunction with Mr. Carefoot being appointed Chief Executive Officer. The revised agreement provided remuneration payable of \$180,000 per annum, provision for performance bonuses (\$nil to date) and grant of restricted share rights as determined by the Equity Incentive Plan.

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### 9. RELATED PARTY TRANSACTIONS, continued

- Fees in the amount of \$35,000 (2024 - \$60,000) were charged by Alan Tam Inc, a company controlled by Alan Tam, a director and officer of the Company, pursuant to a contract for consulting services. Effective May 2025, the Company entered into an employment agreement with Mr. Tam. Under the agreement, remuneration payable is \$84,000 per annum.
- Fees in the amount of \$49,500 (2024 - \$64,000) were charged by Lattz Equity, a company controlled by Darien Lattanzi, a director of the Company, pursuant to a contract for consulting services.
- Fees in the amount of \$154,977 (2024 - \$75,033) were charged by Sprezzo Security – FZCO, a company controlled by Sean Prescott, a former officer and director of the Company, for research and development work on the Neural Network and QSP Platforms. On June 4, 2025, Mr. Prescott resigned as Chief Technology Officer and director of the Company. Accounts payable as of September 30, 2025, were \$nil (2024 - \$13,524 (US\$10,000)). Mr. Prescott was also a trustee to the Prescott Family Foundation, the former counterparty to the Technology Acquisition Agreement.
- Fees in the amount of \$67,920 (2024 - \$nil) were charged by Ovryde Limited, a company controlled by the spouse of Mr. Prescott, for research and development consumables and QSP hosting fees. Accounts payable related to the QSE Technology Agreement as of September 30, 2025 were \$nil (2024 - \$400,000).
- Fees in the amount of \$203,456 (2024 - \$nil) were charged by LeanSprint Inc. (dba BitLab), a company controlled Shoukri Kattan, a director of the Company, for research and development on the QSE Platform.
- Effective September 2025, consulting fees of INR75,000 per month were charged by Hemal Shah, a director of the Company, for research and development on the QSE Platform. Accounts payable as of September 30, 2025 were \$823 (2024 - \$nil).
- Pursuant to a month-to-month sub-lease agreement, amounts of \$81,000 (2024 - \$34,992) were charged by Munchen Motorwerks Ltd, a company of which Darien Lattanzi is director, for office space rental and included in office expenses.

Key management personnel are the persons responsible for planning, directing, and controlling the activities of an entity, and include the chief executive officer, chief financial officer, and directors. The Company has no long-term employee or post-employment benefits. A summary of compensation awarded to key management, excluding reversal of unvested share-based compensation related to the resignation of the former Chief Executive Officer (Note 12(c)) was as follows:

|                          | September 30,<br>2025<br>\$ | September 30,<br>2024<br>\$ |
|--------------------------|-----------------------------|-----------------------------|
| Short-term benefits      | 801,009                     | 268,083                     |
| Share-based compensation | 633,525                     | 678,055                     |
|                          | 1,434,534                   | 946,138                     |

### 10. OTHER LIABILITIES

Included within other liabilities, as at September 30, 2023, were \$50,000 with respect to funds received from a consultant for an on-demand interest-free short-term loan. On October 13, 2023, the Company received an additional on-demand interest-free short-term loan of \$25,000. On November 2, 2023, the Company repaid \$75,000, the total loan amount being outstanding.

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**10. OTHER LIABILITIES, continued**

Also included within other liabilities, as at September 30, 2023, were \$72,000 with respect to funds received relative to future exercise of common share purchase warrants all of which was allocated to share capital on completion of exercise during the year ended September 30, 2024.

On October 13, 2023, the Company received an on-demand interest-free short-term loan of \$25,000 from a third party. On January 30, 2024, the Company repaid \$25,000, being the total loan amount outstanding. On October 24, 2024, the Company received an on-demand interest-free short-term loan of \$50,000 from a third party. On January 26, 2026, the Company entered into a release agreement with the third party under which the loan was forgiven.

**11. CONVERTIBLE LOAN**

On December 23, 2024, and amended January 22, 2025, the Company entered into a one year \$1,000,000 convertible loan financing with First Majestic Silver Corp. ("First Majestic"). The loan financing includes a compound annual interest rate of 4% based on a year of 360 days with 30-day calendar months and the sole right of First Majestic to convert any principal amount of the loan outstanding into common shares of the Company at \$1.40 per share. The Company retained the right to settle the principal loan plus accrued interest at any time in cash.

The loan is considered a compound financial instrument with an interest rate deemed below the market rate for a similar commercial loan with no loan conversion feature and is therefore split into a liability component and an equity component. The call option which allows the Company to repay the principal plus any outstanding accrued interest at any time is a derivative asset which was considered to be closely related and not separately accounted. To determine the discounted cash flow, the Company was required to use significant judgment in determining the appropriate discount rate to apply in the fair value calculation and applied a discount rate of 15% based on its analysis of other companies receiving similar loans at early commercialization stages and the Company's risk factors.

Of the gross proceeds of \$1,000,000, upon recognition \$904,995 was allocated to the present value of the liability component and \$95,005 was allocated to the equity component. Transaction costs of \$34,000 were allocated based on the relative values of the liability of \$30,770 and equity components of \$3,230. Interest on the net liability component was determined using the effective interest rate method of 17.53% annualized.

On March 24, 2025, the parties agreed to redeem the loan in cash. The Company determined that the fair value of the financial liability component of the loan was equal to the redemption amount and allocated all the redemption amount to the financial liability component with the difference being recorded in profit or loss.

|                                    | <b>\$</b>   |
|------------------------------------|-------------|
| Balance, September 30, 2024        | -           |
| Proceeds from loan                 | 1,000,000   |
| Amount classified as equity        | (95,005)    |
| Transaction costs                  | (30,770)    |
| Interest accreted                  | 39,600      |
| Settled in cash                    | (1,010,259) |
| Loss on settlement                 | 96,434      |
| <b>Balance, September 30, 2025</b> | <b>-</b>    |

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**12. SHARE CAPITAL**

**Issued share capital**

As of September 30, 2025, there were 58,891,376 (2024 - 50,700,001) issued and fully paid common shares.

**a) Financings**

*Year Ended September 30, 2025*

On January 10, 2025, the Company closed a non-brokered private placement and issued 1,285,708 units ("Units") at a price of \$1.40 per Unit for gross proceeds of \$1,799,991. Each Unit comprised one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at an exercise price of \$1.80 for a period of two years upon issuance. The Company allocated \$1,337,136 of the proceeds to common shares and \$462,855 to warrants by applying the residual method.

On March 31, 2025, the Company closed the first tranche of a non-brokered private placement and issued 2,000,000 common shares at a price of \$0.50 per common share for gross proceeds of \$1,000,000. On April 9, 2025, the Company closed the final tranche of this non-brokered private placement and issued 1,000,000 common shares at a price of \$0.50 per common share for gross proceeds of \$500,000.

*Year Ended September 30, 2024*

On October 27, 2023, the Company closed a non-brokered private placement for the issuance of 1,250,000 units at a price of \$1.60 per unit for aggregate gross proceeds of \$2,000,000. Each unit comprised one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$2.25 per share for a period of two years. The Company allocated the entire proceeds to common shares and \$nil to warrants by applying the residual method.

On July 30, 2024, the Company closed a non-brokered private placement for the issuance of 1,250,000 common shares at a price of \$1.60 per common share for aggregate gross proceeds of \$2,000,000.

**b) Other**

*Year Ended September 30, 2025*

On September 9, 2025, the Company issued 4,200,000 common shares valued at \$0.34 per common share pursuant to the PSPL acquisition (Note 8).

*Year Ended September 30, 2024*

On May 8, 2024, pursuant to exercise of 400,000 vested restricted share rights, the Company issued 400,000 common shares and recognized a transfer of \$760,000 from reserves to share capital being reclassification of vested share-based compensation.

On August 6, 2024, the Company issued 2,800,000 common shares valued at \$2.00 per share being the Company's stock trading price at the date of issuance for \$5,600,000 pursuant to the QSE Technology Agreement (Note 8).

## **12. SHARE CAPITAL, continued**

### **c) Equity Incentive Plan**

The Company established an Equity Incentive Plan (the "Plan") under which the board of directors may at any time authorize the granting of stock options, deferred share units, and restricted share rights to such participants as it may select for the number of shares that it will designate, subject to the provisions of the Plan.

#### Stock Options

On September 24, 2024, the Company granted 100,000 stock options to an employee at an exercise price of \$1.73 per common share expiring on September 24, 2029. The options vest one-quarter immediately, one-quarter six months from grant date, one-quarter twelve months from grant date, and the remainder eighteen months from grant date. The fair value of the options granted was \$1.53 per option using the Black-Scholes model with the following assumptions: (i) grant date share price - \$1.73 per share; (ii) risk free rate - 2.74%; (iii) expected life - 5 years; (iv) expected volatility - 138.53%; and (v) expected forfeiture and dividends - nil.

On January 9, 2025, the Company granted 200,000 stock options to an employee and 200,000 stock options to a director at an exercise price of \$1.00 per common share expiring on January 9, 2030. The options vest one-quarter six months from grant date, one-quarter twelve months from grant date, one-quarter eighteen months from grant date and one-quarter twenty-four months from grant date. The fair value of the options granted was \$0.83 per option using the Black-Scholes model with the following assumptions: (i) grant date share price - \$1.00 per share; (ii) risk free rate - 3.04%; (iii) expected life - 5 years; (iv) expected volatility - 120.09%; and (v) expected forfeiture and dividends - nil.

On June 5, 2025, the Company granted 950,000 stock options to directors, employees, and consultants at an exercise price of \$0.385 per common share expiring on June 5, 2030. The options vest 60% immediately, 20% six months from grant date, and 20% twelve months from grant date. The fair value of the options granted was \$0.30 per option using the Black-Scholes model with the following assumptions: (i) grant date share price - \$0.385 per share; (ii) risk free rate - 2.86%; (iii) expected life - 5 years; (iv) expected volatility - 128.93%; and (v) expected forfeiture and dividends - nil.

On August 8, 2025, the Company granted 200,000 stock options to a director and employee at an exercise price of \$0.35 per common share expiring on August 8, 2030. The options vest 50% immediately, 25% six months from grant date, and 25% twelve months from grant date. The fair value of the options granted was \$0.29 per option using the Black-Scholes model with the following assumptions: (i) grant date share price - \$0.35 per share; (ii) risk free rate - 2.92%; (iii) expected life - 5 years; (iv) expected volatility - 122.42%; and (v) expected forfeiture and dividends - nil.

Volatility was estimated by using the common share's historical trading price of other companies in the same industry during the similar period.

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**12. SHARE CAPITAL, continued**

**c) Equity Incentive Plan, continued**

Stock options granted and outstanding were as follows:

|                                         | Number of options | Weighted average exercise price (\$) | Weighted average remaining life (years) |
|-----------------------------------------|-------------------|--------------------------------------|-----------------------------------------|
| Balance - September 30, 2023            | 1,500,000         | 0.60                                 | 4.01                                    |
| Granted                                 | 100,000           | 1.73                                 | -                                       |
| Balance - September 30, 2024            | 1,600,000         | 0.67                                 | 3.13                                    |
| Granted                                 | 1,550,000         | 0.54                                 | -                                       |
| Exercised                               | (705,667)         | 0.60                                 | -                                       |
| Expired                                 | (200,000)         | 0.49                                 | -                                       |
| <b>Balance - September 30, 2025</b>     | <b>2,244,333</b>  | <b>0.62</b>                          | <b>3.77</b>                             |
| Unvested                                | (765,000)         | -                                    | 4.52                                    |
| <b>Exercisable - September 30, 2025</b> | <b>1,479,333</b>  | <b>-</b>                             | <b>3.38</b>                             |

| Expiry date        | Exercise price (\$) | Remaining life (years) | Options Outstanding | Unvested       | Exercisable      |
|--------------------|---------------------|------------------------|---------------------|----------------|------------------|
| October 3, 2027    | 0.60                | 2.01                   | 694,333             | -              | 694,333          |
| September 24, 2029 | 1.73                | 3.99                   | 100,000             | 25,000         | 75,000           |
| January 9, 2030    | 1.00                | 4.28                   | 400,000             | 300,000        | 100,000          |
| June 5, 2030       | 0.385               | 4.68                   | 850,000             | 340,000        | 510,000          |
| August 8, 2030     | 0.350               | 4.86                   | 200,000             | 100,000        | 100,000          |
|                    |                     |                        | <b>2,244,333</b>    | <b>765,000</b> | <b>1,479,333</b> |

The weighted average share price at the date of exercise of the stock options was \$1.33. Upon exercise, the fair value of exercised stock options of \$497,328 (2024 - \$nil) was reclassified from reserves to share capital. Upon expiry, the fair value of expired stock options of \$88,413 (2024 - \$nil) was reclassified from reserves to deficit.

**Restricted Share Rights ("Rights")**

Pursuant to a consulting agreement with an advisor to the Company dated October 16, 2023, the Company granted 1,000,000 rights whereby each right vest as: 10% upon grant; 30% after six months; 30% after one year and the remaining 30% after eighteen months. Each vested right was redeemable for one common share of the Company at the time of vesting and expired April 16, 2025. Upon grant, the rights were valued at \$1,900,000 based on the Company's stock trading price of \$1.90 per share at the grant date, which was being recognized over the vesting period. During the year ended September 30, 2024, 400,000 rights had vested and were exercised. During the year ended September 30, 2025, the remaining 600,000 rights were forfeited resulting in a reversal of previously recorded share-based compensation of \$1,123,358.

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**12. SHARE CAPITAL, continued**

**c) Equity Incentive Plan, continued**

Pursuant to employment agreement effective April 2024 with Mr. Young (Note 9), subsequently amended for vesting terms, the Company granted 1,000,000 rights whereby each right vest as: 20% after ten months; 10% after twelve months; 15% after fifteen and eighteen months and 20% after twenty-one and twenty-four months. The modified vesting terms were not deemed beneficial. Upon grant, the rights were valued at \$1,850,000 based on the Company's stock trading price of \$1.85 per share at the grant date, which was being recognized over the vesting period. As of September 30, 2025, 300,000 rights had vested and were exercised subsequent to the year end. The remaining 700,000 rights were forfeited upon resignation resulting in a reversal of previously recorded share-based compensation of \$739,171.

Pursuant to employment agreement effective February 2025 with Mr. Carefoot (Note 9), the Company granted 1,500,000 rights whereby each right vest as: 17% after twelve months; 33% after twenty-four months and 50% after thirty-six months. Upon grant, the rights were valued at \$525,000 based on the Company's stock trading price of \$0.35 per share at the grant date, which was being recognized over the vesting period. As of September 30, 2025, nil rights had vested, and 1,500,000 rights remain unvested.

Pursuant to employment agreement effective February 2025 with Mr. Carefoot (Note 9), the Company granted 135,000 rights whereby each right vest as: 33% after twelve months; 33% after twenty-four months and 34% after thirty-six months. Upon grant, the rights were valued at \$47,250 based on the Company's stock trading price of \$0.35 per share at the grant date, which was being recognized over the vesting period. As of September 30, 2025, nil rights had vested, and 135,000 rights remain unvested.

Restricted share rights outstanding were as follows:

|                                         | <b>Number of<br/>Rights</b> |
|-----------------------------------------|-----------------------------|
| Balance - September 30, 2023            | -                           |
| Granted                                 | 2,000,000                   |
| Exercised                               | (400,000)                   |
| Balance - September 30, 2024            | 1,600,000                   |
| Granted                                 | 1,635,000                   |
| Forfeited                               | (1,300,000)                 |
| <b>Balance - September 30, 2025</b>     | <b>1,935,000</b>            |
| Unvested                                | (1,635,000)                 |
| <b>Exercisable - September 30, 2025</b> | <b>300,000</b>              |

| <b>Expiry date</b> | <b>Rights<br/>Outstanding</b> | <b>Unvested</b>  | <b>Exercisable</b> |
|--------------------|-------------------------------|------------------|--------------------|
| December 31, 2026  | 300,000                       | -                | 300,000            |
| June 5, 2028       | 1,500,000                     | 1,500,000        | -                  |
| August 8, 2028     | 135,000                       | 135,000          | -                  |
|                    | <b>1,935,000</b>              | <b>1,635,000</b> | <b>300,000</b>     |

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**12. SHARE CAPITAL, continued**

**c) Equity Incentive Plan, continued**

During the year ended September 30, 2025, the Company recorded \$569,309 in share-based compensation expense related to the vesting of stock options and \$920,588 related to the vesting of restricted share rights and a recovery of \$1,862,529 relating to the reversal of previously recorded share-based compensation relative to unvested forfeited restricted share rights.

During the year ended September 30, 2024, the Company recorded \$43,561 in share-based compensation expense related to the vesting of stock options and \$2,345,258 related to the vesting of restricted share rights.

**d) Share Purchase Warrants**

Share purchase warrants issued, exercised and outstanding were as follows:

|                                     | <b>Number of<br/>warrants</b> | <b>Weighted average<br/>exercise price (\$)</b> | <b>Weighted average<br/>remaining life<br/>(years)</b> |
|-------------------------------------|-------------------------------|-------------------------------------------------|--------------------------------------------------------|
| Balance - September 30, 2023        | 7,250,000                     | 0.19                                            | 0.44                                                   |
| Issued                              | 625,000                       | 2.25                                            |                                                        |
| Expired                             | (1,250,000)                   | 0.20                                            |                                                        |
| Exercised                           | (6,000,000)                   | 0.18                                            | -                                                      |
| Balance - September 30, 2024        | 625,000                       | 2.25                                            | 1.07                                                   |
| Issued                              | 1,285,708                     | 1.80                                            |                                                        |
| <b>Balance - September 30, 2025</b> | <b>1,910,708</b>              | <b>1.95</b>                                     | <b>0.88</b>                                            |

| <b>Expiry date</b> | <b>Exercise price<br/>\$</b> | <b>Number of<br/>warrants<br/>outstanding</b> |
|--------------------|------------------------------|-----------------------------------------------|
| October 27, 2025   | 2.25                         | 625,000                                       |
| January 10, 2027   | 1.80                         | 1,285,708                                     |
|                    |                              | <b>1,910,708</b>                              |

Upon exercise, the fair value of previously issued agent share purchase warrants of \$nil (2024 - \$172,410) was reclassified from reserves to share capital.

**e) Diluted Loss per Share**

Excluded from the calculation of diluted loss per share were 2,244,333 stock options, 1,910,708 share purchase warrants and 1,935,000 restricted share rights (2024 – 1,600,000 stock options, 625,000 share purchase warrants and 1,600,000 restricted share rights respectively), that could potentially dilute basic earnings per share in the future but were not included as being antidilutive for each of the years ended September 30, 2025, and 2024.

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**13. SEGMENTED INFORMATION**

The Company's operations are in one reportable segment, being the specialization in quantum security and machine learning providing solutions in data security, quantum encryption, and neural networks. Currently, operations are based in Canada and India. The Company's segmented information as prepared by management was as follows:

|                           | September 30,<br>2025 | September 30,<br>2024 |
|---------------------------|-----------------------|-----------------------|
|                           | \$                    | \$                    |
| <b>Intangible Assets:</b> |                       |                       |
| Canada                    | 1                     | 1                     |
| India                     | 1,601,000             | -                     |
|                           | <u>1,601,001</u>      | <u>1</u>              |
| <b>Goodwill:</b>          |                       |                       |
| India                     | 380,707               | -                     |
|                           | <u>380,707</u>        | <u>-</u>              |
| <b>Revenue:</b>           |                       |                       |
| Asia                      | 29,223                | -                     |
| North America             | 3,163                 | -                     |
| South America             | 6,597                 | -                     |
| Europe                    | 1,197                 | -                     |
| Africa                    | 703                   | -                     |
|                           | <u>40,883</u>         | <u>-</u>              |

**14. SUPPLEMENTAL CASH FLOW INFORMATION**

|                                                                | September 30,<br>2025 | September 30,<br>2024 |
|----------------------------------------------------------------|-----------------------|-----------------------|
|                                                                | \$                    | \$                    |
| <b>Cash:</b>                                                   |                       |                       |
| Interest received                                              | 40,335                | 30,970                |
| <b>Non-Cash:</b>                                               |                       |                       |
| <i>Working capital:</i>                                        |                       |                       |
| Accounts payable included in intangible assets                 | -                     | 400,000               |
| <i>Investing activities:</i>                                   |                       |                       |
| Share issued pursuant to agreements                            | 1,428,000             | 5,600,000             |
| <i>Financing activities:</i>                                   |                       |                       |
| Share subscriptions received in prior period                   | -                     | 72,000                |
| Equity component of convertible loan, net of transaction costs | 91,775                | -                     |
| Proceeds from private placement allocated to warrants          | 462,855               | -                     |
| Fair value of equity instruments transferred within equity     | 585,741               | 932,410               |

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### **14. SUPPLEMENTAL CASH FLOW INFORMATION, continued**

Cash and cash equivalents consist primarily of cash at banks and other short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. As at September 30, 2025 cash on hand was \$136,936; held in Prime-Linked Cashable GICs was \$750,000 and held in a restricted GIC as credit card collateral was \$15,000 (September 30, 2024 - on hand: \$107,426; Prime-Linked Cashable GICs: \$953,149; and restricted: \$15,000).

### **15. TECHNOLOGY ACQUISITION AGREEMENT**

On February 15, 2022, the Company entered in a technology acquisition agreement (the "Technology Acquisition Agreement") with the Foundation for the exclusive right of use to the Foundation's image recognition technology (the "Technology"). A former director of the Company is also the trustee to the Foundation (Note 9). Pursuant to an assignment agreement dated June 25, 2024, the Foundation assigned the technology and Technology Acquisition Agreement to Ovryde (Note 9).

In consideration for the rights granted, the Company agreed to issue:

- 250,000 common shares on the latter of completion of expenditures of \$250,000 or February 15, 2023 (issued on May 24, 2023).
- An additional 250,000 common shares on the latter of completion of expenditures of \$600,000 or February 15, 2024.
- An additional 250,000 common shares on the latter of the Company generating revenue of \$250,000 or February 15, 2025.
- An additional 250,000 common shares on the latter of the Company generating revenue of \$500,000 or February 15, 2026.

The Company has the option to accelerate the Technology Acquisition Agreement by providing notice of two business days and to issue all common shares due thereunder. Pursuant to the same agreement, the Company may terminate the Technology Acquisition Agreement at any time without cause, and without incurring any additional obligation, liabilities, or penalty, by providing at least 30 days' prior written notice.

As at September 30, 2025, the Company had not completed a cumulative \$600,000 in expenditures and both parties mutually agreed to indefinitely pause and defer all amounts due under the Technology Acquisition Agreement.

### **16. PREPAID EXPENSES**

Included in prepaid expenses as at September 30, 2025 is an amount of \$51,250 (2024 - \$678,851) representing advance payments for ongoing marketing campaigns.

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**17. INCOME TAX**

A reconciliation of the income tax charge computed at statutory rates to the reported loss before taxes is as follows:

|                                                  | September 30<br>2025 | September 30<br>2024 |
|--------------------------------------------------|----------------------|----------------------|
|                                                  | \$                   | \$                   |
| Net loss before tax                              | (3,712,717)          | (11,439,471)         |
| Statutory tax rate                               | 27%                  | 27%                  |
| Income tax benefit at statutory rate             | (1,002,433)          | (3,088,657)          |
| Adjustment to income taxes of other countries    | (344)                | -                    |
| Permanent differences                            | (63,612)             | 2,450,821            |
| Temporary differences                            | (35,364)             | (19,135)             |
| Change in timing differences                     | (270,549)            | (111,564)            |
| Unused tax losses and tax offsets not recognized | 1,372,302            | 758,480              |
| <b>Income tax recovery</b>                       | -                    | (10,055)             |

The Company received a refund of \$10,055 during the year ended September 30, 2024 with respect to reassessment of previous year tax filings.

The Company's unrecognized deductible temporary differences for which no deferred tax asset is recognized consist of the following amounts:

|                                                      | September 30<br>2025 | September 30<br>2024 |
|------------------------------------------------------|----------------------|----------------------|
|                                                      | \$                   | \$                   |
| Non-capital losses                                   | 8,317,956            | 3,760,971            |
| Capital losses                                       | 720,525              | 720,525              |
| Intangible asset                                     | 862,499              | 399,999              |
| Share issue costs                                    | 250,724              | 187,608              |
| <b>Unrecognized deductible temporary differences</b> | 10,151,704           | 5,069,103            |

The tax effect of each item that gives rise to the Company's deferred tax liabilities are as follows:

|                                    | September 30<br>2025 | September 30<br>2024 |
|------------------------------------|----------------------|----------------------|
|                                    | \$                   | \$                   |
| <i>Deferred tax liabilities:</i>   |                      |                      |
| Customer contracts                 | (42,660)             | -                    |
| Intellectual property and software | (389,610)            | -                    |
| Deferred revenue                   | (50,283)             | -                    |
| <b>Deferred tax liabilities</b>    | (482,553)            | -                    |

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**17. INCOME TAX, continued**

As of September 30, 2025, the Company has approximately \$7,915,000 (2024 - \$3,760,000) of non-capital losses and approximately \$720,000 (2024 - \$720,000) of capital losses for Canadian income tax purposes. Non-capital losses may be carried forward to reduce taxable income derived in future years and expire between 2041 to 2045. Capital losses may be carried forward to reduce any future taxable capital gains and have no expiry date.

As of September 30, 2025, the Company has approximately \$403,000 (2024 - \$nil) of non-capital losses for Indian income tax purposes that may be carried forward to reduce taxable income derived in future years. Their expiry dates range from 2031 to 2033.

**18. SUBSEQUENT EVENTS**

Other than disclosed elsewhere, the following occurred subsequent to September 30, 2025:

On November 5, 2025, the Company closed a non-brokered private placement financing by issuing 7,894,736 units at a price of \$0.38 per unit for total proceeds of \$3,000,000. Each unit consisted of one common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to acquire one additional share at an exercise price of \$0.60 until November 5, 2028. The Company paid finders a fee totaling \$49,431.

On November 14, 2025, the Company issued 300,000 shares pursuant to exercised vested restricted share rights.

On January 26, 2026, the Company entered into a release agreement with the third party under which a short-term loan of \$50,000 was forgiven (Note 10).