

Integrated Cyber Solutions, Inc.

Consolidated Financial Statements

For The Periods Ended December 31, 2024 and 2023

(Unaudited – Prepared by Management)

(Expressed in United States Dollars)

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 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 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.

Integrated Cyber Solutions, Inc.

Condensed Interim Consolidated Statements of Financial Position

*(Expressed in United States dollars unless otherwise specified)**(Unaudited)*

	As at	December 31,	June 30,
	Note(s)	2024	2024
		\$	\$
ASSETS			
Current assets			
Cash		28,089	6,945
Accounts receivable less allowance for doubtful accounts	9	181,726	50,193
		209,815	57,138
Non-current assets			
Equipment	3	1,255	
TOTAL ASSETS		211,070	57,138
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	663,239	453,741
Loans payable – short term	4, 6	398,566	269,054
		1,061,805	722,795
TOTAL LIABILITIES		1,061,805	722,795
SHAREHOLDERS' DEFICIENCY			
Share capital	5	5,203,846	5,203,846
Stock options reserve	5	60,389	60,389
Warrants reserve	5	1,280,164	1,280,164
Shares to be issued	5	43,368	43,368
Accumulated other comprehensive income (loss)		15,692	12,840
Accumulated deficit		(7,454,194)	(7,266,264)
TOTAL SHAREHOLDERS' DEFICIENCY		(850,735)	(665,657)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		211,070	57,138

Nature and continuance of operations	1
Subsequent events	11

These consolidated financial statements were approved for issue by the Board of Directors on February 28, 2025 and signed on its behalf by:

"Rob Bain", Director; "Alan Guibord", Director

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

Integrated Cyber Solutions, Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

	Note(s)	For the three months ended		For the six months ended	
		December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
		\$	\$	\$	\$
Income					
Services		250,311	8,293	297,763	58,000
Cost of Sales					
Service providers		58,583	23,010	102,372	49,360
Other costs		-	-	-	6,197
		58,583	23,010	102,372	55,557
Gross profit		191,728	(14,717)	195,391	2,443
Expenses					
Consulting	6	61,969	147,308	76,969	147,308
Contract labor		28,000	21,600	37,000	30,831
Depreciation	3	94	2,574	94	5,270
General and administrative costs		25,150	30,747	45,169	40,482
Marketing	6	56,966	110,727	98,966	146,838
Professional fees		85,158	106,789	91,908	127,453
Transfer agent and filing fees		-	19,000	15,600	26,988
Travel		5,428	4,229	5,428	6,572
		262,765	442,974	371,134	531,742
Loss before other items		(71,037)	(457,691)	(175,743)	(529,299)
Other income (expenses)					
Interest and financing fees		(5,493)	(61,749)	(10,126)	(64,033)
Gain (loss) on foreign exchange		(2,605)	2,643	(2061)	706
		(8,098)	(59,106)	(12,187)	(63,327)
Net loss		(79,135)	(516,797)	(187,930)	(592,626)
Other comprehensive income (loss): (items that may be subsequently reclassified to profit or loss)					
Foreign currency translation to reporting currency		5,658	(38,344)	2,852	(15,389)
Comprehensive loss		(73,477)	(555,141)	(185,078)	(608,015)
Basic and diluted loss per share for the period attributable to shareholders					
		(0.00)	(0.01)	(0.00)	(0.01)
Weighted average number of shares outstanding					
Basic and diluted		61,495,676	61,220,951	61,495,676	58,845,403

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

Integrated Cyber Solutions, Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
 (Expressed in United States dollars unless otherwise specified)
 (Unaudited)

	Share Capital				Shares to be issued	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Deficiency
	Number	Amount	Stock Options Reserve	Warrants Reserve				
		\$	\$	\$				
Balance, June 30, 2023	56,495,676	4,439,333	60,389	1,207,391	-	(5,577)	(6,267,979)	(566,443)
Shares issued	5,000,000	913,500	-	-	-	-	-	913,500
Share issuance costs	-	(102,980)	-	17,638	-	-	-	(85,342)
Issuance of Top-Up Warrants (Note5)	-	-	-	61,489	-	-	-	61,489
Cumulative translation adjustment	--	-	-	-	-	(15,389)	-	(15,389)
Net loss for the period	--	-	-	-	-	-	(592,626)	(592,626)
Balance, December 31, 2023	61,495,676	5,249,853	60,389	1,286,518	-	(20,966)	(6,860,605)	(284,811)
Balance, June 30, 2024	61,495,676	5,203,846	60,389	1,280,164	43,368	12,840	(7,266,264)	(665,657)
Cumulative translation adjustment	-	-	-	-	-	2,852	-	2,852
Net loss for the period	-	-	-	-	-	-	(187,930)	(187,930)
Balance, December 31, 2024	61,495,676	5,203,846	60,389	1,280,164	43,368	15,692	(7,454,194)	(850,735)

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

Integrated Cyber Solutions, Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in United States dollars unless otherwise specified)
(Unaudited)

	For the six months ended	
	December 31, 2024	December 31, 2023
	\$	\$
Cash flows from OPERATING ACTIVITIES		
Net loss	(187,930)	(592,626)
Adjustments for items not affecting cash:		
Depreciation	94	5,270
Accrued interest	10,126	2,544
Warrants issued as financing fee	-	61,489
Net changes in working capital items		
Accounts receivable, net	(131,533)	9,327
Accounts payable and accrued liabilities	212,350	(234,623)
Cash flow used in operating activities	(96,893)	(748,619)
INVESTING ACTIVITIES		
Equipment	(1,349)	-
Cash flow used in investing activities	(1,349)	-
FINANCING ACTIVITIES		
Issuance of shares	-	913,500
Share issuance costs	-	(85,342)
Cash received from loans	119,386	27,200
Repayment of loans	-	(82,000)
Cash flow provided by financing activities	119,386	773,358
Impact of currency translation	-	(15,374)
Change in cash	21,144	9,365
Cash, beginning of period	6,945	11,432
Cash, end of period	28,089	20,797

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

Integrated Cyber Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For The Period Ended December 31, 2024

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

The Company was incorporated under the Business Corporations Act (British Columbia) on November 12, 2021, with the name 1332996 B.C. Ltd. The Company's registered office is located at 2600-1066 West Hastings St., Vancouver British Columbia V6E 3X1.

On May 12, 2023, the Company completed a reverse takeover (the "**Reverse Takeover**") with Integrated Cyber Solutions, LLC, a company organized under the Limited Liability Company Act of the State of Connecticut, on November 8, 2016. Pursuant to the Reverse Takeover, the Company changed its name to Integrated Cyber Solutions, Inc. Following the completion of the Reverse Takeover, Integrated Cyber Solutions LLC became a wholly owned subsidiary of the Company. As consideration for the Reverse Takeover, the Company issued to the Integrated Cyber Solutions LLC Members an aggregate of 32,280,000 common shares

The Company began trading on the Canadian Stock Exchange (CSE) under the stock symbol ICS on October 10, 2023.

The Company is a managed security service provider ("**MSSP**") that delivers cybersecurity managed services to the Small-to-Medium Business ("**SMB**") and Small-to-Medium Enterprise ("**SME**") segments, integrating capabilities from third-party cybersecurity providers.

As a result of the Reverse Takeover, the former Members of Integrated Cyber Solutions LLC acquired control of the Company. Integrated Cyber Solutions LLC was deemed as the acquirer for accounting purposes, and therefore its assets, liabilities and operations are included in the consolidated financial statements at their historical carrying value. The Company's results of operations are those of Integrated Cyber Solutions LLC with the Company's operations being included from May 12, 2023, the closing date of the Reverse Takeover, onwards.

Going concern

At December 31, 2024, the Company had working capital deficit of \$851,990 and an accumulated deficit of \$7,454,194.

The condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future. There are no assurances that the Company will be successful in its efforts to secure additional financing in the future as required. These matters result in material uncertainties which may cast significant doubt on whether the Company will continue as a going concern. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on February 28, 2025.

Integrated Cyber Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For The Period Ended December 31, 2024

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

2. MATERIAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance to International Financial Reporting Standards

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”), and its interpretations, using accounting policies consistent with International Financial Reporting Standards (“IFRS”). The condensed interim consolidated financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2024, which have been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee (“IFRIC”)

Basis of presentation

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS that are published at the time of preparation and that are effective on December 31, 2024.

The policies set out below were consistently applied to all periods presented unless otherwise noted below.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The functional currency is determined using the currency of the primary economic environment in which that entity operates. The functional currency of the Company is the Canadian Dollar and the functional currency of Integrated Cyber Solutions LLC is the United States Dollar. All amounts presented are in United States dollars unless otherwise indicated.

Consolidation

These consolidated financial statements are presented on a consolidated basis and include the accounts of the Company and its controlled entities. Control occurs when the Company is exposed to, or has right to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Details of controlled entities are as follows:

Entity	Country of Incorporation	Functional Currency	Percentage Owned December 31, 2024
Integrated Cyber Solutions LLC	United States	United States Dollars	100%

All intercompany balances and transactions have been eliminated on consolidation.

Integrated Cyber Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For The Period Ended December 31, 2024

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

2. MATERIAL ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Critical accounting judgements, estimates and assumptions

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in these consolidated financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. Revisions to estimates are adjusted prospectively in the period in which the estimates are revised. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) are discussed below.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the relevant jurisdiction. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the outcome may result in a materially different outcome than the amount included in the tax liabilities. In addition, the Company recognizes deferred tax assets relating to tax losses carried forward only to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Going concern

Management's assessment that the Company will be able to execute its strategy and fund future working capital requirements to continue as a going concern requires significant judgment.

Estimates

- **Share-based payment transactions**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Integrated Cyber Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For The Period Ended December 31, 2024

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

2. MATERIAL ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Critical accounting judgements, estimates and assumptions (continued)

Estimates (continued)

- **Revenue recognition**

Application of the accounting principles related to the measurement and recognition of revenue requires the Company to make judgments and estimates. Revenue arrangements may be comprised of multiple performance obligations. Judgment is required in determining the performance obligations that exist in an arrangement and the nature of these deliverables. Management also applies judgement in the calculation of the estimated life of a contract, the value of amounts recoverable on contracts and the timing of revenue recognition.

Material accounting policies

The accounting policies set out in the audited consolidated financial statements for the year ended June 30, 2024 have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2024.

IFRS 18 is the new standard on financial statement presentation and disclosure with a focus on updates to the statement of profit or loss. IFRS 18 will replace IAS 1, Presentation of Financial Statements. IFRS 18 will be effective for years beginning on or after January 1, 2027.

Management is reviewing the impact that this new standard will have on its consolidated financial statements

3. EQUIPMENT

	Computer Equipment \$
Cost	
As at June 30, 2023, and 2024	-
Additions	1,349
As at December 31, 2024	1,349
Depreciation	
As at June 30, 2023 and 2024	-
Charged for the period	94
As at December 31 2024	94
Net book value	
As at June 30, 2024	-
As at December 31, 2024	1,255

Integrated Cyber Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For The Period Ended December 31, 2024

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

4. LOANS PAYABLE

	December 31, 2024	June 30, 2024
	\$	\$
Loan payable to an arm's length party. This loan is non-interest bearing, with terms of repayment as follows:		
• Payable in 24 equal monthly installments of \$4,167, commencing 60 days after the close of the Reverse Takeover.		
As at December 31, 2024 and June 30, 2024, no amounts have been repaid against this loan, with the entire amount recorded as current.	100,000	100,000
During the year ended June 30, 2023, the Company incurred marketing expenses valued at \$70,000 from a related party. The amounts owing were converted into a non-interest-bearing loan, with a maturity date of October 31, 2024. (Note 6)	70,000	70,000
Loan payable to a related party, in the amount of \$80,000. This loan accrued interest at 10% per annum, compounding monthly. The principal, plus accrued interest, was due December 31, 2024 (the "Maturity Date"). Effective June 30, 2024, the loan accrued interest at 15% per annum, and is due on demand.		
During the year ended June 30, 2024, the principal of \$80,000 was repaid, together with \$2,000 of interest. Portion remaining as at June 30, 2024 consists of interest.		
As at December 31, 2024 and June 30, 2024, the entire amount owing is due to accrued interest only (Note 6).	12,630	11,734
During the year ended June 30, 2024, the Company borrowed \$83,320 from a related party. This amount was non-interest bearing, with no terms of repayment. (Note 6)		
Effective June 30, 2024, the loan began to will accrue interest at 15% per annum, and it become due on demand.	89,570	83,320
This amount is due to a related party, is non-interest bearing, with no terms of repayment. (Note 6)	27,000	4,000
During the period ended December 31, 2024, the Company borrowed \$50,000 from an unrelated party. This amount bears interest at 15% per annum, and is due on demand.	52,944	-
During the period ended December 31, 2024, the Company borrowed \$44,422 from a related party. This amount is non-interest bearing, and due on demand. (Note 6).	44,422	-
During the period ended December 31, 2024, the Company borrowed \$2,000 from a related party. This amount is non-interest bearing, and due on demand. (Note 6).	2,000	-
Loans payable	398,566	269,054

Integrated Cyber Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For The Period Ended December 31, 2024

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

5. SHAREHOLDERS' DEFICIENCY

Authorized share capital

As at December 31, 2024, the authorized share capital of the Company consists of an unlimited number of common and preferred shares without par value.

Issued share capital

As at December 31, 2024 and June 30, 2024, the Company had 61,495,676 outstanding common shares and no preferred shares outstanding.

Share capital transactions

During the period ended December 31, 2024:

The Company did not complete any share transactions.

During the year ended June 30, 2024:

On October 6, 2023, the Company completed its initial public offering of 5,000,000 Units at CAD\$0.25 (\$0.18) per Unit. Each Unit consisted of one common share of the Company, and one share purchase warrant. Each warrant is exercisable into one common share of the Company, at an exercise price of CAD\$0.50 for 24 months. In connection with this financing, 256,500 agent warrants were issued, with an exercise price of CAD\$0.50 for 24 months. These agent warrants were valued at \$17,638 using the Black-Scholes Option Pricing Model, with the following assumptions: share price - CAD\$0.25; risk-free interest rate – 4.87%; expected life – 2 years; expected volatility – 100% and expected dividends – nil. The Company also incurred \$131,349 of cash share issuance costs.

In addition to this financing, 425,000 Top-Up Warrants were issued to Alke in conjunction with their agreement (Note 9). These warrants were recorded as an interest and financing fees in the statement of loss and comprehensive loss, valued at \$55,135 using the Black-Scholes Option Pricing Model, with the following assumptions: share price - CAD\$0.25; risk-free interest rate – 4.87%; expected life – 1.5 years; expected volatility – 100% and expected dividends – nil

In April 2024, the Company received \$43,368 from Alke Advisory Services as part of their funding commitment (Note 9). The Company is required to issue 154,885 common shares to Alke Advisory Services in this amount. As at June 30, 2024, these shares had not yet been issued, and are recorded as shares to be issued.

The Company's shares began trading on the Canadian Securities Exchange ("CSE") on October 10, 2023, under the symbol ICS.

Integrated Cyber Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For The Period Ended December 31, 2024

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

5. SHAREHOLDERS' DEFICIENCY (CONTINUED)

Stock Options

On May 23, 2022, the Company adopted a stock option plan (the "Stock Option Plan") whereby it can grant incentive stock options to directors, officers, employees, and consultants of the Company. The maximum number of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued and outstanding common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The term of the options are at the discretion of the Board of Directors, but cannot exceed 5 years. The exercise price will be set by the Board of Directors at the time of grant and cannot be lower than the exercise price permitted by the Canadian Securities Exchange.

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2023 and 2024, and December 31, 2024.	450,000	\$CAD 0.30

As at September 30, 2024, outstanding options were as follows:

Grant Date	Number of options outstanding	Number of options exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
June 6, 2022	200,000	200,000	\$CAD 0.30	June 6, 2027	2.43
July 1, 2022	250,000	250,000	\$CAD 0.30	July 1, 2027	2.50
Total	450,000	450,000	\$CAD0.30		2.47

Integrated Cyber Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For The Period Ended December 31, 2024

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

5. SHAREHOLDERS' DEFICIENCY (CONTINUED)

Warrants

A summary of the Company's warrant activity is as follows:

	Number outstanding	Weighted average exercise price (\$CAD)
Balance, June 30, 2023	11,427,808	0.11
Issued	5,681,000	0.47
Balance, June 30, 2024 and December 31, 2024	17,108,808	0.23

As at December 31, 2024, outstanding warrants were as follows:

Number of warrants outstanding	Exercise Price	Expiry date	Remaining contractual life (years)
5,227,132	\$CAD 0.10	April 20, 2025	0.30
485,676	\$CAD 0.30	October 6, 2025	0.76
6,000,000	\$CAD 0.10	December 14, 2026	1.95
140,000	\$CAD 0.25	October 6, 2028	3.77
5,256,000	\$CAD 0.50	October 6, 2025	0.76
17,108,808	\$CAD 0.23		1.06

Integrated Cyber Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For The Period Ended December 31, 2024

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

6. RELATED PARTIES

Key management personnel

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include the members of the Board of Directors and executive officers of the Company.

During the periods ended December 31, 2024 and 2023, the Company incurred the following transactions with related parties:

	Three months ended		Six months ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
	(\$)	(\$)	(\$)	(\$)
Marketing fees to a company controlled by two significant shareholders	18,000	10,000	60,000	31,000
Professional fees paid to the CFO	60,000	38,000	60,000	38,000
Consulting fees to the CEO	40,000	30,000	40,000	30,000
Consulting fees to a director	-	7,301	-	7,301
	118,000	85,301	160,000	106,301

As at December 31, 2024, the Company had the following amounts due to related parties:

- As at December 31, 2024 and June 30, 2024, \$70,000 is owing to a company controlled by two significant shareholders, in the form of a loan as discussed in Note 4.
- As at December 31, 2024, the Company also had a loan payable, with accrued interest of \$12,630 (June 30, 2024 - \$11,734) to another significant shareholder, with terms also discussed in Note 4. As at December 31, 2024, the Company also had another loan payable of \$89,570 (June 30, 2024 - \$83,320) this is party, accruing interest at 15% per annum, as discussed in Note 4.
- As at December 31, 2024, the Company a loan payable of \$27,000 (June 30, 2024 - \$4,000) to the CEO, with no terms of repayment, as discussed in Note 4.
- As at December 31, 2024, the Company a loan payable of \$44,422 (June 30, 2024 - \$Nil) to a shareholder, with no terms of repayment, as discussed in Note 4.
- As at December 31, 2024, the Company a loan payable of \$2,000 (June 30, 2024 - \$Nil) to a shareholder, with no terms of repayment, as discussed in Note 4
- As at December 31, 2024, the Company had \$450,983 (June 30, 2024- \$298,983) included in accounts payable, owing to management, directors, and other related parties.

Integrated Cyber Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For The Period Ended December 31, 2024

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

7. COMMITMENTS AND CONTINGENCIES

Commitments

Prior to the Reverse Takeover, on April 15, 2022 the Company and Alke Capital Limited ("Alke") entered into the investment and advisory agreement (the "Alke Agreement"). Pursuant to the Alke Agreement, Alke will (a) provide certain advisory services to the Company, ("Alke Advisory Services"), and (b) make available to the Company a non-revolving equity drawdown facility in the aggregate amount of up to \$5,000,000 (the "Funding Commitment").

The Funding Commitment is for an aggregate amount of \$5,000,000 and a term of three years. In addition, the Company may use the Funding Commitment as security, with the consent of Alke, to secure additional financing avenues if it so chooses. Upon listing of its common shares on the Canadian Stock Exchange (the "Listing") and under the terms of the Alke Agreement, the Company can immediately start drawing down funds from the \$5,000,000 Funding Commitment during the three-year term at the Company's discretion by providing a notice to Alke (an "Alke Drawdown Notice"). At the date the notice is provided, the number of common shares to be issued is fixed, and the common shares are to be issued within 5 business days. As at December 31, 2024, \$43,386 (June 30, 2023 - \$Nil) have been withdrawn under the Funding Commitment. The Company has not issued the requisite common shares to date and is therefore in default of its obligation under the terms of the Alke Agreement, and has recorded these as shares to be issued.

As an additional provision of the Alke Agreement, in the event that the Shares of the Company become listed for trading on a recognized stock exchange in North America then the Company will issue a pre-determined additional amount of warrants to Alke immediately following listing ("Top-Up Warrants"). The Top-Up Warrants were issued upon completion of the listing

Contingencies

At times there may be claims and legal proceedings generally incidental to the normal course of business that are pending or threatened against the Company. Although the Company cannot predict the outcome of these matters when they arise, in the opinion of management, any liability arising from them will not have a material adverse effect on the balance sheet, result of operations, or liquidity of the Company. At September 30, 2024 and June 30, 2024, there were no claims or legal proceedings.

8. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain adequate levels of funding in order to safeguard the Company's ability to continue as a going concern, fund its planned activities and commitments and retain financial flexibility to respond to unforeseen future events and circumstances. The Company manages and makes adjustments to its capital structure based on the level of funds on hand and anticipated future expenditures. In order to maintain or adjust the capital structure, the Company has, when required, raised additional capital from shareholders. The Company has not paid dividends, nor returned capital to shareholders to date. The Company considers items included in shareholders' equity as capital.

The Company is not subject to externally imposed capital requirements as at December 31, 2024 and the Company's overall strategy with respect to capital risk management remains unchanged.

Integrated Cyber Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For The Period Ended December 31, 2024

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

9. FINANCIAL INSTRUMENTS

Fair value

The fair values of financial assets and liabilities, together with their carrying amounts, are presented by class in the following table:

	December 31, 2024	FVTPL \$	Amortized cost \$	FVTOCI \$
ASSETS				
Cash	28,089	28,089-	-	-
Accounts receivable	181,726	-	181,726	-
LIABILITIES				
Accounts payable	663,239	-	663,239	-
Loans payable - current	389,566	-	389,566	-
	June 30, 2024	FVTPL \$	Amortized cost \$	FVTOCI \$
ASSETS				
Cash	6,945	6,945-	-	-
Accounts Receivable	50,193	-	50,139	-
LIABILITIES				
Accounts payable	453,741	-	453,741	-
Loan payable - current	269,054	-	269,054	-

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Unobservable (supported by little or no market activity) prices.

The Company's cash is measured at fair value, using level 1 inputs.

The recorded amounts of financial instruments approximate their respective fair values due to either their short-term nature.

Integrated Cyber Solutions, Inc.

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For The Period Ended December 31, 2024

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

9. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of currency risk, interest rate risk and other price risk.,

Currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations affect the costs that the Company incurs in its operations. The Company is exposed to minimal currency risk arising from transactions in Canadian dollars which would not have a material impact on the financial statements due to normal fluctuations against the United States Dollar.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have any financial instruments with variable rates of interest and is therefore not exposed to interest rate risk.

Price risk

The Company is exposed to price risk with respect to commodity prices, however, the risk of this exposure is low. The Company's ability to raise capital to fund operations is subject to risks associated with fluctuations in the market.

Integrated Cyber Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For The Period Ended December 31, 2024

(Expressed in United States dollars unless otherwise specified)

(Unaudited)

9. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk is attributable to its cash and accounts receivable before considering allowance for doubtful accounts. The Company limits the exposure to credit risk by only storing its cash with high-credit quality financial institutions and assessing customers credit worthiness prior to entering into contracts. Management believes that the credit risk is acceptably low.

As at December 31, 2024 and June 30, 2024 the Company had accounts receivable and allowance for doubtful accounts as follows:

	December 31, 2024	June 30, 2024
	\$	\$
Accounts receivable	318,726	187,193
Allowance for doubtful accounts	(137,000)	(137,000)
Accounts receivable, net of allowance	181,726	50,193

During the periods ended December 31, 2024 and 2023, the Company recognized \$Nil in bad debt expense.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

As at December 31, 2024, the Company had cash and cash equivalents of \$28,089 and current liabilities of \$1,061,805. At December 31, 2024, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings (Note 1 "Going concern"). The Company is exposed to liquidity risk on its debt, which, as at December 31, 2024, is due within the next 12 months.

Integrated Cyber Solutions, Inc.

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(Expressed in United States dollars unless otherwise specified)

(Unaudited)

10. SEGMENTED INFORMATION

The Company operates as a single segment, being the provision of cybersecurity managed services in the United States of America ("USA"). All long-lived assets are located in the USA, and all revenue is in the USA.

The Company earns 80% of its revenue from 2 customers.

11. SUBSEQUENT EVENTS

- On January 24, 2025, the Company issued to Alke Capital Limited 209,157 Common Shares at a deemed price per Common Share of C\$0.28 in exchange for an advance of C\$58,563.96 made to the Company by Alke Capital Limited under the Investment and Advisory Agreement dated April 15, 2022 between the Company and Alke Capital Limited.
- On February 5, 2025, the Company completed the first tranche closing of a proposed offering, by selling a total of 160 convertible debenture units of the Company (the "CD Units") at a price of \$1,000 per CD Unit, for aggregate gross proceeds in the First Tranche Closing of \$160,000.

Each CD Unit is comprised of:

- (i) one 15.0% unsecured convertible debenture of the Company in the principal amount of US\$1,000 (a "Convertible Debenture"); and
- (ii) 2,000 Common Share purchase warrants (the "CD Warrants").

The Convertible Debentures sold in the First Tranche Closing will mature on February 5, 2027 unless extended to February 5, 2028 in the sole discretion of the Company (the "Maturity Date") and, subject to prior conversion in accordance with their terms, will be repaid in cash at the Maturity Date. Each CD Warrant sold in the First Tranche Closing is exercisable to acquire one Common Share at an exercise price of C\$0.25 until February 5, 2028. From the date of issue until their Maturity Date, Convertible Debenture holders may elect to convert, in whole or in part, the face value of the Convertible Debentures into Common Shares at a conversion price (the "Conversion Price") equal to the greater of \$0.10 per Common Share or 75% of the 15-day volume weighted average price at the time of conversion. At any time prior to the Maturity Date, if the 15-day volume weighted average price of the Common Shares on the Canadian Securities Exchange (or such other Canadian stock exchange on which the greatest volume of Common Shares is traded) meets or exceeds C\$0.60 for three consecutive trading days, any non-converted and remaining face value of the Convertible Debentures will be automatically converted into Common Shares at the Conversion Price.

Upon the conversion of the Convertible Debentures, the Company will pay to the Convertible Debenture holders, in cash, the interest accrued on the Convertible Debentures for the amount converted up to but excluding the date of conversion. The Convertible Debentures shall bear interest at a rate of 15.0% per annum from the date of issue, payable semi-annually in arrears in cash. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.