Software Made Certain.

CYBEATS TECHNOLOGIES CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in Canadian Dollars)

Dated February 3, 2025

Management's Discussion and Analysis of Operations

For the three and twelve months ended December 31, 2023

This Management's Discussion and Analysis ("MD&A") is prepared as of December 31, 2023 and has been prepared in accordance with International Financial Reporting Standards ("IFRS). All amounts are in Canadian dollars.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's directors follow recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

Caution Regarding Forward Looking Statements

This document contains forward-looking statements, such as statements regarding future sales opportunities in various global regions and financing initiatives that are based on current expectations of management. These statements involve uncertainties and risks, including the Company's ability to obtain and/or access additional financing with acceptable terms, and delays in anticipated product sales. Such forward-looking statements should be given careful consideration and undue reliance should not be placed on these statements.

The preparation of the MD&A may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Management bases estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Management believes the accounting policies, outlined in the Significant Accounting Policies section of its consolidated financial statements, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Introduction

The following MD&A for the three and twelve months ended December 31, 2023 has been prepared to help investors understand the financial performance of Cybeats Technologies Corp. ("the Company" or "Cybeats"), in the broader context of the Company's strategic direction, the risk and opportunities as understood by management, and the key metrics that are relevant to the Company's performance. The Audit Committee of the Board of Directors has reviewed this document and all other publicly reported financial information for integrity, usefulness, reliability and consistency.

All amounts are expressed in Canadian dollars (CAD) unless otherwise noted.

Additional information about Cybeats Technologies Corp., this document, and the related quarterly financial statements can be viewed on the Company's website at www.cybeats.com and are available on SEDAR at www.sedar.com.

The Company's Common Shares are listed and traded on the CSE ("CSE"), OTCQB, and the Frankfurt exchange under the symbols CYBT, CYBCF and P4T.F respectively.

Corporate Overview

Cybeats Technologies Corp. is a cybersecurity company providing SBOM management and software supply chain intelligence technology, helping organizations to manage risk, meet compliance requirements, and secure their software from procurement to development and operation.

Cybeats' SBOM Studio is a comprehensive solution that manages and distributes software bills of material (SBOMs) in a single platform. It provides a centralized view of software vulnerabilities, enabling them to improve the visibility and security of their software supply chain.

Fundamentally, the solution unlocks the value of SBOMs, enabling proactive risk management, and giving transparency to software, whether as a developer, business consumer, or regulator.

SBOM Studio organizes, enriches, and presents SBOMs in meaningful ways, providing centralized, continuous risk intelligence, with the benefits of continuous vulnerability detection, increased remediation efficiency, and compliance adherence.

Cybeats recently launched the BCA Marketplace a product designed to aggregate leading 'Binary Composition Analysis' (BCA) and Software Bill of Materials (SBOM) vendors. This marketplace simplifies the purchasing process for organizations, offering high-quality SBOM generation tools in one centralized location.

Cybeats went public via RTO in November 2022 and completed a convertible debenture financing for gross proceeds of over $2 million on January 25, 2024, and an equity financing for gross proceeds of over $2.4 million on April 12, 2024.

Background

In 2016, Cybeats commenced operations and the building of an integrated cybersecurity platform designed to secure and protect IoT devices. The vision included a unique approach to eliminate device downtime due to cyber-attacks, while also allowing device manufacturers to develop and maintain secure and protected devices in a timely and cost-efficient manner.

After years of building its IoT security platform, growing its operations and arriving at a growth stage that required additional capital to expand, Cybeats, and its micro-agent product, was acquired by Scryb in early 2021. In response to a unique opportunity driven by emerging cyber regulation from the US and Europe, Cybeats invested significant capital, resources and utilized the existing infrastructure and vulnerability data lake to create its *SBOM Studio* launching commercially early 2022.

The Software Bill of Materials (SBOM) standard, a result of government-industry collaboration, aims to provide genuine software component transparency. SBOMs are machine-readable inventories detailing software components, dependencies, and relationships, encompassing open-source and proprietary components. The US government mandates SBOM use in the private sector for all US Federal contractors that provide products or services with a software component (Executive Order 14028, issued in May 2021). Further, the FDA is enforcing SBOM inclusion in new medical device submissions from October 2023.

With increasing regulatory and security pressures, the use of SBOMs is growing. The resulting data management problem drove the development of *SBOM Studio*. Managing SBOMs is proving to be costly for many organizations due to the complexity of implementation, the amount of labor to maintain them, and the lack of expertise in this new area of cybersecurity. With thousands of vulnerabilities now clearly identified, organizations need to prioritize vulnerability remediation in a meaningful way, considering both criticality and exploitability. At an enterprise scale, these problems are greatly compounded due the need to share hundreds of SBOMs among their clients, their vendors, internally, and with regulators. *SBOM Studio* is designed to address these new problems and is helping customers improve their security posture while reducing costs.

Results of Operations

Overview

Following its previous significant growth, Cybeats maintained the size of its commercial operations while reducing development costs in non-revenue generating parts of its technology team. Specifically, Cybeats reduced the size of its IoT technology team in order to focus capital and company effort on its SBOM management solution and commercial operations. This focus will continue through Q4 and beyond, resulting in additional operational efficiencies.

On November 1, 2023, the Company appointed of Justin Leger, MBA, as Chief Executive Officer. As incoming CEO, Mr. Leger's primary mandates are to drive the optimization and refinement of growing commercial operations, and to accelerate the company's foundation of dedicated U.S. infrastructure including corporate headquarters and listing on a senior U.S. exchange such as the NASDAQ. Justin's appointment as CEO follows the successful commercial launch of *SBOM Studio*, which is now the solution of choice for several of the world's largest infrastructure and medical device companies from the Fortune 500.

Commercial Engagements by Opportunity Segment

Nature of Commercial Contracts

For large enterprise customers there is typically a paid or unpaid trial deployment to test *SBOM Studio*. These customers complete the trial commercial deployment and sign multi year contracts that range from 1-4 years. As *SBOM Studio* integrates across the customer's organization there is often a ramp-up in usage driving license expansion and an increase in revenue per client over the life of the contract.

The Company will deploy the following framework for the commercial engagement pipeline and related opportunities which are as of the date of this MD&A:

(i) Trial Deployments at no cost:

Currently Cybeats has trial deployments in a variety of industries.

Cybeats has identified the Automotive and Telecom sectors as it looks to expand its commercial pipeline with the signing of two large global telecom technology providers and an automotive OEM provider to pilot agreements.

(ii) Paid Software Evaluation Periods:

Cybeats is currently in various stages of license contract negotiation with potential customers in multiple industries to have a paid software evaluation period.

Cybeats signed a commercial pilot with another top-seven global Industrial Control System company and is currently in final stages of a multiyear commercial agreement.

(iii) Commercial Licenses to Enterprise Product Suites:

As is industry standard for Software as a Service businesses, commercial licenses for enterprise product suites are recognized over the life of the contract. These contracts also can be expanded through additional usage charges or product features for additional cost. As of November 29, 2023, 25% of the enterprise customers have expanded their contracts through these product expansion options. Cybeats also currently has 100% client retention rate of commercial customers.

As at June 28, 2024 Cybeats has closed on several multi-year six figure enterprise engagements including:

Medical Device and Technology Companies

- Global Medical Device Manufacturer
- Multinational Healthcare Conglomerate
- American Multinational Medical technology company
- Starfish Medical, a contract medical technology engineering firm

Cybeats has commercial contracts with three of the top seven (by revenue) Medical Device Manufacturers globally with one closing subsequent to period ending December 31, 2023.

Industrial Control System (ICS) Companies

- Schneider Electric SE, a digital automation and energy management company
- Johnson Controls International, Global Technology Leader in 'Smart Buildings' and building security equipment
- International Industrial Automation Company

Cybeats has commercial contracts with three of the top seven (by revenue) Industrial Control System Companies globally.

Other Companies

- Integral Ad Science, a leader in digital media quality and advertising technology
- Bullish Global, a regulated cryptocurrency exchange
- U.S electrical grid technology provider
- Top three EU telecom provider
- Multinational water technology company
- U.S. intelligence agency

(iv) Large Commercial Engagements:

Marketing activities are designed to identify prospects with buying intent based on the response to certain calls-to-action in direct marketing programs. Qualified sales leads with purchase intent are routed to the business development team for one-on-one follow-up and opportunity identification.

Cybeats reported a 322% monthly recurring revenue growth for 2023 with over 144% net revenue retention illustrating product usage and demand.

(v) Partnership Programs:

Currently Cybeats has multiple partnerships that include:

- Health Information Sharing and Analysis Center("H-ISAC") joint go-to-market solution servicing Medical Device Manufacturers("MDM") and Healthcare Delivery Organizations. H-ISAC has over 700 member healthcare providers, pharmaceutical companies and MDMs.
- Device Authority, a company that provides end to end compliance and operational effectiveness to IoT devices
- Large American cybersecurity company as part of its technology partnership alliance
- Next Generation Manufacturing Canada (Ngen) to further its relationship development with Canada's leading manufacturing companies
- Large American endpoint and security management cybersecurity company as part of its technology partnership alliance
- International network cybersecurity company as part of its technology partnership alliance

BCA Marketplace – Cybeats has the below vendors:

- CodeSecure a leading Binary Analysis tool used for SBOM generation *(vi) Resellers:*

Cybeats is pursuing partnerships and resellers that are trained and equipped to market and sell its products and services, or that have typically been focused on serving a single country where Cybeats does not have a direct sales force. In some instances, resellers will collaborate with the direct sales team on larger scale strategic opportunities in a joint selling model. In all instances that resellers are used to actively market and sell our products and services, Cybeats remains responsible for the delivery of our products to the customer and oversee establishing pricing. We recognize products and services sold through resellers will be sold at wholesale prices and will be recognized in revenue in a similar manner to those sold by Cybeats direct sales channel.

Cybeats is currently in stage of commercially expanding Cybeats *SBOM Studio*, and more information on the product suite is outlined below:

Cybeats *SBOM Studio* Overview

Software Supply Chain Security Overview and Customer Need

Today, software is rarely developed from the ground-up and is instead composed of third-party elements such as pre-built libraries and open-source components in order to shorten the development cycle. Use of open-source components has increased significantly in recent years with estimates that software typically contains up to 90% of open-source components. The greater reliance on external components, the greater risk of exposing companies and their customers to greater risk as these may have critical vulnerabilities that could be exploited/hacked. To combat this threat, the industry has moved towards improving the security posture of software by improving transparency through the software supply chain. This greater need for software transparency has pushed the government to enact regulations such as the Whitehouse Executive Order (May 12, 2021). The order's primary mandate is to enhance the integrity of software supply chains by requiring a Software Bill of Materials (SBOM) to all United States federal government suppliers. The Whitehouse further solidified its stance on SBOMs as on July 13, 2023, it included SBOMs as one of the five pillars in the new U.S. National Cybersecurity Strategy Implementation Plan.

An SBOM is a record of all the components that make up a software product. It is analogous to a nutritional facts/ingredients list found on everyday food products. The adoption of SBOMs will be a major part of this increase in software supply chain security and is expected to occur across a wide range of industries including automotive, critical infrastructure, financial software, medical software, among others. An organization that effectively monitors its SBOMs will have more transparency into its software supply chain and will be able to act quickly and effectively as vulnerabilities arise. The current lack of transparency has been a driving force in the rise of software supply chain attacks creating significant disruption to both businesses and public services. The high visibility of these attacks has increased public pressure for producers of software to demonstrate that their products are secure.

The introduction of new regulation and the industry-wide shift to enhanced security has created the need for organizations to effectively manage their SBOMs and then share them with downstream enterprise consumers of their products. Developing the systems and processes to facilitate the execution of an SBOM management program can be costly both financially and in effort.

Software Supply Chain Security Market

As the emerging standard in software supply chain security, the adoption and management of SBOMs is a leading indicator for growth. Key drivers in the software supply chain security market include:

- Regulations mandating enhanced software supply chain security such as Whitehouse Executive Order 14028, mandating the use of SBOM for US federal suppliers;
- Other regulation that brings more attention to the cybersecurity risks of critical assets, such as FDA enforcing SBOM inclusion in new medical device submissions from October 2023;
- An increase in the frequency and severity of software supply chain attacks;
- Continued use of open-source code by software developers, leading to increased software supply chain risk.

Cybercrimes pose immense risks to companies as they endanger corporate assets, intellectual property, customer relationships, brand reputation, and employees. Over the past decade there has been a significant increase in cybercrime, with annual global damages reaching $3.5 billion in 2019, approximately 3.3 times higher than the damages recorded in 2015, 7.2 times higher than the damages recorded in 2011 and 14.6 times higher than the damages recorded in 2007.

Cybeats *SBOM Studio*

SBOM Studio was created to manage the growing need for software supply chain transparency and security. It is offered as a SaaS or self-hosted solution, depending on customer needs. It is industry agnostic to all software producers and consumers. The aim of *SBOM Studio* is to ensure software security and compliance by reducing the risk of using vulnerable components, tracking software changes and updates, and ensuring compliance with licensing agreements. *SBOM Studio* offers an effective and innovative solution to the software supply chain problem.

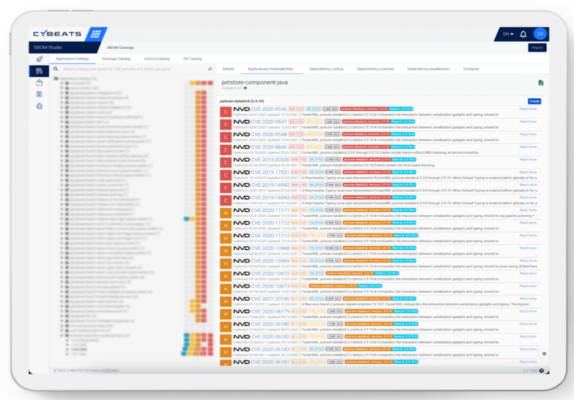

Figure 1: SBOM Studio

Cybeats announced enhancements for its *SBOM Studio*, with clients now able to automatically generate Vulnerability Exploitability Exchange (VEX) reports to determine which software vulnerabilities are high risk and exploitable, helping security teams prioritize software remediations and reduce time and cost. VEX and SBOM combined provide a comprehensive view of the vulnerabilities present in an organization's software, allowing organizations to prioritize remediation efforts, receive updates on mitigation efforts, and access patches or updated versions. With *SBOM Studio*, organizations can combine VEX and SBOM at a reduced cost and with minimal manual labor, gaining valuable insights into cybersecurity risk management, compliance, and supply chain optimization.

<u>The benefits of Cybeats *SBOM Studio* include:</u>

- Data completeness of SBOMs as a result of an expanding data lake of vulnerabilities;
- Integration with the existing corporate infrastructure that streamlines and improves efficiency. *SBOM Studio* currently integrates with third-party solutions, such as "Jira", which allows customers to utilize current solutions;

- Cost reduction because it allows for the reduction of time to look through code to find known vulnerabilities. For example, when Log4J was discovered, many large enterprises took thousands of hours to locate this vulnerability within their code, but Cybeats *SBOM Studio* could have found this vulnerability within minutes which adds to effective crisis management;
- A prioritization plan to reduce the vulnerability risk of the customers' software by ranking the vulnerabilities and highlighting the changes that are easy to implement;
- A license risk management system that lists the licenses that the customer's software uses that helps lower the legal risk; and
- SBOM sharing, which is needed for software transparency along the software supply chain.

Cybeats *SBOM Studio* is a solution that can be used by both software developers, such as Software-as-a-service companies and software consumers such as hospitals as both could require the functionality of the product. *SBOM Studio* can also be used across many industry verticals such as automotive & aerospace, medical devices, critical infrastructure, and IT & digital solutions. This large number of potential customers presents an enormous opportunity with a growing market need.

The interest in the product continues to grow at a rapid pace due to customer needs and a changing regulatory environment regarding SBOM and software supply chain. Cybeats *SBOM Studio* continues to expand its functionality to help maintain its competitive advantage. Cybeats will focus on expanding its product offering to address a broader market and continue expanding its integration with existing corporate solutions.

Competition

Companies that both develop and consume software look to both generate and manage SBOMs as a part of their cybersecurity solutions and to be compliant with the industry regulations and Executive Orders.

SBOM Generating Solutions

To be compliant with regulations companies will look for solutions to generate SBOMs from their software. There are currently open-source solutions along with paid solutions from third party vendors. These solutions focus on generating SBOMs but do not deal with how to manage or properly analyze SBOM. These companies do not directly compete against Cybeats *SBOM Studio* as Cybeats currently does not generate SBOMs but manages and analyzes them. Companies that offer generation solution are Whitesource, Finite State, Adolus and others. These solutions can be used in tandem with Cybeats *SBOM Studio*.

SBOM Management Solutions

As companies generate SBOMs they will need a solution to properly manage and analyze them. These solutions will offer a repository for a place to store all company SBOMs. This repository will give the company a wholistic view of the company SBOMs and security. These solutions will be direct competitors with Cybeats *SBOM Studio*. Companies that manage and analyze SBOMs are Adolus, Ion Channel, Anchore and others.

Funding & Liquidity

To support the Company's growth independent of Scryb Inc., Cybeats closed a financing of approximately $8.3M in conjunction with its public listing as Cybeats Technologies Corp. and commencing its first day of trading on the CSE on November 21, 2022. This also allows Cybeats to access the public markets for the capital it will need to grow its business. The Company completed a private placement on May 10, 2023, that closed over $6.2 million in gross proceeds. The Company will need to continue to raise money through equity financing to fund the growth and operations of the business.

Selected Annual Information

The following table sets forth selected financial information for Cybeats Technologies Corp. for the three and twelve months ended December 31, 2023, and 2022. This information has been derived from the Company's financial statements for the years and should be read in conjunction with financial statement and the notes thereto.

	For the three months ended December 31, 2023	For the three months ended December 31, 2022	For the twelve months ended December 31, 2023	For the twelve months ended December 31, 2022
Income	409,050	147,954	1,172,747	147,954
Expenses	3,723,197	20,324,091	11,477,108	20,324,091
Loss for the year	(3,314,147)	(20,176,137)	(10,337,612)	(20,176,137)
Loss per share	(0.03)	(0.58)	(0.11)	(0.58)
Total assets	1,863,083	1,124,805	1,863,083	1,124,805
Total Liabilities	4,765,970	3,179,329	4,765,970	3,179,329
Working capital	(2,998,135)	(2,168,801)	(2,998,135)	(2,168,801)

The following table sets forth selected financial information for Cybeats Technologies Corp. for the years ended December 31, 2022, and 2021. This information has been derived from the Company's financial statements for the periods indicated and should be read in conjunction with audited financial statements and the notes thereto.

	Year Ended 31-Dec-23	Year Ended 31-Dec-22	Year Ended 31-Dec-21
Loss before non-operating income	$ 10,337,612	$ 20,176,137	$ 146,305
Loss before income taxes	10,337,612	20,176,137	146,305
Loss per common share, basic and diluted	0.11	0.58	0.12
Net and comprehensive loss	10,337,612	20,176,137	146,305
Net Loss per Common Share, Basic and Diluted	0.11	0.58	0.12
Weighted average number of shares outstanding	97,731,924	21,705,605	1,267,139
Financial Position			
Total assets	1,863,083	1,124,805	1,124,805
Net working capital	(2,998,135)	(2,168,801)	(2,168,801)

For the three months ended December 31, 2023, and 2022

The schedule below presents the year-ended statement of earnings to highlight the non-recurring items. The loss for the three-month period ended December 31, 2023, is $3,314,147 and in 2022, loss of $15,889,067

	Three-months ended		
	December 31, 2023	**December 31, 2022**	**Variance**
Revenue			
Sales	**$ 409,050**	$ 92,597	$ 316,453
Total Revenues	**409,050**	92,597	316,453
Expenses			
Advertising and promotion	**747,308**	315,284	432,024
Commissions and bonuses	**-**	144,750	(144,750)
Computer and software	**24,871**	90,694	(65,822)
Depreciation	**20,228**	28,750	(8,522)
Filing Fees	**31,846**	-	31,846
Insurance	**-**	3,125	(3,125)
Interest and bank charges	**120,116**	(49,164)	169,280
Meals and entertainment	**28,658**	13,678	14,980
Office and general	**7,977**	51,744	(43,766)
Product development	**16,257**	612,085	(595,828)
Professional fees	**(39,286)**	106,138	(145,424)
Repairs and maintenance	**2,184**	13,210	(11,026)
Salary and wages	**928,515**	3,391,096	(2,462,582)
Shareholder communications and marketing	**(13,967)**	120,210	(134,176)
Travel expense	**13,322**	72,007	(58,685)
Total Expenses	**1,888,030**	4,913,607	(3,025,577)
Net loss before share-based compensation	**(1,478,979)**	(4,821,010)	3,342,030
Non-cash - Reverse Takeover Costs	**-**	7,523,240	(7,523,240)
Non-cash - Unrealized Loss (Gain) on foreign currency exchan{	**-**	7,383	(7,383)
Non-cash - Share-Based Compensation	**1,835,167**	3,537,434	(1,702,267)
Net earnings (loss) and comprehensive income (loss)	**(3,314,147)**	(15,889,067)	12,574,920

- Sales revenue increased which comprises of revenues earned through the commercialization of Cybeats' *SBOM Studio* platform
- Advertising and promotion increased which relate to strategic planning and advertising campaigns to promote the Cybeats brand as well as its' product offering
- Computer and software expenses were a result of the need to purchase computer hardware, software, and an increase in hosting costs
- Depreciation expenses include lease agreements of the office spaces which are marked as right-of-use
- Filing fees include listing and transfer fees incurred as company is publicly listed and increased from a reclassification of expenses
- Insurance expenses include costs associated with cyber and professional liability as Cybeats grows its commercial activities
- Interest and bank charges comprise of interest charged from short term loan agreements
- Meals and entertainment expenses include expenditures associated with holding networking and attending industry-leading conferences to boost Cybeats' commercial presence

- Office and general expenses decreased due to lower full-time headcount as compared to the same time in the prior period
- Product development expenses relate to further development of the *SBOM Studio* platform including feature developments and decreased due to a reclassification of expenses
- Certain professional fees incurred were reclassed in the current period to better reflect the costs incurred
- Salary and wages decreased due to a large number of consultants and expenses used for the go public transaction in the comparable period
- Travel expenses include costs for employee travel to various conferences and seminars, these costs assist in increasing brand awareness of the commercial activities for Cybeats
- Share-based compensation costs decreased due to the cancellation of certain options for employees or consultants that are no longer with the Company

For the twelve months ended December 31, 2023, and 2022

The schedule below presents the year-ended statement of earnings to highlight the non-recurring items. The loss for the twelve-month period ended December 31, 2023, is $10,337,612 and in 2022, loss of $20,176,137.

	Twelve-months ended		
	December 31, 2023	**December 31, 2022**	**Variance**
Revenue			
Sales	**$ 1,172,747**	$ 147,954	$ 1,024,793
Total Revenues	**1,172,747**	147,954	1,024,793
Expenses			
Advertising and promotion	**1,455,830**	679,321	776,510
Commissions and bonuses	**50,207**	202,073	(151,866)
Computer and software	**237,395**	192,207	45,188
Depreciation	**108,021**	109,889	(1,868)
Filing Fees	**84,691**	-	84,691
Insurance	**8,849**	7,701	1,148
Interest and bank charges	**136,744**	97,627	39,117
Meals and entertainment	**75,779**	43,655	32,124
Office and general	**14,437**	83,204	(68,767)
Product development	**1,021,320**	1,011,528	9,792
Professional fees	**176,690**	197,390	(20,700)
Repairs and maintenance	**2,184**	27,545	(25,361)
Salary and wages	**5,565,113**	6,274,519	(709,406)
Shareholder communications and marketing	**356,026**	120,210	235,817
Travel expense	**182,621**	193,962	(11,341)
Total Expenses	**9,475,907**	9,240,829	235,078
Net loss before share-based compensation	**(8,303,160)**	(9,092,875)	789,715
Non-cash - Reverse Takeover Costs	**-**	7,523,240	(7,523,240)
Non-cash - Unrealized Loss (Gain) on foreign currency exchan	**33,251**	22,587	10,664
Non-cash - Share-Based Compensation	**2,001,201**	3,537,434	(1,536,233)
Net earnings (loss) and comprehensive income (loss)	**(10,337,612)**	(20,176,137)	9,838,525

- Sales revenue increased which comprises of revenues earned through the commercialization of Cybeats' *SBOM Studio* platform
- Advertising and promotion increased which relate to strategic planning and advertising campaigns to promote the Cybeats brand as well as its' product offering
- Computer and software expenses were a result of the need to purchase computer hardware, software, and an increase in hosting costs
- Depreciation expenses include lease agreements of the office spaces which are marked as right-of-use
- Filing fees include listing and transfer fees incurred as company is publicly listed
- Insurance expense increased due to the need for expanding coverage for cyber and professional liability as Cybeats grows its commercial activities
- Interest and bank charges comprise of interest charged from short term loan agreements
- Meals and entertainment expenses include expenditures associated with holding networking and attending industry-leading conferences to boost Cybeats' commercial presence
- Product development expenses relate to further development of the *SBOM Studio* platform including feature developments
- Professional fees decreased due to high legal and fees associated with an increase in the number of customer contract reviews and related amendments coupled with costs associated with the RTO in the prior period
- Salary and wages decreased due to a large number of consultants and expenses used for the go public transaction in the comparable period
- Travel expenses include costs for employee travel to various conferences and seminars, these costs assist in increasing brand awareness of the commercial activities for Cybeats

Summary of Quarterly Results

The following table is a summary of selected unaudited financial information for the eight most recent fiscal quarters.

Quarter ended	Income	Net income	Net income
December 31, 2023	409,050	(3,314,147)	(0.03)
September 30, 2023	316,936	(1,956,961)	(0.02)
June 30, 2023	228,744	(3,653,028)	(0.04)
March 31,2023	218,017	(1,206,546)	(0.01)
December 31, 2022	114,520	(7,149,419)	(0.33)
September 30, 2022	-	(26,534)	(0.00)
June 30, 2022	-	(89,744)	(0.01)
March 31, 2022	-	(36,741)	(0.01)

As the Company is onboarding several multinational clients for multi year contracts, the costs related to fulfillment increased during the quarter associated with legal procurement as well as product related costs to implement *SBOM Studio*. These specific costs are expected to decrease as the company scales to more efficient legal and product onboarding costs.

Related Party Transactions

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors, Corporate Officers, and Vice Presidents.

The Company has an outstanding amount due from Scryb Inc. which is the major stakeholder of Cybeats Technologies Corp.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements, other than previously disclosed, that has, or is reasonably likely to have, an impact on the current or future results of operations or the financial condition of our company.

Critical Accounting Policies and Estimates

The preparation of these consolidated financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

I. Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Useful life of intangible assets

Management has exercised their judgment in determining the useful life of its patents, patent applications and software license. The estimate is based on the expected period of benefit of the patent and the expected life of the product in the marketplace.

II. Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Evaluation of going concern

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company.

Impairment of intangible assets

Management has exercised their judgment in determining if the intangible assets are impaired. The judgment is based on management's ability to assess for indicators of impairment.

Income taxes

Management has exercised their judgment in determining the provision for future income taxes. The judgment is based on the Company's current understanding of the tax law as it relates to the transactions and activities entered into by the Company.

Control

The Company uses judgement when assessing if the Company controls an investee, which includes the assessment of whether it holds power over the relevant activities, is exposed to variable returns and has the ability to use that power to affect those variable returns.

Research vs. Development Stage

The Company uses judgement when assessing if the Company has achieved development stage activities with its internally generated intangible assets.

Accounting standards and amendments issued but not yet adopted

Risks and Uncertainties

Cybersecurity Risks

Security incidents could result in unauthorized access to, the loss of, or unauthorized disclosure of such information. Although the Company has security systems in place and what the Company deem sufficient security around the Company's systems to prevent unauthorized access, the Company must ensure that we continually enhance security and fraud protection within our websites and merchant platform, and if the Company is unable to do so the Company may become subject to liability for privacy breaches or consequences that result from any unanticipated incident. As a result of advances in computer capabilities, new discoveries in the field of cryptography or other developments, a compromise or breach of our security precautions may occur. The techniques used to obtain unauthorized, improper or illegal access to our systems, our data or the Company's customers' data and to sabotage our system are constantly evolving and may be difficult to detect quickly.

An information breach in the Company's systems and loss of confidential information such as credit card numbers and related information, or interruption in the operation of the Company's apps, could have a longer and more significant impact on our business operations than a software failure. A compromise in the Company's security system could severely harm the Company's business by the loss of the Company's customers' confidence in the Company and thus the loss of their business. The Company may be required to spend significant funds and other resources to protect against the threat of security breaches or to alleviate problems caused by these breaches. However, protection may not be available at a reasonable price, or at all. Any failure to adequately comply with necessary protective measures could result in fees, penalties and/or litigation. Concerns regarding the security of e-commerce and the privacy of users may also inhibit the growth of the Internet as a means of conducting commercial Amalgamations. This may result in a reduction in revenues and increase the Company's operating expenses, which would prevent the Company from achieving profitability. Security incidents could result in unauthorized access to, the loss of, or unauthorized disclosure of such information.

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Market and Economy Risks

Global Financial Conditions

Current global financial conditions have been subject to increased volatility and access to financial markets has been severely restricted. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the value and the price of the Company Shares could continue to be adversely affected.

Uncertainty and adverse changes in the economy

Adverse changes in the economy could negatively impact the Company's business. Future economic distress may result in a decrease in demand for the Company's products, which could have a material adverse impact on the Company's operating results and financial condition. Uncertainty and adverse changes in the economy could also increase costs associated with developing and publishing products, increase the cost and decrease the availability of sources of financing, and increase the Company's exposure to material losses from bad debts, any of which could have a material adverse impact on the financial condition and operating results of the Company.

Currency Fluctuations

Due to the Company's present operations in Canada, and its intention to continue future operations outside Canada, the Company is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. The Company's revenue will be earned in US dollars, but a portion of its operating expenses may be incurred in foreign currencies. The Company does not have currency hedging arrangements in place and there is no expectation that the Company will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the Canadian dollar and foreign currencies may have a material adverse effect on the Company's business, financial position or results of operations.

General Regulatory and Legal Risks

Government Regulations

If the Company commences operations as currently proposed it will be subject to various regulations in the jurisdiction in which it chooses to operate. Additionally, Government approval, permits and certifications are currently required, and may in the future, be required for the Company's operations. If such approval is not obtained, the Company's business may be curtailed or prohibited until such approval is granted. Furthermore, failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions and may require the Company to compensate those suffering from loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Regulatory Risks

The activities of the Company will be subject to regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. In addition, changes in regulations, changes in the enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Conflicts of Interest

Because directors and officers of the Company are or may become directors or officers of other reporting companies or have significant shareholdings in other companies, the directors and officers of the Company may have a conflict of interest in conducting their duties. The Company and its directors and officers will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases the Company will establish a special committee of independent directors to review a matter in which several directors, or officers, may have a conflict. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest.

Executive officers and directors may have rights to indemnification including directors' and officers' liability insurance that will survive consummation of their agreements.

Environmental Risks

Unknown Environmental Risks

There can be no assurance that the Company will not encounter hazardous conditions at the real estate used to operate its businesses, such as asbestos or lead, in excess of expectations, that may delay the development of its businesses. Upon encountering a hazardous condition, work at the facilities of the Company may be suspended. If the Company receives notice of a hazardous condition, it may be required to correct the condition prior to continuing construction. The presence of other hazardous conditions will likely delay construction and may require significant expenditure of the Company's resources to correct the condition. Such conditions could have a material impact on the business, operations and prospects of the Company.

Security Risks

Theft

The business premises of the Company's operating locations may be targeted to break-ins, robberies and other breaches in security. If there was a breach in security and the Company fell victim to a robbery or theft the loss of products and equipment could have a material adverse impact on the business, financial condition and results of operations of the Company. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential customers from choosing the Company's products.

Electronic Communication Security Risks

A significant potential vulnerability of electronic communications is the security of transmission of confidential information over public networks. Anyone who is able to circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in its operations. The Company may be required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

General Business Risks

Operational Risks

The Company will be affected by a number of operational risks and the Company may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's technologies, personal injury or death, environmental damage, adverse impacts on the Company's operation, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition.

Insurance and Uninsured Risks

The Company's business is subject to several risks and hazards including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. To protect against certain risks the Company will continue to maintain insurance at a level to mitigate these risks including product liability insurance. However, in some cases the Company may not be able to cover these risks at economically feasible premiums resulting in potential liabilities, particularly for environmental pollution coverage. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its business.

Limited operating history

The Company has a limited operating history on which to base an evaluation of its respective business, financial performance, and prospects. As such, the Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development. As the Company is in an early stage, its revenues may be materially affected by the decisions, including timing decisions, of a relatively consolidated customer base. In addition, it is also difficult to evaluate the viability of the Company's technology because the Company has had limited experience to address the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets. There can be no assurance that the Company will be successful in addressing these risks, and the failure to do so in any one area could have a material adverse effect on the Company's business prospects, financial condition and results of operations.

History of Losses

The Company on a consolidated basis has incurred losses to date as it is in the early stages of growth. The Company may not be able to achieve profitability soon and will continue to incur losses. Furthermore, the Company expects to continue to increase operating expenses as it implements initiatives to establish and grow the business.

The Company operates in new and evolving markets

The Company's services are sold in new and rapidly evolving markets. The IoT cybersecurity industry is in the early stages of its life cycle. Accordingly, the Company's business and future prospects may be difficult to evaluate. The Company cannot accurately predict the extent to which demand for its services or products or the IoT cybersecurity market in general will increase, or if at all. The challenges, risks and uncertainties frequently encountered by companies in rapidly evolving markets could impact the Company's ability to do the following:

- Generate sufficient revenue to maintain profitability;
- Acquire and maintain market share;
- Achieve or manage growth in operations;
- Develop and renew contracts;
- Attract and retain highly-qualified personnel; and
- Adapt to new or changing policies and spending priorities of governments and government agencies; and
- Access additional capital when required and on reasonable terms.

If the Company fails to address these and other challenges, risks and uncertainties successfully, its business, results of operations and financial condition would be materially harmed.

Substantial Capital Requirements

Management of the Company anticipates that they may make substantial capital expenditures for the acquisition, exploration, development and production of its business in the future. They may have limited ability to raise the capital necessary to undertake or complete future development work. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects. In particular, failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain business opportunities, miss certain acquisition opportunities and reduce or terminate operations.

Management of Growth

The Company may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

Growth and Consolidation in the Industry

Acquisitions or other consolidating Amalgamations could have adverse effects on the Company. The Company could lose strategic relationships if its partners are acquired by or enter into agreements with a competitor, causing the Company to lose access to distribution, content and other resources. The relationships between the Company and its strategic partners may deteriorate and cause an adverse effect on the business. The Company could lose customers if competitors or user of competing technology consolidate with the Company's current or potential customers. Furthermore, the Company's current competitors could become larger players in the market or new competitors could form from consolidations. Any of the foregoing events could put the Company at a competitive disadvantage, which could cause the Company to lose customers revenue, and market share. Consolidation in the industry could also force the Company to divert greater resources to meet new or additional competitive threats, which could harm the Company's operating results.

Risks Associated with Acquisitions

As part of the Company's overall business strategy, after the completion of the Amalgamation, the Company's may pursue select strategic acquisitions that would provide additional product or service offerings, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

Costs of being a Reporting Issuer

As a reporting issuer, the Company is subject to the reporting requirements and rules and regulations under applicable Canadian securities laws and rules of the CSE. Additional or new regulatory requirements may be adopted in the future, requiring compliance by the Company. The requirements of existing and potential future rules and regulations will increase the Company's legal, accounting, and financial compliance costs, make some activities more difficult, time consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business and financial condition.

Once listed, the Company will be subject to reporting and other obligations under applicable Canadian securities laws including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, which requires annual management assessment of the effectiveness of the Company's internal controls over financial reporting. Effective internal controls, including financial reporting and disclosure controls and procedures, are necessary for the Company to provide reliable financial reports, to effectively reduce the risk of fraud and to operate successfully as a public company. These reporting and other obligations place significant demands on the Company as well as on the Company's management, administrative, operational, and accounting resources. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations, or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and materially adversely affect the trading price of the Company's Shares.

Difficulty to Forecast

The Company will in most cases rely on internal market research and forecast of sales combined with third-party forecasts of the IoT cybersecurity. However, given the early stage of the Company and the IoT cybersecurity industry, forecasts are subject to significant uncertainty. A failure in the demand for the Company's products because of competition, regulatory, and technological change may have a material adverse effect on the business.

Competition

The Company faces competition and new competitors will continue to emerge throughout the world. Future products offered by the Company's competitors may take a larger market share than anticipated, which could cause revenue generated from the Company's products and services to fall below expectations. It is expected that competition in these markets will intensify. If competitors of the Company develop and market more successful products or services, offer competitive products or services at lower price points, or if the Company does not produce consistently high-quality and well-received products and services, revenues, margins, and profitability of the Company will decline.

The Company's ability to compete effectively will depend on, among other things, the Company's pricing of services and equipment, quality of customer service, development of new and enhanced products and services in response to customer demands and changing technology, reach and quality of sales and distribution channels and capital resources. Competition could lead to a reduction in the rate at which the Company adds new customers, a decrease in the size of the Company's market share and a decline in its customers. Examples include but are not limited to competition from other companies in the same industry as the Company.

Intellectual Property

The Company relies primarily on trademarks, copyrights and trade secrets, as well as license agreements and other contractual provisions, to protect the Company's intellectual property and other proprietary rights. Existing legal standards relating to the validity, enforceability and scope of protection of intellectual property rights offer only limited protection, may not provide the Company with any competitive advantages, and may be challenged by third parties. Accordingly, despite its efforts, the Company may be unable to prevent third parties from infringing upon or misappropriating its intellectual property or otherwise gaining access to the Company's technology. Unauthorized third parties may try to copy or reverse engineer the Company's products or portions of its products or otherwise obtain and use the Company's intellectual property. Moreover, many of the Company's employees have access to the Company's trade secrets and other intellectual property. If one or more of these employees leave to work for one of the Company's competitors, then they may disseminate this proprietary information, which may as a result damage the Company's competitive position. If the Company fails to protect its intellectual property and other proprietary rights, then the Company's business, results of operations or financial condition could be materially harmed. From time to time, the Company may have to initiate lawsuits to protect its intellectual property and other proprietary rights. Pursuing these claims is time consuming and expensive and could adversely impact the Company's results of operations.

In addition, affirmatively defending the Company's intellectual property rights and investigating whether the Company's is pursuing a product or service development that may violate the rights of others may entail significant expense. Any of the Company's intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. If the Company resorts to legal proceedings to enforce its intellectual property rights or to determine the validity and scope of the intellectual property or other proprietary rights of others, then the proceedings could result in significant expense to the Company and divert the attention and efforts of the Company's management and technical employees, even if the Company prevails.

The Company's Trade Secrets May Be Difficult to Protect

The Company's success depends upon the skills, knowledge, and experience of its scientific and technical personnel, its consultants and advisors, as well as its licensors and contractors. Because the Company operates in a highly competitive industry, the Company relies in part on trade secrets to protect its proprietary technology and processes. However, trade secrets are difficult to protect. The Company may enter into confidentiality or nondisclosure agreements with its corporate partners, employees, consultants, outside scientific collaborators, developers, and other advisors, which would require that the receiving party keep confidential and not disclose to third parties' confidential information developed by the receiving party or made known to the receiving party during the course of the receiving party's relationship with the Company. These agreements would also generally provide that inventions conceived by the receiving party in the course of rendering services to the Company will be the Company's exclusive property, and the Company enters into assignment agreements to perfect its rights. These confidentiality, inventions, and assignment agreements may be breached and may not effectively assign intellectual property rights to the Company. The Company's trade secrets also could be independently discovered by competitors, in which case the Company would not be able to prevent the use of such trade secrets by its competitors. The enforcement of a claim alleging that a party illegally obtained and was using its trade secrets could be difficult, expensive, and time consuming and the outcome would be unpredictable. In addition, courts outside the United States and Canada may be less willing to protect trade secrets. The failure to obtain or maintain meaningful trade secret protection could adversely affect the Company's competitive position.

Reliance on Management and Key Personnel

Due to the technical nature of the Company's business, the loss of important staff members represents a risk. The Company aims to maintain a good standing with all high level and critical employees, contractors and consultants. The success of the Company will depend on the ability, judgement, discretion and expertise of its personnel. Any loss of services by key individuals could have a material adverse effect on the Company's business. There can be no assurance that any of the Company's consultants will remain with the Company or that, in the future, they will not organize competitive businesses or accept opportunities with companies competitive with the Company.

Fraudulent or Illegal Activity by Employees, Contractors and Consultants

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and state healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It may not always be possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Product Viability

If the products the Company sells are not perceived to have the effects intended by the end user, its business may suffer. Many of the Company's products contain innovative technologies. There is little long-term data with respect to overall security coverage of the product. As a result, the Company's products could not have the security coverage or intended effect that the customer wanted. This may have a material adverse impact on the sales of the Company.

Product Liability

The Company will be distributing products that will be a security asset for their clients, and thus will face a risk associated with product liability claims, regulatory action and litigation if the products are alleged to cause injury or loss. Product liability claims may include, among others, inadequate warnings for potential security breaches. Maintaining product liability insurance on acceptable terms may not be economically feasible to provide adequate coverage for all potential risks. Regulatory or liability action against the Company could have a material adverse effect on the business.

Constraints on Marketing Products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and results of operations could be adversely affected.

Availability of Key Suppliers

The Company reliant upon certain key suppliers and partners for products, components or services and no assurances can be given that we will not experience delays or other difficulties in obtaining the same, as a result of trade disputes or other matters. Although the Company believes there are alternative suppliers for most key requirements, if current suppliers and partners are unable to provide the necessary products, components or services or otherwise fail to timely deliver products, components or services in the quantities or manners required, any resulting delays in the manufacture or distribution of existing products, or the provision of services, could have a material adverse effect on our results of operations and financial condition. Further, unusual supply disruptions, such as disruptions caused by natural disasters or pandemics, could cause suppliers and partners to invoke "force majeure" clauses in their agreements, causing shortages of material or the loss of certain services. In certain circumstances, success in offsetting higher material costs with price increases is largely influenced by competitive and economic conditions and could vary significantly. If unable to fully offset the effects of material availability and costs, financial results could be adversely affected. The Company consumes individual raw materials, the costs of which in certain instances reflect market prices impacted by other market forces. These prices are subject to worldwide supply and demand as well as other factors beyond our control. Although the Company may sometimes able to pass such price increases to our customers, significant variations in the cost of raw materials can affect our operating results from period to period.

The Company also relies on certain software that it licenses from third parties. There can be no assurance that these third-party licenses will continue to be available to the Company on commercially reasonable terms. The loss of, or inability to maintain, any of these licenses could result in delays or reductions in product and service deployment until equivalent software can be developed, identified, licensed and integrated, which could substantially and adversely affect the Company 's business, results of operations and financial condition.

Effectiveness and Efficiency of Advertising and Promotional Expenditures

The Company's future growth and profitability will depend on the effectiveness and efficiency of advertising and promotional expenditures, including its ability to (i) create greater awareness of its products; (ii) determine the appropriate creative message and media mix for future advertising expenditures; and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins. There can be no assurance that advertising and promotional expenditures will result in revenues in the future or will generate awareness of the Company's technologies or services. In addition, no assurance can be given that the Company will be able to manage its advertising and promotional expenditures on a cost-effective basis.

Website Accessibility

Internet websites are visible by people everywhere, not just in jurisdictions where the activities described therein are considered legal. As a result, to the extent the Company sells services or products via web-based links targeting only jurisdictions in which such sales or services are compliant with state law, the Company may face legal action in other jurisdictions which are not the intended object of any of the Company's marketing efforts for engaging in any web-based activity that results in sales into such jurisdictions deemed illegal under applicable laws.

Third-party Intellectual Property Infringement

The software industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patents and other intellectual property rights. Third parties have in the past asserted, and may in the future assert, that our platform, solutions, technology, methods or practices infringe, misappropriate or otherwise violate their intellectual property or other proprietary rights. Such claims may be made by our competitors seeking to obtain a competitive advantage or by other parties. Additionally, in recent years, non-practicing entities have begun purchasing intellectual property assets for the purpose of making claims of infringement and attempting to extract settlements from companies like the Company. The risk of claims may increase as the number of solutions that the Company offers and competitors in the market increases and overlaps occur. In addition, to the extent that the Company gains greater visibility and market exposure, the Company faces a higher risk of being the subject of intellectual property infringement claims. The Company currently holds no patents on its IoT product as it has trade secrets which is the industry norm to not disclose critical details to hackers. Cybeats has no patents on SBOM, but plans to file in the near term.

Third-Party Dependence

The Company relies heavily on third parties to provide some of its services. If these third parties were unable or unwilling to provide these goods and services in the future due to COVID-19 or other events that cause an anomalous in supply or demand of such services, the Company would need to obtain such services from other providers if they are available. This could cause the Company to incur additional costs or cause material interruptions to its business until these services are replaced if possible.

Data Centre Disruption

Data centers are vulnerable to damage or interruption from human error, intentional bad acts, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. Any of these events could result in lengthy interruptions in the Company's services. Changes in law or regulations applicable to data centers in various jurisdictions could also cause a disruption in service. Interruptions in the Company's services would reduce revenue, subjecting the Company to potential liability and adversely affecting the Company's ability to retain its customers or attract new customers. The performance, reliability and availability of the Company's platform is critical to its reputation and its ability to attract and retain merchants. Customers could share information about bad experiences on social media, which could result in damage to the Company's reputation and loss of future sales. The property and business interruption insurance coverage the Company carries may not be adequate to compensate it fully for losses that may occur.

Software Errors or Bugs

Software such as Company's often contains errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Despite internal testing, the Company's platform may contain serious errors or defects, security vulnerabilities or software bugs that it may be unable to successfully correct in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, a delay or loss in market acceptance and damage to its reputation and brand, any of which could have an adverse effect on its business, financial condition and results of operations. Furthermore, the Company's platform is a multi-tenant cloud-based system that allows the Company's to deploy new versions and enhancements to all of its customers simultaneously. To the extent the Company deploys new versions or enhancements that contain errors, defects, security vulnerabilities or software bugs to all of its customers simultaneously, the consequences would be more severe than if such versions or enhancements were only deployed to a smaller number of its merchants.

Security Breaches

Software such as the Company's often contains errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Despite internal testing, the Company's platform may contain serious errors or defects, security vulnerabilities or software bugs that it may be unable to successfully correct in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, a delay or loss in market acceptance and damage to its reputation and brand, any of which could have an adverse effect on its business, financial condition and results of operations. Furthermore, the Company's platform is a multi-tenant cloud-based system that allows the Company to deploy new versions and enhancements to all of its customers simultaneously. To the extent the Company deploys new versions or enhancements that contain errors, defects, security vulnerabilities or software bugs to all of its customers simultaneously, the consequences would be more severe than if such versions or enhancements were only deployed to a smaller number of our merchants.

International Business Risk

The Company's business is susceptible to risks associated with international sales and the use of its platform in various countries. The Company's international sales and the use of its platform in various countries subject the Company to risks that it does not generally face with respect to domestic sales within North America. These risks include, but are not limited to:

- Lack of familiarity and burdens and complexity involved with complying with multiple, conflicting and changing foreign laws, standards, regulatory requirements, tariffs, export controls and other barriers;
- Greater difficulty in enforcing contracts, including the Company's universal terms of service and other agreements;
- Difficulties in ensuring compliance with countries' multiple, conflicting and changing international trade, customs and sanctions laws;
- Data privacy laws which may require that merchant and customer data be stored and processed in a designated territory;
- Difficulties in managing systems integrators and technology partners;

- Differing technology standards;
- Potentially adverse tax consequences, including the complexities of foreign value added tax (or other tax) systems and restrictions on the repatriation of earnings;
- Uncertain political and economic climates;
- Currency exchange rates;
- Reduced or uncertain protection for intellectual property rights in some countries; and
- New and different sources of competition.

These factors may cause the Company's international costs of doing business to exceed its comparable domestic costs and may also require significant management attention and financial resources. Any negative impact from the Company's international business efforts could adversely affect its business, results of operations and financial condition.

Defects or Disruptions in Technology Platforms

Defects or disruptions in the technology platforms and network infrastructure the Company relies on could materially harm the Company's business and operating results. The Company's operations are dependent upon its ability to protect its computer equipment and stored information against damage that may be caused by fire, power loss, telecommunications failures, unauthorized intrusion, computer viruses and disabling devices, and other similar events. Although the Company has redundant and back-up systems for some of Company's solutions and services, these systems may be insufficient or may fail and result in a disruption of availability of the Company's solutions or services. The Company also relies on third-party Internet providers and developers, and such third parties and their technology platforms, services and operations may also be vulnerable to similar defects and disruptions, which could in turn affect the Company's operations. Any disruption to the Company's services could impair the Company's reputation and cause it to lose partners, customers or revenue, or face litigation, necessitate service or repair work that would involve substantial costs and distract management from operating the business. The Company may not be indemnified by third parties for any disruptions to our services that are outside of our direct control.

Privacy Laws

The Company is subject to federal, state, provincial and foreign laws regarding privacy and protection of data. Some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. Any failure by the Company to comply with privacy related laws and regulations could result in proceedings against the Company by governmental authorities or others, which could harm the Company's business. In addition, the interpretation of data protection laws, and their application is unclear and in a state of flux. There is a risk that these laws may be interpreted and applied in conflicting ways from province to province, state to state, country to country or region to region, and in a manner that is not consistent with the Company's current data protection practices. Complying with these varying requirements could cause Cybeats to incur additional costs and change the Company's business practices. Further, any failure by the Company to adequately protect partner or consumer data could result in a loss of confidence in Cybeats's platform which could adversely affect its business.

Current and Future Competitors

The Company faces competition in various aspects of its business and it expects such competition to grow in the future. The Company has competitors with longer operating histories, larger customer bases, greater brand recognition, greater experience and more extensive commercial relationships in certain jurisdictions, and greater financial, technical, marketing and other resources than it does. As a result, its potential competitors may be able to develop products and services better received by merchants or may be able to respond more quickly and effectively than the Company can to new or changing opportunities, technologies, regulations or customer requirements. In addition, some of the Company's larger competitors may be able to leverage a larger installed customer base and distribution network to adopt more aggressive pricing policies and offer more attractive sales terms, which could cause the Company to lose potential sales or to sell its solutions at lower prices.

Competition may intensify as the Company's competitors enter into business combinations or alliances or raise additional capital, or as established companies in other market segments or geographic markets expand into its market segments or geographic markets. For instance, certain competitors could use strong or dominant positions in one or more markets to gain a competitive advantage against the Company in areas where it operates. Further, current and future competitors could choose to offer a different pricing model or to undercut prices in an effort to increase their market share. If the Company cannot compete successfully against current and future competitors, its business, results of operations and financial condition could be negatively impacted.

Changes in Effective Tax Rates

With sales in various countries, the Company is subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes the Company pays in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could have an adverse impact on our liquidity and results of operations.

In addition, the authorities in Canada and other jurisdictions could review the Company's tax returns and impose additional tax, interest and penalties, which could have an impact on the Company and its results of operations. The Company has previously participated in government programs with both the Canadian federal government and the Government of Ontario that provide investment tax credits based upon qualifying research and development expenditures. If Canadian taxation authorities successfully challenge such expenses or the correctness of such income tax credits claimed, the Company's historical operating results could be adversely affected. As a public company, the Company will no longer be eligible for refundable tax credits under the Canadian federal Scientific Research and Experimental Development Program, or SR&ED credits.

The Company's future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- Changes in the valuation of our deferred tax assets and liabilities;
- Expected timing and amount of the release of any tax valuation allowances;
- Tax effects of stock-based compensation;
- Costs related to intercompany restructurings;

- Changes in tax laws, regulations or interpretations thereof; or
- Future earnings being lower than anticipated in countries where the Company has lower statutory tax rates and higher than anticipated earnings in countries where it has higher statutory tax rates.

If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arms' length. While the Company believes that it operates in compliance with applicable transfer pricing laws and intend to continue to do so, its transfer pricing procedures are not binding on applicable tax authorities. If tax authorities in any of these countries were to successfully challenge the Company's transfer prices as not reflecting arm's length Amalgamations, they could require the Company to adjust our transfer prices and thereby reallocate its income to reflect these revised transfer prices, which could result in a higher tax liability to the Company.

Risks Related to the Company's Securities

Market for Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the Company Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Company Shares will be affected by such volatility. An active public market for the Company Shares might not develop or be sustained after the completion of the Preliminary Prospectus. If an active public market for the Company Shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline.

Price may not Represent Performance or Intrinsic Fair Value

The market price of a publicly-traded stock is affected by many variables not directly related to the corporate performance of the Company, including the market in which it is traded, the strength of the economy generally, the availability of the attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of the Subordinate Voting Shares on the CSE in the future cannot be predicted.

Securities or Industry Analysts

The trading market for the Company Shares could be influenced by research and reports that industry and/or securities analysts may publish about the Company, its business, the market or its competitors. The Company does not have any control over these analysts and cannot assure that such analysts will cover the Company or provide favourable coverage. If any of the analysts who may cover the Company's business change their recommendation regarding the Company's stock adversely, or provide more favourable relative recommendations about its competitors, the stock price would likely decline. If any analysts who may cover the Company's business were to cease coverage or fail to regularly publish reports on the Company, it could lose visibility in the financial markets, which in turn could cause the stock price or trading volume to decline.

Resale of Shares

There can be no assurance that the publicly-traded market price of the Company Shares will be high enough to create a positive return for the existing investors. Further, there can be no assurance that the Company Shares will be sufficiently liquid so as to permit investors to sell their position in the Company without adversely affecting the stock price. In such an event, the probability of resale of the Company Shares would be diminished.

As well, the continued operation of the Company may be dependent upon its ability to procure additional financing in the short term and to generate operating revenues in the longer term. There can be no assurance that any such financing can be obtained or that revenues can be generated. If the Company is unable to obtain such additional financing or generate such revenues, investors may be unable to sell their Company Shares and any investment in the Company may be lost.

Price Volatility

The Company Shares do not currently trade on any exchange or stock market. Securities of technology companies have experienced substantial volatility in the past, often based on factors unrelated to the companies' financial performance or prospects. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Other factors unrelated to the Company's performance that may affect the price of the Company Shares include the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company; lessening in trading volume and general market interest in the Company Shares may affect an investor's ability to trade significant numbers of shares; the size of the Company's public float may limit the ability of some institutions to invest in the Subordinate Voting Shares; and a substantial decline in the price of the Company Shares that persists for a significant period of time could cause the Company Shares, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Company Shares at any given point in time may not accurately reflect the Company's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources. The fact that no market currently exists for the Company Shares may affect the pricing of the Company Shares in the secondary market, the transparency and availability of trading prices and the liquidity of the Company Shares. The market price of the Company Shares is affected by many other variables which are not directly related to Company's success and are, therefore, not within the Company's control. These include other developments that affect the market for all technology sector securities, the breadth of the public market for Company's Shares and the attractiveness of alternative investments. The effect of these and other factors on the market price of the Company Shares is expected to make the price of the Company Shares volatile in the future, which may result in losses to investors.

Dilution
The Company will require additional funds for its planned activities. If the Company raises additional funding by issuing equity securities, which is highly likely, such financing could substantially dilute the interests of the Company's shareholders. Sales of substantial amounts of shares, or the availability of securities for sale, could adversely affect the prevailing market prices for the Company's shares. A decline in the market prices of the Company's shares could impair the ability of the Company to raise additional capital through the sale of new common shares should the Company's desire to do so.

Dividends
To date, the Company has not paid any dividends on its outstanding shares. Any decision to pay dividends on the shares of the Company will be made by its Board on the basis of its earnings, financial requirements and other conditions. There is no assurance that the Company will pay dividends on its shares in the near future or ever. The Company will likely require all its funds to further the development of its business.

CSE Listing
In the future, the Company may fail to meet the continued listing requirements to be listed on the CSE. If the CSE delists the Company Shares from trading on its exchange, the Company could face significant material adverse consequences, including: a limited availability of market quotations; a limited amount of news and analysts' coverage for the Company; and a decreased ability to issue additional securities or obtain additional financing in the future.

International Conflict
International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes, and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in global energy and financial markets. Russia's recent invasion of Ukraine has led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, any of which may have a destabilizing effect on commodity prices and global economies more broadly. Volatility in commodity prices may adversely affect our business, financial condition and results of operations. Reductions in commodity prices may affect oil and natural gas activity levels and therefore adversely affect the demand for, or price of, our services.

The extent and duration of the current Russian-Ukrainian conflict and related international action cannot be accurately predicted at this time and the effects of such conflict may magnify the impact of the other risks identified herein. The situation is rapidly changing and unforeseeable impacts, including on our shareholders and counterparties on which we rely and transact with, may materialize and may have an adverse effect on our business, results of operation and financial condition.

Disclosure Controls and Procedures & Internal Controls over Financial Reporting
In accordance with the Canadian Securities Administrators National Instrument 52-109 ("NI 52-109"), Certification of Disclosure in Issuers' Annual and Interim Filings, the Company has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

The Company continues to review and document its disclosure controls and procedures and internal controls over financial reporting and may, from time to time, make changes aimed at enhancing their effectiveness and to ensure that its systems evolve with the business. There were no changes in the Company's internal controls over financial reporting during the period ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, its disclosure controls and procedures and internal controls over financial reporting.

Share Data

As at December 31, 2023, there were 101,345,539 common shares issued and outstanding, 38,958,000 warrants and 16,720,000 options outstanding.

As at February 3, 2025, were 128,235,156 common shares issued and outstanding, 64,588,728 warrants and 22,310,000 options outstanding.

"Justin Leger"
Chief Executive Officer
February 3, 2025