



SCOPE TECHNOLOGIES CORP.

Condensed Interim Financial Statements
For the Three Months Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars, Unaudited)

Notice of no Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Scope Technologies Corp.
Condensed Interim Statements of Financial Position
As at December 31, 2024 and September 30, 2024
(Expressed in Canadian Dollars, Unaudited)

	Note	December 31, 2024	September 30, 2024
		\$	\$
Assets			
Current			
Cash and cash equivalents	12	1,685,454	1,075,575
Accounts and other receivables		56,785	36,013
Prepaid expenses	13	363,102	704,576
		2,105,341	1,816,164
Non-current			
Intangible asset	5	1	1
		1	1
		2,105,342	1,816,165
Liabilities			
Current			
Accounts payable & accrued liabilities		198,949	74,803
Due to related parties	6	47,250	413,524
Other liabilities	7	50,000	-
Convertible loan	8	877,584	-
		1,173,783	488,327
Shareholder's Equity (Deficit)			
Share capital	9	14,410,623	13,648,641
Share subscriptions received		1,048,400	-
Equity component of convertible loan		91,775	-
Reserves		2,715,738	2,683,067
Deficit		(17,334,977)	(15,003,870)
		931,559	1,327,838
		2,105,342	1,816,165

Going concern (Note 1)

Approved and authorized on behalf of the Board of Directors on February 27, 2025.

"Darien Lattanzi" Director

"Alan Tam" Director

Scope Technologies Corp.
Condensed Interim Statements of Loss and Comprehensive Loss
For the Three Months Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars, Unaudited)

		Three months ended	
	Note	December 31, 2024	December 31, 2023
		\$	\$
Advertising and promotion		1,598,285	2,005
Bank charges		1,261	821
Consulting and salaries	6	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	6	23,877	4,996
Professional fees		50,139	28,021
Research and development	6	53,433	14,843
Share-based compensation	9	444,253	627,029
Travel and entertainment		886	-
		2,351,226	761,524
Impairment of investments	4	-	615,884
Interest expense	8	3,359	-
Interest income		(23,478)	(940)
		(20,119)	614,944
Net loss and comprehensive loss for the period		2,331,107	1,376,468
Basic and diluted net loss per share	9	0.05	0.03
Weighted average number of shares outstanding		50,877,914	39,934,784

The accompanying notes are an integral part of these condensed interim financial statements

Scope Technologies Corp.
Condensed Interim Statements of Changes in Equity (Deficit)
For the Three Months Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars, Unaudited)

	Share Capital Number	Share Capital \$	Subscriptions Received \$	Equity Component of Convertible Loan \$	Reserve s \$	Deficit \$	Total \$
Balance, September 30, 2023	39,000,00 1	2,135,890	-	-	1,226,65 8	(3,574,454)	(211,906)
Issued - private placement	1,250,000	2,000,000	-	-	-	-	2,000,000
Less: Issue costs - cash	-	(9,045)	-	-	-	-	(9,045)
Issued - exercise of warrants	140,000	28,000	-	-	-	-	28,000
Share-based compensation	-	-	-	-	627,029	-	627,029
Net loss	-	-	-	-	-	(1,376,468)	(1,376,468)
Balance, December 31, 2023	40,390,00 1	4,154,845	-	-	1,853,68 7	(4,950,922)	1,057,610
Balance, September 30, 2024	50,700,00 1	13,648,64 1	-	-	2,683,06 7	(15,003,870)	1,327,838
Issued - exercise of options	584,000	350,400	-	-	-	-	350,400
Subscriptions received	-	-	1,048,400	-	-	-	1,048,400
Issuance of convertible loan	-	-	-	91,775	-	-	91,775
Transfer equity reserve related to options exercised	-	411,582	-	-	(411,582)	-	-
Share-based compensation	-	-	-	-	444,253	-	444,253
Net loss	-	-	-	-	-	(2,331,107)	(2,331,107)
Balance, December 31, 2024	51,284,00 1	14,410,62 3	1,048,400	91,775	2,715,73 8	(17,334,977)	931,559

The accompanying notes are an integral part of these condensed interim financial statements

Scope Technologies Corp.
Condensed Interim Statements of Cash Flows
For the Three Months Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars, Unaudited)

	December 31, 2024	December 31, 2023
	\$	\$
Operating Activities		
Net Loss	(2,331,107)	(1,376,468)
<i>Items not involving cash:</i>		
Impairment of investments	-	615,884
Interest accretion	3,359	-
Share-based payments	444,253	627,029
<i>Changes in non-cash working capital:</i>		
Taxes and other receivables	(20,772)	459
Prepaid expenses	341,474	(26,182)
Accounts payable and accrued liabilities	90,146	(91,348)
Due to related parties	33,726	34,204
Cash used in Operating Activities	(1,438,921)	(216,422)
Investing Activities		
Technology acquisition	(400,000)	-
Loans advanced	-	(615,884)
Cash used in Investing Activities	(400,000)	(615,884)
Financing Activities		
Loan proceeds	1,050,000	50,000
Repayment of loans	-	(75,000)
Shares issued for cash, net	350,400	1,996,955
Share subscriptions in advance	1,048,400	-
Cash provided by Financing Activities	2,448,800	1,971,955
Increase in Cash and Cash Equivalents	609,879	1,139,649
Cash and Cash Equivalents, Beginning of Period	1,075,575	50,572
Cash and Cash Equivalents, End of Period	1,685,454	1,190,221
Cash	1,670,454	90,221
Cash Equivalents	15,000	1,100,000
	1,685,454	1,190,221

Supplemental cash flow information (Note 12)

Scope Technologies Corp.
Notes to the Condensed Interim Financial Statements
For the Three Months Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars, Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

These condensed interim financial statements were prepared on a going-concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As of December 31, 2024, the Company had a working capital surplus of \$931,558 (September 30, 2024 - \$1,327,837). The Company incurred a net loss of \$2,331,107 for the three months ended December 31, 2024 (2023 - \$1,376,468) and had an accumulated deficit of \$17,334,977 as of December 31, 2024 (September 30, 2024 - \$15,003,870).

As of December 31, 2024, the Company does not have sufficient capital to meet the requirements for its administrative overhead or maintaining its development programs. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. To finance future activities, the Company will be required to issue further share capital through private placements and the exercise of options and warrants or obtain debt. There can be no assurance that such financing will be available to the Company and, therefore, a material uncertainty exists which casts significant doubt over the Company's ability to continue as a going concern.

The economic uncertainties around persistent inflation pressure, geopolitical events and other global factors have the potential to slow growth in the global economy. Future developments in these challenging areas could impact on the Company's results and financial condition and the full extent of that impact remains unknown. However, as of December 31, 2024, the Company has not been significantly impacted by these matters.

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

2. BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICIES

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - *Interim Financial Reporting*, using historical cost, except for cash flow information and financial instruments measured at fair value. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2024 which have been prepared in accordance with IFRS as issued by the IASB. The Company's functional and presentation currency is the Canadian dollar.

Significant Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. BASIS OF PRESENTATION AND MATERIAL ACCOUNTING POLICIES, continued

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

With the exception of below, areas of significant judgement and estimates for the three months ended December 31, 2024 in the application of IFRS that have a significant effect on the Company's financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Note 2 of the Company's audited financial statements for the year ended September 30, 2024.

Convertible Loan

As the convertible loan bears interest rate below the market rate for a commercial loan with similar terms, the initial fair value of the loan is determined by using a discounted cash flow analysis. To determine the discounted cash flow, the Company had to determine the discount rate to apply to record the loan at fair value at initial recognition. The discount rate selected at initial recognition has a significant impact on the amount recorded for the initial fair value of the loans. In determining the appropriate discount rate, significant judgment was used to identify the interest rates of similar loan arrangements with similar terms.

Material Accounting Policy Information

With the exception of below, the same material accounting policies are used in the preparation of these condensed interim financial statements as for the most recent audited annual financial statements and reflect all the adjustments necessary for fair presentation in accordance with IFRS of the results for the interim periods presented.

Convertible Loan

The convertible loan is initially measured at fair value, net of transaction costs, and is subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis.

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 had 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.

Scope Technologies Corp.
Notes to the Condensed Interim Financial Statements
For the Three Months Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars, Unaudited)

3. 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.

4. INVESTMENTS

During the three months ended December 31, 2023, the Company advanced \$615,884 (USD\$450,000) to Farm Flight Inc. ("Farm Flight") pursuant to a Loan Facility Agreement. During that time, the Company undertook further review of the financial condition of Farm Flight, and it became evident that the transactions originally proposed would not proceed as planned. The Company concluded that it did not expect recovery of any amounts advanced.

Management therefore recorded an impairment of \$615,884 for three months ended December 31, 2023, in accordance with Level 3 of the fair value hierarchy.

5. INTANGIBLE ASSET

On July 9, 2024, the Company entered into a technology agreement (the "Technology Agreement") with Ovryde Ltd. ("Ovryde") whereby Ovryde agreed to transfer its ownership and rights relating to delivery and application of quantum resilient entropy (the "QSE Technology"). Ovryde is controlled by the spouse of Sean Prescott, who is an officer and director of the Company (Note 6).

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

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

Intangible assets as of December 31, 2024, and September 30, 2024, were as follows:

	QSE Technology \$	Total \$
Cost		
Balance, December 31, 2024 and September 30, 2024	6,000,000	6,000,000
Accumulated impairment		
Balance, December 31, 2024 and September 30, 2024	5,999,999	5,999,999
Carrying amounts		
Balance, September 30, 2024	1	1
Balance, December 31, 2024	1	1

Scope Technologies Corp.
Notes to the Condensed Interim Financial Statements
For the Three Months Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars, Unaudited)

6. 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 Ovryste 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

Scope Technologies Corp.
Notes to the Condensed Interim Financial Statements
For the Three Months Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars, Unaudited)

7. OTHER LIABILITIES

Included within other liabilities, as at September 30, 2023, were \$50,000 with respect to funds received from a consultant for an on-demand interest-free short-term loan. On October 13, 2023, the Company received an additional on-demand interest-free short-term loan of \$25,000. On November 2, 2023, the Company repaid \$75,000, the total loan amount being outstanding. Also included within other liabilities, as at September 30, 2023, were \$72,000 with respect to funds received relative to future exercise of common share purchase warrants all of which was allocated to share capital on completion of exercise during the year ended September 30, 2024.

On October 13, 2023, the Company received an on-demand interest-free short-term loan of \$25,000 from a third party. On January 30, 2024, the Company repaid \$25,000, being the total loan amount outstanding.

On October 24, 2024, the Company received an on-demand interest-free short-term loan of \$50,000 from a third party. The loan remains outstanding as of December 31, 2024.

8. CONVERTIBLE LOAN

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

The loan is considered a compound financial instrument and is therefore split into a liability component and an equity component.

As the loan bears favourable interest, the interest rate is deemed below the market rate for a similar commercial loan. To determine the discounted cash flow, the Company had to determine the discount rate to apply to record the loan at fair value at initial recognition. The Company was required to use significant judgment in determining the appropriate discount rate to apply in the fair value calculation and used a discounted rate of 15% based on its analysis of other companies receiving similar loans at early commercialization stages and the Company's risk factors.

Of the gross proceeds of \$1,000,000, upon recognition \$904,995 was allocated to the present value of the liability component and \$95,005 was allocated to the equity component (conversion right feature) of the convertible loan. Transaction costs accrued of \$34,000 were allocated based on the relative values of the liability (\$30,770) and equity components (\$3,230) at initial recognition.

Interest on the net liability component is determined using the effective interest rate method (17.53% annualized) and accreted over the term of the loan.

	\$
Balance, September 30, 2024	-
Proceeds from loan	1,000,000
Amount classified as equity	(95,005)
Transaction costs	(30,770)
Interest accreted	3,359
Balance, December 31, 2024	877,584

Scope Technologies Corp.
Notes to the Condensed Interim Financial Statements
For the Three Months Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars, Unaudited)

9. SHARE CAPITAL

Issued share capital

As of September 30, 2024, there were 51,284,001 (September 30, 2024 – 50,700,001) issued and fully paid common shares.

a) Financings

Three Months Ended December 31, 2023

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

b) Equity Incentive Plan

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

Stock Options

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

Stock options granted and outstanding were as follows:

	Number of options	Weighted average exercise price (\$)	Weighted average remaining life (years)
Balance - September 30, 2024	1,600,000	0.67	3.13
Exercised	(584,000)	-	
Balance - December 31, 2024	1,016,000	0.71	2.58
Unvested	(75,000)	1.73	4.73
Exercisable - December 31, 2024	941,000	0.73	2.41

Scope Technologies Corp.
Notes to the Condensed Interim Financial Statements
For the Three Months Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars, Unaudited)

9. SHARE CAPITAL, continued

Expiry date	Exercise price (\$)	Remaining life (years)	Options Outstanding	Unvested	Exercisable
March 27, 2025 (*)	0.60	0.24	150,000	-	150,000
October 3, 2027	0.60	2.76	766,000	-	766,000
September 24, 2029	1.73	4.73	100,000	75,000	25,000
			1,016,000	75,000	941,000

* - subject to accelerated exercise.

The weighted average share price at the date of exercise of the stock options was \$1.40. Upon exercise, the fair value of exercised stock options of \$411,582 (2023 - \$nil) was reclassified from reserves to share capital.

Restricted Share Rights ("Rights")

Pursuant to a consulting agreement with an advisor to the Company dated October 16, 2023, the Company granted 1,000,000 rights whereby each right vests as follows: 10% upon grant; 30% after six months; 30% after one year and the remaining 30% after eighteen months. Each vested right is redeemable for one common share of the Company at the time of vesting and expire April 16, 2025. Upon grant, the rights were valued at \$1,900,000 based on the Company's stock trading price of \$1.90 per share at the grant date, which is being recognized over the vesting period, and, as of December 31, 2024, a total of 700,000 rights have vested and 400,000 have been exercised (September 30, 2024 - 400,000 rights vested, and 400,000 rights exercised.)

Pursuant to employment agreement dated April 29, 2024 (Note 6), subsequently amended for vesting terms during December 2024, the Company granted 1,000,000 rights to an officer and director of the Company, whereby each now right vests as follows: 20% after ten months; 10% after twelve months; 15% fifteen and eighteen months and 20% after twenty-one and twenty-four months. Each vested right is redeemable for one common share of the Company at the time of vesting and expire five years from the date of grant. Upon grant, the rights were valued at \$1,850,000 based on the Company's stock trading price of \$1.85 per share at the grant date, which is being recognized over the vesting period, and, as of December 31, 2024, a total of nil rights have vested (September 30, 2024 - nil). The modified vesting terms were not deemed beneficial.

Restricted share rights outstanding were as follows:

	Number of Rights
Balance - September 30, 2024	1,600,000
Balance - December 31, 2024	1,600,000
Unvested	(1,300,000)
Exercisable - December 31, 2024	300,000

Scope Technologies Corp.
Notes to the Condensed Interim Financial Statements
For the Three Months Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars, Unaudited)

9. SHARE CAPITAL, continued

Expiry date	Rights Outstanding	Unvested	Exercisable
April 16, 2025	600,000	300,000	300,000
April 29, 2029	1,000,000	1,000,000	-
	1,600,000	1,300,000	300,000

As at December 31, 2024, the Company has an obligation to issue 300,000 common shares with respect to vested rights on or before two-and-a-half months subsequent to December 31, 2024.

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).

c) Share Purchase Warrants

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

	Number of warrants	Weighted average exercise price (\$)	Weighted average remaining life (years)
Balance - September 30, 2024	625,000	2.25	1.07
Balance - December 31, 2024	625,000	2.25	0.82

Expiry date	Exercise price \$	Number of warrants outstanding
October 27, 2025	2.25	625,000
		625,000

d) Diluted Loss per Share

Excluded from the calculation of diluted loss per share were 1,016,000 stock options, 625,000 share purchase warrants and 1,600,000 restricted share rights (2023 - 1,500,000 stock options, 7,735,000 share purchase warrants and 1,000,000 restricted share rights respectively), that could potentially dilute basic earnings per share in the future but were not included as being antidilutive for each of the three months ended December 31, 2024, and 2023.

10. SEGMENTED INFORMATION

The Company's operations are in one reportable segment, being the specialization in quantum security and machine learning providing solutions in data security, quantum encryption, and neural networks. Currently, the operations are all based in Canada.

Scope Technologies Corp.
Notes to the Condensed Interim Financial Statements
For the Three Months Ended December 31, 2024 and 2023
(Expressed in Canadian Dollars, Unaudited)

11. TECHNOLOGY ACQUISITION AGREEMENT

On February 15, 2022, the Company entered in a technology acquisition agreement (the "Technology Acquisition Agreement") with the Foundation for the exclusive right of use to the Foundation's image recognition technology (the "Technology"). A director of the Company is also the trustee to the Foundation (Note 6). Pursuant to an assignment agreement dated June 25, 2024, the Foundation assigned the technology and Technology Acquisition Agreement to Ovryde (Note 6).

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

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

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

As at 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.

12. SUPPLEMENTAL CASH FLOW INFORMATION

	December 31, 2024	December 31, 2023
	\$	\$
Cash:		
Interest received	(3,359)	940
Non-Cash:		
<i>Working capital:</i>		
Accounts payable related to intangible assets paid in current period	400,000	-
Convertible loan transaction costs included in accounts payable	34,000	-
<i>Financing activities:</i>		
Share subscriptions received in prior period	-	22,000
Equity component of convertible loan	95,005	-
Convertible loan transaction costs allocated to loan	30,770	-
Convertible loan transaction costs allocated to equity	3,230	-
Fair value of options exercised transferred from reserve to share capital	411,582	-

12. SUPPLEMENTAL CASH FLOW INFORMATION, continued

Cash and cash equivalents consist primarily of cash at banks and other short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. As at December 31, 2024 cash on hand was \$1,670,454 and \$15,000 was held in a restricted GIC as credit card collateral. (September 30, 2024 - on hand: \$107,426; restricted: \$15,000; and Prime-Linked Cashable GICs: \$953,149).

13. PREPAID EXPENSES

Included in prepaid expenses as at December 31, 2024 is an amount of \$325,270 (September 30, 2024 - \$678,851) representing advance payments for ongoing marketing campaigns.

14. SUBSEQUENT EVENTS

Other than disclosed elsewhere, the following occurred subsequent to December 31, 2024:

During January 2025, a total of 121,667 stock options were exercised at \$0.60 per common share for gross proceeds of \$73,000 (all proceeds received as at December 31, 2024 and included within share subscriptions received).

On January 10, 2025, the Company closed a non-brokered private placement and issued 1,285,714 units ("Units") at a price of \$1.40 per Unit for gross proceeds of up to \$1,800,000 (proceeds received of \$975,400 as at December 31, 2024 and included within share subscriptions received). Each Unit consists of one common share and one common share purchase warrant (each, a "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.

On January 10, 2025, the Company granted 400,000 stock options to employees at an exercise price of \$1.00 per common share expiring on January 10, 2030. The options vest one-quarter six months from grant date, one-quarter twelve months from grant date, one-quarter eighteen months from grant date and one-quarter twenty-four months from grant date.