SCOPE TECHNOLOGIES CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended September 30, 2024 ("MD&A") has been prepared as of January 28, 2025. It should be read in conjunction with the audited financial statements of Scope Technologies Corp. (formerly Scope AI Corp.) (the "Company") for the year ended September 30, 2024.

The referenced financial statements have been prepared in accordance with International Financial Accounting Standards ("IFRS"). All amounts are expressed in the Company's presentational currency of Canadian dollars unless otherwise indicated.

Forward Looking Statements

This MD&A contains forward-looking statements. These statements relate to future events or future performance and reflect our expectations and assumptions regarding our growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect our current beliefs and are based on information currently available to us. In some cases, forward-looking statements can be identified by terminology such as "may", "would", "could", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. The forward-looking statements in this MD&A include, among others, statements regarding our future operating results, economic performance and product development and commercialization efforts, and statements in respect of:

- our expected future losses and accumulated deficit levels;
- our projected financial position and estimated cash burn rate;
- our ability to continue as a going concern;
- our requirement for, and our ability to obtain, future financing on favorable terms or at all;
- our potential sources of financing to fund ongoing operations;
- our assessment of market acceptance of the QSE product suite and the GEM Platform;
- our plans to market, sell and distribute the QSE product suite and GEM Platform;
- our expectations with respect to future corporate alliances and licensing transactions with third
- parties; and
- our strategy with respect to the protection of our intellectual property.

A number of factors and assumptions could cause actual events, performance, or results, including those in respect of the foregoing items, to differ materially from the events, performance and results discussed in the forward-looking statements. Material factors and assumptions that could cause actual events, performance, or results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- the effect of continuing operating losses on our ability to obtain, on satisfactory terms, or at all, the capital required to maintain the Company as a going concern;
- the ability to obtain sufficient and suitable financing to support operations, development, and commercialization of the QSE product suite and the GEM Platform;
- the risks associated with the development and commercialization of the QSE product suite and the GEM Platform;
- the risks associated with the increase in operating costs from additional development and commercialization costs and increased staff;
- the regulatory approval process;
- our ability to successfully compete in our targeted markets;

Forward Looking Statements, continued

- our ability to adequately protect proprietary information and technology from competitors;
- our ability to attract and retain key personnel;
- the potential for liability claims; and
- the substantial risks involved in early-stage technology development related to, among other things, commercialization, capitalization, cost containment, and potential litigation.

Although the forward-looking statements contained in this MD&A are based on what we consider to be reasonable assumptions based on information currently available to us, there can be no assurance that actual events, performance, or results will be consistent with these forward-looking statements, and our assumptions may prove to be incorrect. These forward-looking statements are made as of the date of this MD&A.

Forward-looking statements made in this MD&A are made as of the date of the original document and have not been updated by us except as expressly provided for in this MD&A. As required by applicable securities legislation, in its capacity as a reporting issuer, it is the Company's policy to update forward-looking information in its periodic MD&As, as required from time to time, and provide updates on its activities to the public through the filing and dissemination of news releases and material change reports.

SUMMARY OF OVERALL PERFORMANCE

Scope Technologies Corp, based in Vancouver, British Columbia, is focused on developing a product suite for quantum security and machine learning. The Company has two core platforms, General Enterprises Machine Learning ("GEM") and quantum resilient entropy ("QSE").

The QSE platform offers quantum-proof security solutions, designed to protect sensitive data against both current and emerging threats, including quantum attacks. With decentralized cloud storage and true randomness in encryption key generation, QSE ensures future-proof data protection for businesses of all sizes.

The GEM platform provides an intuitive, AI-driven environment for companies to build and deploy custom machine learning models and image recognition systems. GEM democratizes access to artificial intelligence, enabling businesses, regardless of technical expertise, to unlock the power of AI and scale their operations with ease. Previously, the GEM platform was the Company's "image recognition technology". In response to accelerated advancements in quantum computing, GEM development has temporarily been paused to focus exclusively on increasing the customer base for quantum resilient entropy and security solutions.

During the year ended September 30, 2024 and to the date of this MD&A, the Company accomplished the following:

- Closed non-brokered private placements as follows:

  1,250,000 units at a price of $1.60 per unit for aggregate gross proceeds of $2,000,000. Each unit comprised one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $2.25 per share for a period of two years;

  1,250,000 common shares at a price of $1.60 per common share for aggregate gross proceeds of $2,000,000; and

  1,285,714 units at a price of $1.40 per unit for gross proceeds of up to $1,800,000. Each unit comprised one common share and one common share purchase warrant. Each Warrant will entitle the holder to acquire one additional common share at an exercise price of $1.80 for a period of two years upon issuance.

SUMMARY OF OVERALL PERFORMANCE, continued

- Realized gross proceeds of $1,095,000 ($22,000 received during the three months ended September 30, 2023) through exercise of a total of 6,000,000 common share purchase warrants and gross proceeds of $423,400 through exercise of a total of 705,667 stock options.

- Appointed a new Chief Executive Officer, new board member, a business development consultant and a rebranding of the Company with a new name.

- Provided an update on new developments of the GEM Platform, being the artificial intelligence driven recognition technology. With the latest advancements, focus has broadened in addition to past announced realized technology applications to developing a one-stop web solution for developers and individuals, as well as businesses, large and small, to create, build, and use their own image detection, behavior analysis and neural network systems for their customer business case.

- On July 9, 2024, the Company entered into a technology agreement (the "QSE Technology Agreement") with Ovryde Ltd. ("Ovryde"), under which the Company agreed to acquire all of Ovryde's ownership and rights relating to delivery and application of quantum resilient entropy (the "QSE Technology") in consideration for $400,000 and issuance of 2,800,000 common shares of the Company. Quantum resilient entropy is an advanced security measure designed to protect data against the future threats posed by quantum computing, ensuring that sensitive information remains secure in an increasingly digital world. The QSE Technology product suite offers API-based quantum-resilient entropy as a service and encrypted cloud, on-premise, and decentralized storage solutions. At its core, the platform provides a proprietary high-performance data-pipeline that can scale vertically and horizontally to protect private, business, and government applications with highly sensitive data in transit and at rest. The QSE Technology product suite protects digital assets against current and future cyber security threats and quantum-computing decryption attacks.

- Announced significant advancements in the development of the GEM system. Building on the initial vision, the GEM system now includes several innovative features aimed at transforming the advertising technology sector. These advancements are designed to further streamline the advertising process and enhance campaign effectiveness through sophisticated proprietary AI-driven tools. New capabilities include Ad Creation: Using Generative AI Image Creation to produce compelling visuals; Ad Comparison: Determining the best images and headlines for campaigns; and Ad Recommendations: Offering suggestions to optimize campaign performance. The front-end design now includes completed and developed Home, Login, and Signup pages, ensuring a seamless user experience from the outset. On the back end, robust APIs have been developed to support the platform's functionality, along with secure user authentication for login and signup processes. Additionally, profile management allows users to create and update their profiles, and integrated password reset and change functionalities to enhance user security.

- Announced the successful global deployment of, and significant enhancements to the scalability and speed of, its latest core module, the QSE Quantum Gateway.

- Engaged Creative Direct Marketing Group Inc. ("CDMG") to provide investor relations and marketing services to raise public awareness of the Company and increase brand awareness of the QSE platform.

- Completed updates for a new retail subscription model, offering full access to encrypted, quantum-resilient, and decentralized cloud storage solutions.

- Launched a subscription model, now offering individuals and small businesses full access to round-trip encrypted and quantum-resilient decentralized cloud storage solutions.

SUMMARY OF OVERALL PERFORMANCE, continued

- Signed a Letter of Intent (the "LOI") with Global Care Innovations Inc. ("GCI") and BitLab. This strategic partnership aims to deliver both quantum-secure data solutions and advanced AI-powered tools to healthcare providers across North America, enhancing patient care through cutting-edge technology. This partnership underscores the Company's positioning towards becoming a leader in secure technology sectors like healthcare.

- Obtained significant advancements to its data-in-transit security infrastructure with the installation of new hardware. These updates expand entropy delivery systems across new locations in Europe, Asia, and North America.

- Signed First Majestic Silver Corp. ("First Majestic") as an enterprise client for the Company's round-trip encrypted, immutable decentralized data storage and quantum-resilient security solutions.

- Began developing the QSE Mobile App, which will deliver quantum-resistant encrypted communication and file sharing for individuals, businesses, and enterprises.

- Engaged Percepture, a leading full-service digital marketing and public relations agency as a strategic step to expand the market reach of QSE and drive client acquisition amid the accelerating developments in quantum security.

- Listed on Tradegate Exchange in Germany which enhances visibility and accessibility to European investors, providing an exciting opportunity to broaden the shareholder base.

- Entered into a one year $1,000,000 convertible debt financing from First Majestic. The debt financing includes a compound annual interest rate of 4% and the sole right of First Majestic to convert the principal amount of the loan at $1.40 per share.

- Announced that the QSE platform is fully aligned with the U.S. Department of Health and Human Services' (HHS) proposed updates to the HIPAA Security Rule. These updates aim to address the rising threats to healthcare data security.

Acquisition of the GEM Platform

On February 15, 2022, the Company entered into a technology acquisition agreement (the “GEM Technology Agreement”) originally with Prescott Family Foundation (the “Foundation”) and now assigned to Ovryde, a company controlled by Veronika Prescott, being the spouse of Sean Prescott who is Chief Technology Officer and a director of the Company. Ms. Prescott is the sole shareholder and founder of Ovryde. Mr. Prescott does not directly or indirectly hold any shares in Ovryde or exercise control over such shares. The operations of Ovryde are managed by Ms. Prescott. Ms. Prescott is the only person that has authority to instruct the corporate director of Ovryde.

Under the terms of the GEM Technology Agreement, the Company obtained a worldwide exclusive license to utilize and exploit, including the right to sublicense the GEM Platform. In order to acquire a one hundred percent interest (100%) in the GEM Platform, the Company must issue 1,000,000 common shares as follows:

- 250,000 common shares on the later of (i) completion of expenditures of $250,000 toward the development of the GEM Platform; or (ii) February 15, 2023 (which shares have been issued);
- an additional 250,000 common shares on the later of (i) completion of expenditures of $600,000 toward the development of the GEM Platform, or (ii) February 15, 2024;
- an additional 250,000 common shares on the later of (i) the Company generating revenue (before associated costs and taxes) of $250,000 from the application of the GEM Platform, or (ii) February 15, 2025; and

SUMMARY OF OVERALL PERFORMANCE, continued

- an additional 250,000 common shares on the later of (i) the Company generating revenue (before associated costs and taxes) of $500,000 from the application of the GEM Platform, or (ii) February 15, 2026.

Until such time as all common shares are issued under the GEM Technology Agreement, the Company retains an exclusive, sub-licensable and transferable right and license to use and exploit the GEM Platform.

The transaction is considered a related party transaction under IAS 24.

Acquisition of the QSE Technology

On July 9, 2024, the Company entered into the QSE Technology Agreement with Ovryde.

Under the terms of the QSE Technology Agreement, the Company agreed to acquire all of Ovryde's ownership and rights to the QSE Technology in consideration for payment to Ovryde of $400,000 and issuance of 2,800,000 common shares of the Company (the "Consideration Shares").

On August 7, 2024, the Company completed the acquisition of the QSE Technology (which amount was paid on October 3, 2024 at the request of Ovryde) and issued Ovryde the Consideration Shares. The Consideration Shares are subject to a four month resale restriction period and additional voluntary restrictions on resale as follows: (i) 560,000 Consideration Shares will be subject to no additional restrictions, (ii) 560,000 Consideration Shares will be subject to restrictions on resale for a period of three (3) months from the date of issue, (iii) 560,000 Consideration Shares will be subject to restrictions on resale for a period of six (6) months from the date of issue, (iv) 560,000 Consideration Shares will be subject to restrictions on resale for a period of nine (9) months from the date of issue, and (v) 560,000 Consideration Shares will be subject to restrictions on resale for a period of twelve (12) months from the date of issue.

The acquisition of the QSE Technology has been treated as an acquisition of an intangible asset and is not a significant acquisition pursuant to Part 8 of NI 51-102. In addition, IFRS 3 outlines the accounting treatment for an acquisition of a business and, where a transaction does not meet the definition of a business, accounting for an acquisition of assets in accordance with IFRS 3.2(b) or other standards.

Before applying the recognition and measurement guidance in IFRS 3, the Company carried out an assessment whether the QSE Technology met the definition of a business at the acquisition date. Ovryde's only input and processes are intellectual property programming provided by Ovryde and, to date, the only output has been the creation of the technology stack comprising the QSE Technology. The Company did not acquire ownership of Ovryde nor any rights to future digital products that Ovryde may produce. However, the Company does retain Mr. Prescott, and, prior to closing of the acquisition, was and still remains CTO of the Company, for future additional internal development to the QSE Technology in order to create potential revenue. Ovryde has no physical facilities, employees, marketing systems or sales forces and none were acquired by the Company. The Company has had to hire additional employees to develop the QSE Platform product suite.

The Company determined the purchase price of the QSE Technology based on a number of factors:

(i) <u>The Stage of Development of the QSE Technology</u>. The QSE Technology was an existing "technology stack" comprised of (A) one hundred percent (100%) ownership of a quantum card and an assignment of a license for the software that applies to the quantum card; (B) one hundred percent (100%) ownership of the software for distribution of quantum resilient entropy, being the ability to generate quantum random numbers that meet certain National Institute of Standards and Technology ("NIST") standards; (C) one hundred percent (100%) ownership of the software for digital storage of data; and (D) a perpetual right to access and use Ovryde's SaaS platform for the QSE Modules Software. Ovryde's SaaS Platform is an existing platform

SUMMARY OF OVERALL PERFORMANCE, continued

they developed that is used for other business ventures, such as digital wallets, fiat currency exchange, etc. The Company has not acquired any rights relating to these other business ventures of Ovryde.

(ii) The time frame and cost for the Company to develop technology similar to the QSE Technology on its own. Given the specialized nature of the QSE Technology, the Company would be unable to develop the QSE Technology on its own. The Company anticipates it would take many years and millions of dollars in development costs.

(iii) The potential to add a near-term revenue stream to the Company. The QSE Technology was a "technology stack" and did not consist of an existing product offering. The purchase price for the QSE Technology reflects the fact that the Company could build out a pathway for a revenue stream, however, the Company was required to: (A) create a back-end SaaS platform for entropy as a service, encryption and distribution to decentralized storage (the "QSE services"). The Company uses its access rights to the Ovryde SaaS Platform as the base model, which required significant changes to permit the QSE services, (B) build and develop a front-end customer platform that includes: a website/mobile application access, an interface that can randomly generate entropy for a customer; an interface that can encrypt a customer's data; and allow the distribution of encrypted data to decentralized storage; (C) build and develop the payment platform for the QSE Platform. Utilize Stripe payment integration.

(iv) The ability of the QSE Technology to complement its existing GEM Platform. Once the GEM Platform is developed, the Company anticipates that it will seek to integrate the product offerings of GEM and QSE.

The transaction is considered a related party transaction under IAS 24. The board of directors unanimously approved the acquisition of QSE Technology. In addition, Mr. Prescott signed the consent resolution as unanimous approval is required under the *Business Corporations Act*.

The transaction value constituted approximately 6% of the market capitalization of the Company at the time of the QSE Technology Agreement. The Company subsequently obtained an independent valuation of the QSE Technology, which amount was below the purchase price for the QSE Technology. As the QSE Technology is an emerging technology that has yet to be broadly adopted, the valuator was unable to identify an active market for the QSE Technology. Accordingly, the Company elected to impair the entire purchase price of the QSE Technology, being $5,999,999, notwithstanding the fact that revenue is being generated from the QSE Platform.

As a result of the acquisition of the QSE Technology, the Company is able to offer a product suite consisting of API-based quantum-resilient entropy as a service and encrypted storage solutions. The purpose of the transaction was to strengthen and diversify the Company's product offering portfolio.

SUMMARY OF OVERALL PERFORMANCE, continued

The following table sets forth the stage of development for each of the GEM and QSE Platforms:

	Stage of Development	**Anticipated Research and Development Costs over 12 Months**	**Anticipated Time Frame for Commercialization**
GEM Platform	Beta Version	$Nil	Undetermined (development temporarily paused)
QSE Platform	Commercialized and onboarding customers to QSE Platform	$240,000 (Anticipated for future upgrades and improvements with an increase in user base)	Complete – Additional upgrades will be required with an increase in user base

Investment in Farm Flight

Letter of Intent with Farm Flight

On April 24, 2023, the Company entered into a non-binding letter of intent (the "Letter of Intent") with Farm Flight, Inc. ("Farm Flight") whereby the Company proposed to acquire all of the issued and outstanding securities of Farm Flight. In consideration of Farm Flight, the Letter of Intent contemplated the issuance of 12,351,662 common shares of the Company (the "Exchanged Shares") at a deemed price of $1.60 per share to the shareholders of Farm Flight. The parties contemplated that the Exchanged Shares would be subject to the following restrictions on resale: 20% subject to restrictions until 36 months after closing, 20% subject to restrictions until 42 months after closing, 20% subject to restrictions until 48 months after closing, 20% subject to restrictions until 54 months after closing, and 20% subject to restrictions until 60 months after closing.

The Letter of Intent also contemplated that prior to closing Farm Flight would use its best efforts to cause (i) the option holders to cancel their respective stock options, (ii) the warrant holders to cancel their respective share purchase warrants, and (iii) the unsecured convertible note holders in the amount of US $1,190,000 of notes to settle and surrender under mutually agreeable terms.

The parties further contemplated that on closing the board of directors of the Company would be reconstituted where the Company would have three nominees and Farm Flight would have three nominees.

The Company would have also retained Sam Baker, Chief Executive Officer of Farm Flight, who would have received 2,250,000 common shares for his services in equal instalments overs a four-year period.

The proposed transaction was an arm's length transaction.

At the time of entering into the Letter of Intent, the Company was focusing on using its image recognition technology for the purpose of carbon mapping. Farm Flight, whose operations focused on advanced imagery and analytics for agriculture clients, appeared to compliment the business operations of the Company.

On entering into the Letter of Intent, the Company had not prepared a valuation report on Farm Flight. Nevertheless, during the due diligence phase, the Company engaged a third party to provide a valuation report. Based on additional financial due diligence of Farm Flight as well as the valuation report, the Company elected not to proceed with the Farm Flight transaction.

SUMMARY OF OVERALL PERFORMANCE, continued

Business Cooperation Agreement

On June 3, 2022, the Company entered into a business co-operation agreement with Farm Flight (the “Business Co-Operation Agreement”). Under the terms of the Business Co-Operation Agreement, Farm Flight agreed to provide the Company their unprocessed data so that it may be processed by the Company’s image recognition technology (thereafter, the “Processed Data”) which will be jointly owned in right, title and interest by the Company and Farm Flight. Upon receipt by Farm Flight of the Processed Data, the Company was to earn a continued license to the unprocessed data. The Processed Data was to be used in completing the outstanding programming of the Company’s image recognition technology and to form the basis of the Company’s initial image database. The Business Co-Operation Agreement had a term of nine (9) months, where after it shall automatically renew for a further nine (9) months. As the Company did not proceed with the Farm Flight transaction and changed the focus of it image recognition technology to the GEM Platform, the Company did not proceed with the Business Co-Operation Agreement.

Loans to Farm Flight

In connection with the Company’s proposed acquisition of Farm Flight, the Company made a series of loans to Farm Flight totaling US$1,062,000 from February 2023 to January 2024. The board of directors did not enter into a consent resolution of the directors approving the loans to Farm Flight other than the convertible note financing. The Company made the loans to Farm Flight in order for Farm Flight to pay the professional costs associated with the proposed transaction and to cover Farm Flight’s ongoing operating costs. Based on a review of the financial information of Farm Flight provided to the Company up to November 2023, the Company believes the proceeds of the loans were used for Farm Flight as follows:

Payroll Expenses of Farm Flight	$638,075
Rent and Office Expenses of Farm Flight	$53,859
Software and Drone Pilots	$147,745
Travel Expenses	$7,487
Professional Fees	$47,617
Total (US$)	**$894,784**

The Company lacks the financial information of Farm Flight on the balance of the loan proceeds for December 2023 and January 2024. The Company made these advances to Farm Flight as it believed it would complete its acquisition of Farm Flight and, upon closing of the acquisition, benefit from any contracts that may be entered into by Farm Flight.

In mid-January 2024, the Company’s analysis of Farm Flight’s future financial condition, being prospects of profitable revenue and its significant ongoing burn rate, and a review of a valuation report determined that it would be detrimental to the Company to complete an acquisition of Farm Flight. After this decision was made to abandon the acquisition of Farm Flight, the Company did not advance any additional funds to Farm Flight. The Company determined that it should impair the loans as Farm Flight would not be able to continue as a going concern without significant ongoing funding from the Company. Accordingly, there is a significant risk that the Company will not be repaid any amounts advanced to Farm Flight. Further, the Company has not formally demanded repayment of the loans to Farm Flight.

SELECTED ANNUAL INFORMATION

The Company’s primary business activity has been acquiring and developing AI analytical software. During the three years presented below, the Company recognized non-cash costs relative to share-based compensation in respect of vesting stock options and restricted share rights and relative to the first milestone payment of the Technology Agreement. The Company also has raised gross proceeds from the issuance of equity through private placements and exercise of warrants totalling $7,140,500.

SELECTED ANNUAL INFORMATION, continued

The following selected financial information for the years ended September 30, 2024, 2023 and 2022 has been prepared with the accounting principals in accordance with IFRS. All amounts are in Canadian dollars.

September 30	**2024** **$**	**2023** **$**	**2022** **$**
Total revenues	nil	nil	nil
Net loss	(11,429,416)	(3,205,374)	(369,065)
Net loss per share (basic & diluted)	(0.26)	(0.09)	(0.02)
Total assets	1,816,165	146,504	1,216,428
Dividends declared	nil	nil	nil

The significant increase in net loss from September 30, 2023 to September 30, 2024 is principally due to: (i) the impairment of the QSE Technology in the amount of $5,999,000, (ii) the increase in advertising and promotion expenses from $14,388 (September 30, 2023) to $1,518,538 (September 30, 2024), and (iii) increase in share-based compensation from $1,054,248 (September 30, 2023) to $2,388,819 (September 30, 2024) from the grant of restricted share rights.

The increase in the net loss from September 30, 2022 to September 30, 2023 is principally due to: (i) an impairment of loans made to Farm Flight in the amount of $768,591, (ii) incurring investor relations expenses in the amount of $101,052, (ii) an increase in research and development expenses from $8,746 (September 30, 2023) to $902,645 (September 30, 2024) in connection with the GEM Platform, and (iv) recording a share based compensation expense of $1,054,248 in connection with the grant of stock options.

RESULTS OF OPERATIONS

The Company incurred a net loss of $11,429,416 for the year ended September 30, 2024 (2023 - $3,205,374).

	2024 **$**	**2023** **$**
Expenses		
Advertising and promotion	1,518,538	14,388
Bank charges	2,678	1,643
Consulting and salaries	295,679	46,500
Currency exchange	13,058	3,437
Filing and transfer agent fees	94,394	42,851
Investor relations	46,859	101,052
Office expenses	54,565	9,117
Professional fees	234,078	285,283
Research and development	131,251	902,645
Share-based compensation	2,388,819	1,054,248
Travel & entertainment	2,225	7,530
Change in fair value related to derivative asset	-	3,541
Finance charges	-	4,839
Impairment of investments	688,298	768,591
Impairment of intangible asset	5,999,999	-
Interest and other income	(30,970)	(40,291)
Income tax recovery	(10,055)	-
Net loss and total comprehensive loss for the year	11,429,416	3,205,374

RESULTS OF OPERATIONS, continued

Advertising

During the current period, costs were incurred relative to the rebranding of the Company inclusive of its website and an investor marketing campaign. Amounts include US$997,100 to Creative Direct Marketing Group Inc., US$55,000 to Think Ink Marketing and $25,000 to Market IQ Media Group.

Consulting and salaries

During the current period, consulting fees charged by related parties and external consultants increased (see *Related Party Transactions*). In addition, the Company began building its programming staff. Valuation fees were incurred with respect to the proposed Farm Flight Inc. transaction.

Filing fees

During the current period, additional US filing fees were incurred. Monthly listing fees also increased.

Investor Relations

During the prior period, the Company engaged an investor relations consultant for an initial six-month term which was temporarily held pending market conditions. During the current period, the contract was reinstated.

Office expenses

Office expense increases mostly relate to a new month-to-month office sub-lease agreement (see *Related Party Transactions)*.

Professional fees

Costs were incurred relating to legal fees for the proposed transaction with Farm Flight Inc., rebranding, and corporate, commercial, and regulatory guidance in addition to audit and accounting services.

Research and Development

The material components of Research and Development costs relate to a product development agreement for the advancement of the GEM Platform of $49,650 (2023 - $307,781) (subsequently terminated on November 15, 2023); value of 250,000 common shares of $502,50 issued in 2023 pursuant to the GEM Technology Agreement; high-performance computer and server equipment of $92,364 (2023 - $92,364) to assist with video editing, 3D rendering, scientific computing, and machine learning.

Costs of US$55,000 were incurred in the current period relating to development of the Neural Network and QSP platforms (see *Related Party Transactions)*.

Share-based Compensation

A total of $43,561 in share-based compensation expense related to the vesting of stock options and $2,345,258 related to the vesting of restricted share rights was recognized (2023 - $1,054,248 relating to vesting of stock options and $nil related to the vesting of restricted share rights).

Change in fair value related to derivative asset

Under the Convertible Note with Farm Flight, the Company had the right to purchase 9,345 common shares of Farm Flight at a price of USD $1.07 per common share. The fair value of the warrants was determined using the Black-Scholes model on initial recognition and subsequent remeasurement. All Farm Flight investments have been since been impaired.

RESULTS OF OPERATIONS, continued

Financing charges

With respect to loan financing contracts entered into with Farm Flight, the Company recognized finance charges and interest income using the effective interest method.

Impairment of Investments

The following indicators of impairment were identified relative the investment made by the Company in Farm Flight:

Significant Decline in Market Value: The market value of Farm Flight experienced a significant decline in value since the Letter of Intent was entered into. A valuation report obtained by the Company noted no significant tangible net assets but some goodwill relative to customer relationships, brand awareness and employee base.

Economic Factors: Farm Flight was yet to manage profitable operations and continued to operate only generating a gross and net loss. Significant seed investors indicated that future funding would not be available. The Company remained the only significant source of funding.

The Company’s management does not expect imminent cash inflows from the loans to Farm Flight. In estimating the fair value less costs of disposal, management did not have observable or unobservable inputs to estimate the recoverable amount greater than $1 per Farm Flight loan and therefore recorded an impairment provision in accordance with Level 3 of the fair value hierarchy in an amount of $688,294.

Impairment of Intangible Asset

The Company could not identify an active market for the QSE Technology and believes there could be significant uncertainty of the existence of a market for the QSE Technology. The Company does believe, based on the potential future economic benefits and examining the historical progression and lifecycle of encryption technologies such as RSA and other cryptographic standards, that the software has expected future value; however, it was unable to determine an appropriate valuation and recognized an impairment provision of $5,999,999.

Interest income

The Company recognized cash interest income earned on its surplus funds invested in Prime-Linked Cashable GICs.

Proceeds from Public Offerings and Private Placements

Comparison of expected and actual use of proceeds from public offerings and private placements were as follows:

Initial Public Offering (“IPO”) - September 2022 - $1,050,000

Proposed Use of Net Proceeds	**Actual Use of Net Proceeds**
$178,500 for IPO expenses	Approximately $229,000
$55,000 for CSE listing	Approximately $59,000
$744,000 for twelve-month work program	Approximately $902,000 (R&D)
$204,000 for General and Administrative	Approximately $223,000
$290,823 for working capital	Approximately $59,323

RESULTS OF OPERATIONS, continued

Private Placement - October 2023 - $2,000,000

Proposed Use of Net Proceeds	Actual Use of Net Proceeds
$1,800,000 for acquisition of Farm Flight	Approximately $1,100,000
$200,000 for working capital	Approximately $900,000

In October 2023, the Company initially intended to use a significant amount of the net proceeds for its acquisition of Farm Flight. However, after finalizing its due diligence of Farm Flight, the Company elected to not proceed with the transaction and the balance of the proceeds were used for general working capital purposes.

Private Placement - July 2024 - $2,000,000

Proposed Use of Net Proceeds	Actual Use of Net Proceeds
QSE acquisition of platform	$400,000
QSE platform development	Approximately $100,000
Advertising, promotion and marketing	Approximately $1,300,000
General working capital	Approximately $200,000

SUMMARY OF QUARTERLY INFORMATION

The following financial data was derived from the Company's financial statements for the last eight quarters:

Three months ended	Sept 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023
	$	$	$	$
Total revenues	nil	nil	nil	nil
Net loss	(8,242,003)	(985,716)	(825,229)	(1,376,468)
Net loss per share	(0.17)	(0.02)	(0.02)	(0.03)

Three months ended	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
	$	$	$	$
Total revenues	nil	nil	nil	nil
Net loss	(954,809)	(895,131)	(497,371)	(858,063)
Net loss per share	(0.02)	(0.02)	(0.01)	(0.02)

Due to the nature of its current operations, the Company earned no revenue during the periods presented.

Quarterly fluctuations mainly relate to increased administrative overhead, promotional initiatives, research and development costs and share-based compensation expense, which is recognized as equity incentive payments are granted and vest, and investment impairments which are recognized as conditions arise.

During the periods ending December 31, 2022, to September 30, 2024, significant non-cash share-based compensation was recognized. During the three months ended September 30, 2024, significant non-cash intangible asset impairment was recognized. During the three months ended December 31, 2023 and September 30, 2023, significant non-cash investment impairment was recognized. During the three months ended June 30, 2023, the Company issued the first tranche of shares under the GEM Technology Agreement resulting in recognition of a significant non-cash fair value expense.

FOURTH QUARTER

No unusual activity, other than financing activity and impairments already described herein, impacted the Company's cashflows or operating results during the quarter ended September 30, 2024.

DIVIDENDS

There are no restrictions that could prevent the Company from paying dividends on its common shares; however, the Company has not paid any dividends on its common shares as it will incur losses for the foreseeable future, and it is not contemplated that the Company will pay any dividends in the immediate or foreseeable future.

It is the Company's intention to use all available cash flow as working capital.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2024, the Company had a working capital surplus of $1,327,837 (2023 – working capital deficit of $211,906) and realized an increase in cash of $1,025,003 (2023 - decrease of $143,423).

The increase in cash was due to the Company completing private placement financings, which was partially offset by ongoing operating expenses. The Company anticipates that it will require $1,032,000 to meet ongoing operating, general and administrative expenses and $240,000 for development of its GEM and QSE platforms over the next twelve months.

Proceeds from financing activities described herein, will be used to continue to advance the QSE Technology as well as for general working capital purposes. The Company will require additional funds for technology development, upcoming regulatory fees, business development and general operations.

There can be no assurance that financing will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

The Company has no existing contractual obligations other than as described herein. There are no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and cash equivalents and other receivables, which are classified as financial assets at amortized cost, and accounts payable and accrued liabilities, due to related parties and other liabilities, which are classified as financial liabilities at amortized cost. The carrying values of all these instruments approximate their fair values due to the short period to maturity.

The Company is exposed to credit risk in respect to managing its cash. All cash is held with a Canadian financial institution.

CHANGES IN ACCOUNTING POLICIES

New and amended standards adopted by the Company

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies. These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies;

CHANGES IN ACCOUNTING POLICIES, continued

clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures. The adoption of these amendments had minimal impact on the disclosures in these financial statements.

Recent Accounting Pronouncements

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

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

RELATED PARTY TRANSACTIONS

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

- Fees in the amount of $15,000 (2023 – $nil) were charged by James Young Consulting, a company controlled by James Young, a director and officer of the Company, pursuant to a contract for consulting services. On April 29, 2024, the Company entered into an employment agreement appointing James Young as Chief Executive Officer. Under the agreement, remuneration payable is $10,000 per month, less statutory deductions, and an annual discretionary bonus ($nil to date). In addition, the Company granted one million restricted share rights to Mr. Young.

- Fees in the amount of $75,033 (US$55,000) (2023 – $nil) were charged by Spresso Security – FZCO ("Spresso"), a company controlled by Sean Prescott ("Prescott"), a director of the Company, for research and development work on the GEM and QSE Platforms. Accounts payable to Spresso as of September 30, 2024, were $13,524 (US$10,000) (2023 - $nil). Prescott is an indirect controlling party to the QSE Technology Agreement under which accounts payable as of September 30, 2024, were $400,000 (2023 - $nil). Prescott is also trustee to the Prescott Family Foundation (the "Foundation"), the former counterparty to the GEM Technology Agreement.

- Fees in the amount of $64,000 (2023 – $nil) were charged by Lattz Equity, a company controlled by Darien Lattanzi, a director of the Company, pursuant to a contract for consulting services.

- Fees in the amount of $60,000 (2023 – $24,000) were charged by Alan Tam Inc, a company controlled by Alan Tam, a director and officer of the Company, pursuant to a contract for consulting services.

RELATED PARTY TRANSACTIONS, continued

- Pursuant to a month-to-month sub-lease agreement, amounts of $34,992 (2023 – $4,996) were charged by Munchen Motorwerks Ltd, a company of which Darien Lattanzi is also director, for office space rental and included in office expenses. Accounts payable as of September 30, 2024, were $nil (2023 - $5,246).

On July 9, 2024, the Company entered into a technology agreement (the "QSE Technology Agreement") with Ovryde Ltd. ("Ovryde") whereby Ovryde agreed to transfer its ownership and rights relating to delivery and application of quantum resilient entropy (the "QSE Technology"). On August 6, 2024, the Company closed the transaction and paid $400,000 and issued 2,800,000 common shares (the “Consideration Shares") at a deemed value of $2.00 per share. The Consideration Shares will be restricted for a period of four months from the date of issue and be subject to certain voluntary restrictions on resale. The transaction is considered a related party transaction.

Key management personnel are the persons responsible for planning, directing, and controlling the activities of an entity, and include the chief executive officer, chief financial officer, and directors. The Company has no long-term employee or post-employment benefits.

A summary of compensation awarded to key management, was as follows:

	September 30, 2024 $	September 30, 2023 $
Short-term benefits	268,083	24,000
Share-based payments	678,055	773,088
	946,138	**797,088**

OUTSTANDING SHARE DATA AND DILUTION CALCULATION

The Company has authorized share capital consisting of common shares without par value, without special rights or restrictions attached and preferred shares without par value, with special rights or restrictions attached. The number of shares authorized is unlimited.

The Company has issued warrants for the purchase of common shares and also an Equity Incentive Plan.

The table below summarizes the Company’s common shares, stock options, warrants and restricted share rights that are convertible into common shares as of January 28, 2025:

Issued and outstanding common shares	52,691,376
Share options with a weighted average exercise price of $0.81	1,294,333
Share purchase warrants with a weighted average exercise price of $2.25	625,000
Restricted Share Rights - unvested	1,600,000
Fully Diluted	**56,210,709**

RISKS AND UNCERTAINTIES

The Company is exposed to a variety of known and unknown risks in the pursuit of its strategic objectives, including but not limited to liquidity/financial risk and general business. The impact of any risk may adversely affect, among other things, the Company’s business, financial condition, and operating results, which may affect the market price of its securities. The Company monitors its risks on an ongoing basis and seeks to mitigate these risks as and when possible.

RISKS AND UNCERTAINTIES, continued

Liquidity/Financial Risks

The Company is exposed to normal financial risks including liquidity risk, exchange rate risk, interest rate risk and credit risk. The Company's principal liquidity and capital resource requirements are the capital required to acquire streams and general operating expenses. The Company funds these requirements through current cash and working capital balances which are carefully managed to ensure that operational needs and other contractual and financial obligations are met.

General Business Risks

The success of the Company's activities will depend on management's ability to implement its strategy and on the availability of opportunities related to the development, capabilities of its AI analytical software and general economic conditions.

Although management is optimistic about the Company's prospects, there is no certainty that anticipated outcomes and sustainable revenue streams will be achieved and there is no certainty that the Company will successfully implement its current strategy.

Cybersecurity

Companies in all industries, including the mining industry, are susceptible to cyber risk. The Company's primary operational exposure to cyber risk is with respect to proprietary geological, geochemical and exploration data and related models. The Company, similar to companies in all industries, is exposed to common place cyber risks such as, but not necessarily limited to, phishing, spam, fraudulent attacks, denial of service attacks, data loss , data theft, data corruption. The Company outsources its IT management to IT professionals who implement, among other controls and mitigation strategies, system access and authentication controls, transactional authentication, system aactivity logging, audit trails, "exception" handling, on-prem and off-prem backup and storage of the Company's data.

Other

The economic uncertainties around persistent inflation pressure and geopolitical events have the potential to slow growth in the global economy. Future developments in these challenging areas could impact on the Company's results and financial condition and the full extent of that impact remains unknown.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

DISCLOSURE CONTROLS AND PROCEDURES

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee is composed of three directors who meet at least quarterly with management and at least annually with the external auditors to review accounting, internal control, financial reporting, and audit matters.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

In connection with National Instrument 52-109 -*Certificate of Disclosure in Issuer's Annual and Interim Filings*) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements for the six months ended March 31, 2024 and this accompanying MD&A (together, the "Filings").

DISCLOSURE CONTROLS AND PROCEDURES, continued

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with its filings on SEDAR+ at www.sedarplus.ca.

SUBSEQUENT EVENTS

Other than disclosed elsewhere, no other material events occurred subsequent to September 30, 2024.