SCOPE TECHNOLOGIES CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2024

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Scope Technologies Corp. (the "Company") is for the three months ended December 31, 2024 and is dated as of February 28, 2025. This MD&A was prepared to conform to National Instrument ("NI") 51-102F1 and was approved by the Board of Directors prior to its release and should be read in conjunction with the Company's unaudited condensed interim financial statements for the three months ended December 31, 2024, and the Company's audited financial statements for the year ended September 30, 2024, and the accompanying notes, which have been prepared in accordance with International Financial Accounting Standards ("IFRS"). The Company's functional and reporting currency is the Canadian dollar, and all dollar amounts included herein are in 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 (i) future operating results, (ii) revenue generated from the QSE Platform, (iii) the anticipated time frame to commercialize the GEM Platform and complete additional upgrades to the QSE Platform, (iv) the Company's ability to obtain market share, (v) general economic performance of the Company.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual performance or achievements to differ materially from anticipate results, performance or achievements expressed or implied by such forward looking statements. The risks and uncertainties that affect forward-looking statements include, but are not limited to:

- 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;
- our strategy with respect to the protection of our intellectual property;
- the regulatory approval process;
- our ability to successfully compete in our targeted markets;
- 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 companies related to, among other things, commercialization, capitalization, cost containment, and potential litigation.

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 GEM Platform and the continued upgrade to the QSE Platform;
- the ability of the Company to retain qualified personnel to continue the development and/or upgrades to the Company's GEM and QSE Platforms;
- the ability to generate market acceptance of the Company's product suite under the QSE Platform;
- the loss of the Company's sole customer on the QSE Platform; and
- the increase in operating costs from additional development and commercialization costs and increased staff.

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, Quantum Resilient Entropy ("QSE") and General Enterprises Machine Learning ("GEM").

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.

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 platform 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 which protects digital assets against current and future cyber security threats and quantum-computing decryption attacks.

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 three months ended December 31, 2024 and to the date of this MD&A, the Company accomplished the following:

SUMMARY OF OVERALL PERFORMANCE, continued

- Closed a non-brokered private placement of 1,285,714 units at a price of $1.40 per unit for gross proceeds of $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.

- Realized gross proceeds of $423,400 through exercise of a total of 705,667 stock options.

- 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.

- 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 intends to 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 via a variety of digital channels including: Google Ads, Programmatic Ads, LinkedIn Ads, and SEO advisement.

- 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.

- Announced a major advancement in its Quantum Preparedness Assessment (QPA) product, now fully integrated with an industry-standard Risk Management Framework (RMF). Leveraging AI-driven automation, this QPA solution enables organizations to efficiently assess, strategize, and prepare for quantum security threats with greater accuracy and speed.

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 Limited ("Ovryde"), a company controlled by Veronika Prescott, 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.

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

- 250,000 common shares on the latter 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 latter 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
- an additional 250,000 common shares on the latter 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.

As of December 31, 2024, the Company had not completed a cumulative $600,000 in expenditures and both parties mutually agreed to indefinitely pause and defer all amounts due under the Technology Acquisition Agreement. However, 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 a technology agreement (the "QSE Technology Agreement") with 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 (paid) and issuance of 2,800,000 common shares (issued) of the Company (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.

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.

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) The Stage of Development of the QSE Technology. At the time of acquisition, the stage of development of the QSE Technology was an existing "technology stack", being software code, that lacked a platform/interface for a product offering. Accordingly, the QSE Technology was 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 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. Accordingly, the Company believed that the purchase price of $6,000,000 was reasonable given the fact that there was an existing "technology stack" and the potential cost and ability for the Company to develop a similar type of technology on its own.

(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.

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*.

Veronika Prescott, the spouse of Mr. 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.

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 $1,320,000 and 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.

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.

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 and now assigned to Ovryde, a company controlled by Veronika Prescott, being a spouse of Sean Prescott who is Chief Technology Officer and a director of the Company. 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:

(a) 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);

(b) 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;

(c) 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

(d) 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.

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 optionholders to cancel their respective stock options, (ii) the warrantholders 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.

Assuming closing of the transaction, the Company would also retain Sam Baker, Chief Executive Officer of Farm Flight, who would receive 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 and not a related party 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 draft valuation report, the Company elected not to proceed with the Farm Flight transaction.

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 Combination 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:

Use of Proceeds of Farm Flight Loan	**Amount (US$)**
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	**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 of a draft valuation report prepared by RwE Growth Partners determined that it would be detrimental to the Company to complete an acquisition of Farm Flight. After this decision was made, 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 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.

Stage of Development of GEM and QSE Platforms

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

	Stage of Development	**Anticipated Research and Development Costs over 12 Months**	**Anticipated Time Frame for Commercialization**
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
GEM Platform	Beta Version	$Nil	Undetermined (development temporarily paused)

RESULTS OF OPERATIONS

The Company incurred a net loss of $2,331,107 for the three months ended December 31, 2024 (2023 - $1,376,468).

	2024 $	2023 $
Expenses		
Advertising and promotion	1,598,285	2,005
Bank charges	1,261	821
Consulting and salaries	104,404	67,000
Currency exchange	14,361	3,645
Filing and transfer agent fees	42,637	13,164
Investor relations	17,690	-
Office expenses	23,877	4,996
Professional fees	50,139	28,021
Research and development	53,433	14,843
Share-based compensation	444,253	627,029
Travel & entertainment	886	-
Impairment of investments	-	615,884
Interest expense	3,359	-
Interest income	(23,478)	(940)
Net loss and total comprehensive loss for the period	2,331,107	1,376,468

<u>Advertising</u>

During the current period, costs were incurred relative to the continued investor marketing campaigns. Amounts include $1,487,469 to Creative Direct Marketing Group Inc. and $40,090 to Plutus Invest and Consulting GmbH along with monthly fees of $11,000 to Insight Capital Partners Inc. and $3,800 to Percepture Inc.

<u>Consulting and salaries</u>

Consulting and salary costs were incurred to related parties (see *Related Party Transactions)* and external consultants. During the current period, the Company began building its programming staff and during the prior period, valuation fees were incurred with respect to the proposed Farm Flight transaction.

<u>Filing fees</u>

During the current period, additional filing fees were incurred for listing on the Tradegate Stock Exchange and for various news release announcements. CSE Exchange listing fees also vary based upon the Company’s market capitalization.

<u>Investor Relations</u>

The Company engaged an investor relations consultant for an initial six-month term, which ended during the current period.

<u>Office expenses</u>

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

RESULTS OF OPERATIONS, continued

Professional fees

Costs were incurred relating to legal fees for regulatory investigation and compliance, proposed alternative financing initiatives and normal course transactions in addition to audit and accounting services. Increased costs were incurred relating to the QSE Technology Agreement.

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 $nil (2023 - $8,275) (terminated on November 15, 2023); costs of US$30,000 (2023 - $nil) relating to development of the Neural Network and QSP platforms and US$8,000 for acquisition certain research consumables (see *Related Party Transactions)*.

Share-based Compensation

During the three months ended December 31, 2024, the Company recorded $35,477 in share-based compensation expense related to the vesting of stock options and $408,776 related to the vesting of restricted share rights (2023 - $2,896 relating to vesting of stock options and $624,133 related to the vesting of restricted share rights).

Impairment of Investments

During the prior period, the following indicators of impairment were identified relative to prior investments made by the Company in Farm Flight Inc. ("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 did 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 $nil per Farm Flight loan and therefore recorded an impairment provision in accordance with Level 3 of the fair value hierarchy in an amount of $615,884.

Interest Expense

With respect to the convertible loan financing, interest on the net liability component of the loan was recognized using the effective interest rate method (17.53% annualized).

Interest income

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

RESULTS OF OPERATIONS, continued

Proceeds from Private Placement

Expected use of proceeds from the private placement completed in January 2025 is as follows:

QSE platform development: Approximately $240,000
Advertising, promotion and marketing: Approximately $400,000
Business development personnel: Approximately $260,000
General working capital: Approximately $900,000

SUMMARY OF QUARTERLY INFORMATION

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

Three months ended	Dec 31, 2024	Sept 30, 2024	Jun 30, 2024	Mar 31, 2024
	$	$	$	$
Total revenues	nil	nil	nil	nil
Net loss	(2,331,107)	(8,242,003)	(985,716)	(825,229)
Net loss per share	(0.05)	(0.17)	(0.02)	(0.02)

Three months ended	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023
	$	$	$	$
Total revenues	nil	nil	nil	nil
Net loss	(1,376,468)	(954,809)	(895,131)	(497,371)
Net loss per share	(0.03)	(0.02)	(0.02)	(0.01)

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 March 31, 2023, to December 31, 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.

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 December 31, 2024, the Company had a working capital surplus of $931,558 (September 30, 2024 - $1,327,837) and realized an increase in cash of $609,879 during the three months ended December 31, 2024 (2023 - $1,139,649).

The increase in cash was due to the Company receiving funds under a convertible loan financing, advance private placement proceeds and proceeds from the exercise of stock options. This cash was partially offset by ongoing operating expenses and completion of the payment due under the QSE Technology Agreement.

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 non-tax receivables which are classified as financial assets at amortized cost, and accounts payable and accrued liabilities, due to related parties, other liabilities and convertible loan 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 main risks these financial instruments are exposed to are interest rate and credit risk with respect to managing cash and debt and foreign currency risk with to respect to assets and liabilities denominated in US dollars. The Company's risk management policies require significant cash deposits, or any short-term investments be invested with Canadian chartered banks rated BBB or better. Based on relatively stable historical and forecast exchange rates, the Company does not manage currency risks through hedging or other currency management tools. The convertible loan carries a fixed rate of interest.

The Company does not believe any of these risks to be material.

CHANGES IN ACCOUNTING POLICIES

New and amended standards adopted by the Company

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

Recent Accounting Pronouncements

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

- On April 29, 2024, the Company entered into an employment agreement appointing James Young as Chief Executive Officer. Under the agreement, gross remuneration payable is $10,000 per month, an annual discretionary bonus ($nil to date) and grant of restricted share rights as determined by the Equity Incentive Plan (Note 9).

- Fees in the amount of $42,318 (US$30,000) (2023 – $nil) were charged by Spresso Security – FZCO (“Spresso”), a company controlled by Sean Prescott, a director of the Company, for research and development work on the Neural Network and QSP Platforms. Accounts payable as of December 31, 2024, were $33,075 (US$22,991) (September 30, 2024 - $13,524 (US$10,000)). Sean Prescott is an indirect controlling party to the QSE Technology Agreement (Note 5), under which accounts payable as of December 31, 2024, were $nil (September 30, 2024, - $400,000), and a trustee to the Prescott Family Foundation (the “Foundation”), the former counterparty to the Technology Acquisition Agreement (Note 11).

- An amount of $11,114 (US$8,000) was charged by Ovryde for research and development consumables.

- Fees in the amount of $10,500 (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. Accounts payable as of December 31, 2024, were $3,675 (September 30, 2024 - $nil).

- Fees in the amount of $15,000 (2023 – $30,000) 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. Accounts payable as of December 31, 2024, were $5,250 (September 30, 2024 - $nil).

- Pursuant to a month-to-month sub-lease agreement, amounts of $15,000 (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 December 31, 2024, were $5,250 (September 30, 2024 - $nil).

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:

	December 31, 2024 $	December 31, 2023 $
Short-term benefits	**123,932**	45,000
Share-based payments	**288,165**	1,931
	412,097	46,931

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 February 27, 2025:

Issued and outstanding common shares	52,691,376
Share options with a weighted average exercise price of $0.78	1,294,333
Share purchase warrants with a weighted average exercise price of $1.95	1,910,708
Restricted Share Rights - vested	300,000
Restricted Share Rights - unvested	1,300,000
Fully Diluted	**57,496,417**

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.

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 and this accompanying MD&A (together, the "Filings").

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 December 31, 2024.