**CYBEATS TECHNOLOGIES CORP.**
**INTERIM CONSDOLIDATED FINANCIAL STATEMENTS**
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**
**(Expressed in Canadian Dollars)**

**Dated November 29, 2023**

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CYBEATS

# Cybeats Technologies Corp.
# Management's Responsibility of Financial Reporting
# September 30, 2023

**Notice of No Auditor Review of Condensed Interim Consolidated 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 consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

CYBEATS

**CYBEATS TECHNOLOGIES CORP.**
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**
(Unaudited - Expressed in Canadian dollars)

| As at | | September 30, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | $ | **121,551** | $ | 379,354 |
| Accounts receivable | | **451,260** | | 388,878 |
| Prepaid expenses | | **2,082,685** | | 99,022 |
| HST receivable | | **21,509** | | 302,323 |
| Due from related parties (note 13) | | **-** | | 8,497 |
| | | **2,677,006** | | 1,178,074 |
| **Non-current Assets** | | | | |
| Property, plant and equipment (note 5) | | **14,522** | | 19,316 |
| Right-of-use asset (note 6) | | **100,954** | | 181,454 |
| **Total Assets** | $ | **2,792,481** | $ | 1,378,844 |
| **Liabilities** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued liabilities (note 7) | $ | **1,680,652** | $ | 1,333,907 |
| Current portion of lease payable | | **25,776** | | 106,019 |
| Advances payable (note 8) | | **616,933** | | - |
| Due to related parties (note 13) | | **645,000** | | - |
| Deferred revenue | | **616,335** | | 469,231 |
| | | **3,584,697** | | 1,909,157 |
| **Long-Term Debt** | | | | |
| Lease payable (note 9) | | **90,745** | | 86,492 |
| Due to Scryb Inc. (note 10) | | **73,739** | | 558,119 |
| | | **164,483** | | 644,611 |
| **Total Liabilities** | | **3,749,180** | | 2,553,768 |
| **Shareholders' equity** | | | | |
| Share capital (note 12 (a), (b)) | | **17,193,365** | | 12,239,803 |
| Warrant reserve | | **7,866,649** | | 5,586,973 |
| Reserve for share-based payments | | **4,510,354** | | 4,522,958 |
| Deficit | | **(30,527,066)** | | (23,524,658) |
| **Total Shareholders' Equity** | | **(956,699)** | | (1,174,924) |
| **Total Liabilities and Shareholders' Equity** | $ | **2,792,481** | $ | 1,378,844 |

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

*"Justin Leger"*
Chief Executive Officer

*"Michael Minder"*
Director

*The accompanying notes are an integral part of these financial statements.*

CYBEATS

# CYBEATS TECHNOLOGIES CORP.
## CONDENSED INTERIM STATEMENT OF LOSS AND COMPREHENSIVE LOSS
## FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Unaudited - Expressed in Canadian dollars)

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | **September 30, 2023** | September 30, 2022 | **September 30, 2023** | September 30, 2022 |
| **Revenue** | | | | |
| Sales | **$ 316,936** | $ - | **$ 763,697** | $ - |
| | **316,936** | - | **763,697** | - |
| **Expenses** | | | | |
| Advertising and promotion | **406,963** | - | **708,522** | - |
| Commissions and bonuses | **50,207** | - | **50,207** | - |
| Computer and software | **76,407** | - | **212,524** | - |
| Depreciation | **29,265** | - | **87,794** | - |
| Filing Fees | **1,587** | - | **52,845** | - |
| Foreign currency loss (gain) | **(3,723)** | (12,253) | **12,194** | (11,520) |
| Insurance | **4,836** | - | **8,849** | - |
| Interest and bank charges | **5,161** | - | **16,629** | 75 |
| Meals and entertainment | **12,078** | - | **47,121** | - |
| Office and general | **3,790** | 1,874 | **6,460** | 1,859 |
| Product development | **427,595** | - | **1,005,062** | - |
| Professional fees | **9,928** | 29,907 | **215,976** | 137,823 |
| Salary and wages | **739,242** | - | **2,611,144** | - |
| Share based compensation | **(188,140)** | - | **166,034** | - |
| Shareholder communications and marketing | **71,375** | 2,923 | **369,993** | 38,806 |
| Subcontractor fees | **599,745** | 13,579 | **2,025,454** | 40,736 |
| Travel expense | **27,580** | - | **169,298** | - |
| **Net income (loss) and comprehensive loss for the period** | **$ (1,956,961)** | $ (36,030) | **$ (7,002,409)** | $ (207,779) |
| **Deficit, beginning of period** | **$ (28,454,856)** | $ (7,448,912) | **$ (23,524,658)** | $ (7,277,163) |
| **Deficit, end of period** | **$ (30,411,817)** | $ (7,484,942) | **$ (30,527,067)** | $ (7,484,942) |
| **Income (loss) per share** | | | | |
| Basic and diluted | **$ (0.02)** | $ (0.00) | **$ (0.07)** | $ (0.02) |
| Weighted average number of common shares outstanding, basic and diluted | **100,088,039** | 15,517,139 | **96,676,475** | 9,723,183 |

*The accompanying notes are an integral part of these financial statements.*

CYBEATS

**CYBEATS TECHNOLOGIES CORP.**
**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**
(Unaudited - Expressed in Canadian dollars)

| | Capital Stock | | Warrant Reserve | Contributed surplus | Cumulative Translation Gain | Deficit | Total Equity |
|---|---|---|---|---|---|---|---|
| | Number of shares | $ | $ | $ | $ | $ | $ |
| Balance - January 1, 2021 | 1,267,139 | 4,903,560 | 1,528,519 | 420,910 | 40,258 | (7,130,858) | (237,611) |
| Total comprehensive loss | - | - | - | - | (6,111) | (146,305) | (152,416) |
| **Balance - December 31, 2021** | **1,267,139** | **4,903,560** | **1,528,519** | **420,910** | **34,147** | **(7,277,163)** | **(390,027)** |
| | | | | | | | |
| Balance - January 1, 2022 | 1,267,139 | 4,903,560 | 1,528,519 | 420,910 | 34,147 | (7,277,163) | (390,027) |
| Shares issued on settlement of debt (note 12 (i)) | 14,250,000 | 285,000 | 1,669,558 | - | - | - | 1,954,558 |
| Units issued for cash, net of issuance costs (note 12 (iii)) | 16,734,800 | 5,905,724 | - | - | - | - | 5,905,724 |
| Units issued from business combination (note 12 (ii) and 18) | 60,000,000 | 1,200,000 | 3,946,835 | - | - | (9,098,076) | (3,951,241) |
| Shares issued on the exercise of warrants (note 12 (a)) | 200,000 | 149,420 | (29,420) | - | - | - | 120,000 |
| Share-based compensation (note 12 (b)) | - | (538,850) | - | 4,522,958 | - | - | 3,984,108 |
| Adjustment | - | - | - | (420,910) | - | - | (420,910) |
| Expiration of warrants (note 12 (c)) | - | - | (1,528,519) | - | - | - | (1,528,519) |
| Foreign exchange adjustment | - | 334,949 | - | - | (29,510) | - | 305,439 |
| Total comprehensive loss | - | - | - | - | (4,637) | (7,149,419) | (7,154,056) |
| **Balance - December 31, 2022** | **92,451,939** | **12,239,803** | **5,586,973** | **4,522,958** | **-** | **(23,524,658)** | **(1,174,924)** |
| | | | | | | | |
| Balance - January 1, 2023 | 92,451,939 | 12,239,803 | 5,586,973 | 4,522,958 | - | (23,524,658) | (1,174,924) |
| Units issued for cash, net of issuance costs | 6,230,600 | 3,748,640 | 2,481,960 | - | - | - | 6,230,600 |
| Shares issued on the exercise of warrants | 1,068,000 | 791,284 | (202,284) | - | - | - | 589,000 |
| Shares issued on the exercise of options | 470,000 | 413,638 | - | (178,638) | - | - | 235,000 |
| Share-based compensation (note 12 (b)) | - | - | - | 384,580 | - | - | 384,580 |
| Cancellation of options | - | - | - | (218,546) | - | - | (218,546) |
| Total comprehensive loss | - | - | - | - | - | (7,002,409) | (7,002,409) |
| **Balance - September 30, 2023** | **100,220,539** | **17,193,365** | **7,866,649** | **4,510,354** | **-** | **(30,527,067)** | **(956,699)** |

*The accompanying notes are an integral part of these financial statements.*

CYBEATS

**CYBEATS TECHNOLOGIES CORP.**
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**
(Unaudited - Expressed in Canadian dollars)

| | | September 30, 2023 | | September 30, 2022 |
|---|---|---|---|---|
| **Cash flows from (used in) operating activities** | | | | |
| Net loss and comprehensive loss for the period | **$** | **(7,002,409)** | $ | (207,779) |
| **Items not affecting cash from operations:** | | | | |
| Depreciation | | **87,794** | | - |
| Share-based compensation | | **166,034** | | - |
| **Changes in non-cash working capital items:** | | | | |
| Amounts receivable | | **(62,382)** | | - |
| Prepaid expenses | | **(1,983,663)** | | - |
| HST receivable | | **280,814** | | - |
| Accounts payable and accrued liabilities | | **346,745** | | 194,943 |
| Lease payable | | **(75,990)** | | - |
| Increase (decrease) in deferred revenue | | **(147,104)** | | - |
| Effect of foreign exchange translation | | **(12,194)** | | 11,520 |
| **Net cash used in operating activities** | | **(8,402,356)** | | (1,317) |
| **Cash flows from (used in) investing activities** | | | | |
| Purchase of property, plant and equipment | | **(2,499)** | | - |
| **Net cash from (used in) investing activities** | | **(2,499)** | | - |
| **Cash flows from (used in) financing activities** | | | | |
| Advances from related parties | | **37,728** | | - |
| Increase in advances payable | | **616,933** | | - |
| Proceeds from warrant exercise | | **589,000** | | - |
| Proceeds from option exercise | | **235,000** | | - |
| Share based compensation | | **384,580** | | - |
| Proceeds from private placement, net of issue cost | | **6,283,810** | | - |
| **Net cash from financing activities** | | **8,147,052** | | - |
| **Increase in cash for the year** | | **(257,803)** | | (1,317) |
| **Cash - beginning of period** | | **379,354** | | 14,393 |
| **Cash - end of period** | **$** | **121,551** | $ | 13,077 |

*The accompanying notes are an integral part of these financial statements.*

## 1. Nature of Operations

Cybeats Technologies Inc. ("Cybeats" or "the Company") was incorporated in Ontario on September 20, 2016 as 2537478 Ontario Ltd. Cybeats mission is to offer software product developers unparalleled cybersecurity from design phase throughout the commercial life cycle following a secure-by-design approach for software. Cybeats accomplishes this by its two products: (a) Cybeats SBOM (Software Bill of Materials) Studio and (b) Cybeats IoT RASP (Runtime Application Security Protection (RASP)) Solution. These two solutions offer a proactive approach to cybersecurity by improving software security through SBOM analysis of vulnerabilities and monitoring active software and IOT devices through continuous real-time assessment. The principal business address of the Company is 65 International Blvd, Suite 202, Etobicoke, Ontario M9W 6L9.

The Company's ability to continue as a going concern is dependent upon the need to both manage expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows and has working capital deficit of $810,488 as at September 30, 2023 (December 31, 2022 working capital deficit - $731,083). The Company will continue to search for new or alternate sources of financing in order to continue development of its products. These material uncertainties cast significant doubt on the Company's ability to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds when required in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position.

## 2. Basis of Presentation

### Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The interim financial statements of the Company for the period ended September 30, 2023 were approved and authorized for issue by the Board of Directors on November 29, 2023.

### Basis of Measurement

These financial statements have been prepared on the historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### Functional and Presentation Currency

The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

## 3. Summary of Significant Accounting Policies

The following accounting policies have been applied consistently to all periods presented in these financial statements:

### a) Impairment

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired at a cash generating unit level. If any such indication exists, the recoverable amount of the cash generating unit is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### b) Research and development costs

Costs associated with the development of the Company's products are capitalized where the following criteria are met:

- the technical feasibility of completing the intangible asset so it will be available for use or sale;
- its intention to complete and its ability to use or sell the assets;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably of the expenditure during development.

The Company did not incur other research and development costs in the period.

### c) Foreign currency translation

The Company's functional and presentation currency is the Canadian dollar. Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate, and non-monetary assets and liabilities at the historical rates. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss.

## d) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Below is a summary showing the classification and measurement basis of financial instruments;

| Asset or Liability | Category | Measurement |
|---|---|---|
| Cash | FVTPL | Fair Value |
| Accounts Receivable | FVTPL | Fair Value |
| Accounts Payable and accrued liabilities | Other liabilities | Amortized Cost |
| Lease Payable | Other liabilities | Amortized Cost |

*Financial Assets*

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost of FVTOCI. Gains or losses on these items are recognized in profit or loss. The Company's cash and cash equivalents and marketable securities are classified as financial assets measured at FVTPL.

ii. Amortized Cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's loan receivable is classified as financial assets measured at amortized cost.

***Financial Liabilities***

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized Cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable, accrued liabilities, and lease payable do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

ii. Financial Liabilities recorded at FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

***Transaction Costs***

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

***Subsequent Measurement***

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

***Derecognition***

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

***Expected credit loss impairment model***

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

***Financial instruments at fair value through profit and loss***

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

**Level 1** – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities

**Level 2** – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

**Level 3** – valuation techniques using inputs for the asset or liability that are not based on observable market date (unobservable inputs)

Cash is measured at fair value using Level 1 inputs.

As at September 30, 2023, the fair value of the financial liabilities approximates the carrying value, due to the short-term nature of the instruments.

### e) Revenue Recognition

Revenue from contracts with customers are based on *IFRS 15: Revenue from Contracts with Customers* and revenue is recognized when it has satisfied its performance obligation to the customers over time or at a single point in time. The company transfers control of a good or service over time, and therefore satisfies a performance obligation and recognizes revenue over time. Revenue is recognized at a point in time when customers obtain control of the product. Interest income is recognized on a time-proportion basis using the effective interest method.

### f) Property, Plant, and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss in the period.

Amortization is calculated on a declining balance basis at the following annual rates:

| | |
|---|---|
| Office furniture and equipment | 20% |
| Computer equipment | 55% |

### g) Income Taxes

Income tax on profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set off within fiscal jurisdictions.

### h) Basic and Diluted Income (Loss) per Share

Basic income (loss) per share has been calculated using the weighted average number of common shares outstanding during the year. Diluted income (loss) per share has been calculated using the weighted average number of common shares that would have been outstanding during the respective period had all of the stock options and warrants outstanding at year end having a dilutive effect been converted into shares at the beginning of the year and the proceeds used to repurchase the Company's common shares at the average market price for the year.

### i) Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. Income or loss from an investment in associate is included in other comprehensive income (loss). Accumulated other comprehensive income (net of income taxes) is included on the statements of financial position as a component of common shareholders' equity.

### j) Cash

Cash consists of cash on hand, deposits in banks and funds held in short term deposits.

### k) Leases

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of twelve months or less. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the term of the lease with the discount rate determined by using the incremental borrowing rate on commencement of the lease. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the remaining lease term.

## 4. Significant Accounting Judgements and Estimates

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

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

(i) Critical accounting estimates

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

***Useful life of intangible assets*** - Management has exercised their judgment in determining the useful life of its patents, patent applications and research and development costs. The estimate is based on the expected period of benefit of the patent and the expected life of the product in the marketplace.

(ii) Critical accounting judgments

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

***Determination of functional currency*** - In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, management has determined that the functional currency of the Company is the Canadian dollar.

***Evaluation of going concern*** - The preparation of the financial statements requires management to make judgments regarding the going concern of the Company. Management has determined the Company is a going concern.

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

## 5. Property, Plant and Equipment

Property, plant and equipment as at September 30, 2023 consists of the following:

| | | | September 30, 2023 | December 31, 2022 |
|---|---|---|---|---|
| | **Cost** | **Accum. Amort.** | **Net Book Value** | **Net Book Value** |
| Furniture and fixtures | 8,394 | (4,541) | 3,853 | 4,533 |
| Computers | 44,426 | (33,758) | 10,669 | 14,783 |
| | **52,820** | **(38,298)** | **14,522** | **19,316** |

## 6. Right-of-use Asset

Right-of-use assets consist of the lease for the Company's office is amortized over a period of 34 months and its development space is amortized over a period of 26 months.

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| **Opening Balance** | **181,454** | **-** |
| Additions | - | 283,679 |
| Depreciation | (80,500) | (102,225) |
| **Ending Balance** | **100,954** | **181,454** |

## 7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as at September 30, 2023 consists of the following:

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Trade payables | 1,512,268 | 985,313 |
| Accrued liabilities | 368,384 | 334,569 |
| Government remittances | - | 14,025 |
| | 1,880,652 | 1,333,907 |

## 8. Advances Payable

During the period ended September 30, 2023, the Company obtained short term advances payable in the amount of $615,000 (September 30, 2022 – nil) from select individuals where each individual is not related to the entity. The advances are short term in nature.

Interest bearing advances amounted to $100,000 each payable in 3 years from the date of the respective agreements, with interest bearing 15% per annum. As of September 30, 2023, interest payable for interest bearing advances amount to $1,933.

Non-interest-bearing advances amounted to $515,000 due 60 days from the date of the respective agreements have subsequently been extended to become due upon completion of future equity financing.

## 9. Lease Payable

Lease payable at September 30, 2023 of $116,521 (December 31, 2022 - $192,511) is comprised of the following leases:

i) On January 7, 2022 the Company signed a property lease for a term of commencing on January 1, 2022 and expiring on October 31, 2024. During the nine-month period ended September 30, 2023 the Company made total payments of $137,408 of which $8,148 consisted of interest. The lease payable balance as at September 30, 2023 is $88,012 (December 31, 2022 - $149,540) of which $19,475 (December 31, 2022 - $80,217) is current.

ii) On March 1, 2022 the Company signed a property lease for a term commencing on March 1, 2022 and expiring on October 31, 2024. During the nine-month period ended September 30, 2023 the Company made total payments of $40,170 of which $2,273 consisted of interest. The lease payable balance as of September 30, 2023 is $28,509 (December 31, 2022 - $48,049) of which $6,301 (December 31, 2022 - $25,802) is current.

## 10. Due to Scryb Inc.

On June 28, 2022 the Company signed a Bridge Loan Agreement with its parent, Scryb Inc., wherein Scryb Inc. agreed to lend $2,200,000 to the Company as a bridge loan with a lending rate of 10% per annum computed on the basis of a 360-day year and a maturity date of December 31, 2023. The total balance on the Scryb Inc. bridge loan facility as at September 30, 2023 is a receivable of $73,739 (December 31, 2022 - $558,119).

## 11. Reconciliation of Income Taxes

Income tax expense differs from the amount that would be computed by applying the federal and provincial income tax rates of 26.50% (2021 – 26.50%) to income before income taxes. The reasons for the differences and the related tax effects are as follows:

| | **December 31, 2022** | December 31, 2021 |
|---|---|---|
| Tax at the applicable tax rate | **-** | - |
| Income tax expense | **-** | - |

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the statement of financial position are as follows:

| | **December 31, 2022** | **December 31, 2021** |
|---|---|---|
| Share issuance costs | **2,275,220** | 140,032 |
| | **$ 2,275,220** | $ 140,032 |

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits there from. Non-capital loss carry-forwards expire as rated in the table below. Share issuance costs will be fully amortized in 2026. The remaining deductible temporary differences may be carried forward indefinitely.

At September 30, 2023 the Company has un-utilized non-capital loss carry forwards of $8,724,227 which will expire as follows:

| | |
|---|---|
| 2036 | 5,813 |
| 2037 | 265,524 |
| 2038 | 210,732 |
| 2039 | 1,438,266 |
| 2040 | 270,161 |
| 2041 | 247,854 |
| 2042 | 6,285,877 |
| | **8,724,227** |

## 12. Share Capital

### (a) Common Shares

**Authorized**

The authorized capital stock of the Company consists of an unlimited number of common shares.

**Issued and Outstanding**

| | |
|---|---|
| **Balance December 31, 2021** | **1,267,139** |
| Shares issued on settlement of debt (i) | 14,250,000 |
| Shares acquired from business combination (ii) | 60,000,000 |
| Shares issued on capital raise (iii) | 16,734,800 |
| Shares issued on the exercise of warrants (iv) | 200,000 |
| **Balance December 31, 2022** | **92,451,939** |
| Shares issued on private placement (v) | 6,230,600 |
| Shares issued on the exercise of options (vi) | 470,000 |
| Shares issued on the exercise of warrants (vii) | 1,068,000 |
| **Balance September 30, 2023** | **100,220,539** |

(i) On April 21, 2022, the Company issued 14,250,000 common shares at a price of $0.02 per share to settle existing debt totaling $285,000;

(ii) On November 11, 2022, the Company, formerly Pima Zinc Corp, amalgamated with Cybeats Technologies Inc., and subsequently renamed to Cybeats Technologies Corp. The Company issued 60,000,000 common shares to Scryb Inc. at $0.02 per share. See note 17 for details on business combination;

(iii) The Company closed a non-brokered private placement financing for gross proceeds of $8,367,400 through the issuance of 16,734,800 Units (each "Unit") at a price of $0.50 per unit. Each Unit is comprised of: (i) one common share in the capital of the Company (each a "Common Share"); (ii) one Common Share purchase warrant (each, a "Warrant"). Each whole Warrant entitles the holder to purchase one additional Common Share at an exercise price of $0.60 on or before 18 months from the date of issuance;

(iv) During the year-ended December 31, 2022, 200,000 common shares were issued in connection with the exercise of 200,000 warrants at an exercise price of $0.60 for gross proceeds of $120,000;

(v) The Company closed a non-brokered private placement financing for gross proceeds of $6,230,600 through the issuance of 6,230,600 Units (each "Unit") at a price of $1.00 per unit. Each Unit is comprised of: (i) one common share in the capital of the Company (each a "Common Share"); (ii) one Common Share purchase warrant (each, a "Warrant"). Each whole Warrant entitles the holder to purchase one additional Common Share at an exercise price of $1.40 on or before 24 months from the date of issuance;

(vi) During the nine-month period ended September 30, 2023, 470,000 common shares were issued in connection with the exercise of 470,000 options at an average exercise price of $0.50 for gross proceeds of $235,000;

(vii) During the nine-month period ended September 30, 2023, 1,068,000 common shares were issued in connection with the exercise of 1,068,000 warrants at an average exercise price of $0.55 for gross proceeds of $589,000.

**(b) Stock option plan and share-based compensation**

The Company has a stock option plan under which it is authorized to grant options to directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price, minimum price, or a discounted price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 10 years.

The following table summarizes activity within the Company's stock option plan during the year:

| | Number of Options Outstanding | Black-Scholes Value | Weighted Average Exercise Price |
|---|---|---|---|
| **Balance - December 31, 2021** | - | - | $ - |
| Granted | 18,450,000 | 7,012,485 | 0.50 |
| **Balance - December 31, 2022** | **18,450,000** | **7,012,485** | **$ 0.50** |
| Granted | 440,000 | 384,580 | 1.35 |
| Exercised | 470,000 | 178,638 | 0.50 |
| Cancelled | 575,000 | 218,546 | 0.50 |
| **Balance - September 30, 2023** | **17,845,000** | **6,999,881** | **$ 0.52** |

On December 11, 2022, the Company announced that it has granted an aggregate of 18,450,000 options to purchase common shares of the Company with an estimated fair value of $7,012,485 exercisable at a price of $0.50 per common share, vesting immediately and expiring on November 11, 2027, to certain directors, employees, officers and consultants of the Company.

On May 16, 2023, the Company announced that it has granted an aggregate of 440,000 options to purchase common shares of the Company with an estimated fair value of $384,580 exercisable at a price of $1.35 per common share, vesting immediately and expiring on May 16, 2028, to certain directors, employees, officers and consultants of the Company.

The following common share purchase options are outstanding at September 30, 2023:

| Date of Grant | Number of Options Outstanding | Exercise Price | Weighted average remaining life (years) | Expiry Date | Number of Options exercisable |
|---|---|---|---|---|---|
| November 11, 2022 | 17,405,000 | 0.500 | 4.12 | November 11, 2027 | 14,270,716 |
| May 16, 2023 | 440,000 | 1.350 | 4.63 | May 16, 2028 | 440,000 |
| | **17,845,000** | **0.521** | **4.13** | | **14,710,716** |

Share based compensation during the December 31, 2022 fiscal year totaled $4,522,958 (2021 - $nil).

The fair value of options granted during the period ended September 30, 2023 was estimated at the date of grant using a Black Scholes Option Pricing Model with the following assumptions.

| | May 16, 2023 | November 11, 2022 |
|---|---|---|
| Share price | $1.35 | $0.50 |
| Risk-free interest rate | 3.33% | 3.34% |
| Expected life of options | 5 years | 5 years |
| Annualized volatility | 82.43% | 88.46% |
| Dividend rate | Nil | Nil |
| Forfeiture rate | 0% | 0% |

**(c) Warrants**

The following table summarizes warrants that have been issued, exercised or expired during the period ended September 30, 2023:

| | Number of Warrants Outstanding | | Black-Scholes Value | | Weighted Average Exercise Price |
|---|---|---|---|---|---|
| **Balance - September 30, 2022** | **7,328,153** | **$** | **3,198,077** | **$** | **0.52** |
| Granted | 26,814,800 | | 3,946,835 | | 0.60 |
| Exercised | 200,000 | | 29,420 | | 0.60 |
| Expired | 203,153 | | 1,528,519 | | 1.00 |
| **Balance - December 31, 2022** | **33,739,800** | **$** | **5,586,973** | **$** | **0.60** |
| Granted | 6,230,600 | | 2,481,960 | | 1.40 |
| Exercised | 1,068,000 | | 202,284 | | 0.55 |
| **Balance - September 30, 2023** | **38,902,400** | **$** | **7,866,649** | **$** | **0.71** |

The fair value of warrants granted during the year ended September 30, 2023, was estimated at the date of grant using a Black Scholes Option Pricing Model with the following assumptions:

| | Investor and Broker Warrants May 2023 | Investor and Broker Warrants April 2023 | Investor and Broker Warrants November 2022 | Investor and Broker Warrants April 2022 |
|---|---|---|---|---|
| Share price | $1.20 | $1.06 | $0.60 | $0.50 |
| Risk-free interest rate | 3.72% | 2.90% | 3.83% | 3.83% |
| Time to maturity - years | 2.0 years | 2.0 years | 1.5 years | 1.5 years |
| Annualized volatility | 69.7% | 73.0% | 70.8% | 70.8% |
| Dividend yield | Nil | Nil | Nil | Nil |

On April 21, 2022, the Company issued an aggregate of 7,125,000 warrants at an exercise price of $0.50 due to expire in 24 months, with the expiry date of April 21, 2024.

On November 11, 2022, the Company issued an aggregate of 26,814,800 warrants at an exercise price of $0.60 due to expire in 18 months, with the expiry date of May 11, 2024.

On November 11, 2022, 200,000 warrants were exercised at an exercise price of $0.60.

On April 6, 2023, the Company issued an aggregate of 2,118,100 warrants at an exercise price of $1.40 due to expire in 24 months, with the expiry date of April 6, 2025.

On May 10, 2023, the Company issued an aggregate of 4,112,500 warrants at an exercise price of $1.40 due to expire in 24 months, with the expiry date of May 10, 2025.

During the nine-month period ended September 30, 2023, 1,068,000 warrants were exercised at an average exercise price of $0.55.

As at September 30, 2023 there were 38,902,400 warrants outstanding.

## 13. Related Party Transactions and Balances

At September 30, 2023 the Company has a payable to related parties of $645,000 (December 31, 2022 – receivable of $8,497). These advances are non-interest bearing and due upon completion of future equity financing.

At September 30, 2023, the Company has a balance due from Scryb Inc. of $73,739 (December 31, 2022 – $558,119), described more fully under Note 10.

## 14. Due To and From Related Parties

Amounts payable and amounts receivable from related parties, are non-interest bearing, unsecured and have no specific terms of repayment.

## 15. Management of Capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of its business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned development of its business and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended September 30, 2023. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders' equity, which is comprised of capital stock, reserves, and accumulated deficit, which as at September 30, 2023 totaled a deficiency $907,691 (December 31, 2022 – $1,174,924).

The Company's objective when managing capital is to obtain adequate levels of funding to support the development of its business and to obtain corporate and administrative functions necessary to support organizational functioning.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

## 16. Financial Risk Factors

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks, credit risk and liquidity risk through its risk management strategy.

The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

The Company’s financial instruments primarily consist of cash. The fair value of the Company’s accounts payable and accrued liabilities approximates their carrying value, due to their short-term maturities or ability of prompt liquidation.

The Company’s cash is recorded at fair value, under the fair value hierarchy, based on level one quoted prices in active markets for identical assets of liabilities. The Company is exposed in varying degrees to a variety of financial instrument related risks.

### Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

(i) Interest Rate Risk

The Company has cash balances and is not at a significant risk to fluctuating interest rates. The Company’s current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company monitors the credit worthiness of the debtor and is satisfied with the debtor’s ability to repay the amount owing.

(ii) Foreign currency risk

As at September 30, 2023 the Company’s expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars and therefore is not at a significant risk to fluctuating exchange risks.

### Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main source of liquidity is derived from its common stock issuances. These funds are primarily used to finance working capital, operating expenses, capital expenditures, and acquisitions. The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash and cash equivalents. As at September 30, 2023 the Company held cash and cash equivalents in banks of $121,551

(December 31, 2022 - $379,354) to settle current liabilities of $3,582,764 (December 31, 2022 - $1,909,157).

### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash. The Company has reduced its credit risk by investing its cash in trust with Canadian chartered banks.

## 17. Contingent Liability – Coronavirus Disease (COVID-19)

In March 2020 there was a global outbreak of Covid-19, which has had a significant impact on businesses through restrictions put in place by Canadian, provincial, and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the Covid-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently or may be put in place in Canada and other countries to fight the spread of the virus. While the extent of the impact is unknown, management anticipates this outbreak may cause reduced customer demand, supply chain disruptions and staff shortages, and increased government regulations, which may negatively impact the Company's business and financial condition.

## 18. Business Combination

On December 10, 2021, Scryb Inc. (formerly Relay Medical Corp.), the parent and sole shareholder of the Company, entered into a non-binding letter of intent (“LOI”) with Pima Zinc Corp. (“Pima Corp.”), pursuant to which the Pima Corp. will acquire all of the issued and outstanding common shares in the capital of the of the Company from Scryb Inc.

On August 11, 2022 the Company entered into an amalgamation agreement (the "Amalgamation Agreement") with Scryb Inc., 2635212 Ontario Inc. (“Subco”), and Pima Corp. pursuant to which Pima Corp. will acquire all of the issued and outstanding common shares and preferred shares of the Company pursuant to a three-cornered amalgamation in accordance with Section 174 of the Business Corporations Act (Ontario) (the "Proposed Transaction"). As consideration for the Proposed Transaction, Pima Corp. will issue Scryb Inc. an aggregate of 60,000,000 common shares in the capital of the Pima Corp. The parties entered into an amending agreement (“Amending Agreement”) dated November 1, 2022, whereas Pima Corp. will also issue Scryb Inc. 10,000,000 common share purchase warrants.

Each warrant will entitle Scryb Inc. to acquire one additional common share of Pima Corp. at a price of CDN $0.60 per common share for a period of 18 months following the completion of the Proposed Transaction. In addition, pursuant to the Amending Agreement, the termination date for the Amalgamation Agreement was extended to December 31, 2022.

Pursuant to the Amalgamation Agreement and upon the satisfaction or waiver of the conditions set out therein, the following among other things, are required to be prior to consummation of the Proposed Transaction:

(i) Pima Corp. shall change its name to "Cybeats Technologies Corp.". Pima Corp. changed its name to Cybeats Technologies Corp. on November 9, 2022;

(ii) Subco shall complete a non-brokered private placement financing (the "Financing") for minimum gross proceeds of CDN $7,000,000. The Financing was completed on November 4, 2022 through the issuance of 13,323,800 units (each, a "PP Unit") at a price of $0.50 (the "Issue Price") per PP Unit for gross proceeds of $6,661,900. Each PP Unit is comprised of one common share in the capital of Subco (each, a "Subco Share") and one Subco Share purchase warrant (each, a "PP Warrant"). Each PP Warrant shall entitle the holder thereof to acquire one Common Share at a price of $0.60 per Common Share for a period of 18 months following the completion of the Proposed Transaction. In addition, the Company issued 3,411,000 subscription receipts (the "Subscription Receipts") in the capital of Subco at a price of $0.50 per Subscription Receipt for gross proceeds of $1,705,500. Each Subscription Receipt entitles the holder therefore to receive, without payment of additional consideration, one unit (each, a "Unit"). Each Unit Shall be comprised of one Subco Share and PP Warrant. In connection with the Financing, the Company paid certain eligible persons (each, a "Finder") a cash commission of $40,000 equal to 8% of the gross proceeds of the PP Units delivered by the Finder and issued 80,000 broker warrants (the "Broker Warrants") equal to 8% of the number of PP Units delivered by the Finders pursuant to the Offering. Each Broker Warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.50 per Common Share for a period of 18 months from the completion of the Proposed Transaction. In addition, Pima Corp. paid Finders a cash commission of $102,330 equal to 6% of the gross proceeds of the Subscription Receipts.

(iii) Subco, a corporation formed solely for the purpose of facilitating the Proposed Transaction, will merge with and into Cybeats Technologies Corp., pursuant to which, among other things, all outstanding Subco Shares and all securities convertible into Subco Shares shall be exchanged for replacement securities of the resulting issuer, on a one-for-one basis, exercisable in accordance with their terms and conditions.

In addition, pursuant to the Amalgamation Agreement, Pima Corp. will assume all of the obligations of Scryb Inc. pursuant to the share exchange agreement dated March 2, 2021 (the "Share Exchange Agreement"), between Scryb, the Company, and the former shareholders of the Company (Note 14) with respect to the payment and the issuance of the aggregate performance consideration (the "Aggregate Performance Consideration") upon the closing of the Proposed Transaction. Pima Corp. and Scryb Inc. acknowledge and agree that those persons who are entitled to the payment and issuance of the Aggregate Performance Consideration must agree to receive payment from Pima Corp. In the event that they do not agree, Scryb Inc. will continue its obligations pursuant to the Share Exchange Agreement and complete the Aggregate Performance Consideration for such persons. In the event that the persons who are entitled to the payment from Pima Corp., Pima Corp. shall issue such number of common shares in the capital of Pima Corp. to Scryb Inc. equal in value to the number of common shares in the capital of Scryb Inc. that Scryb Inc. issues pursuant to the Aggregate Performance Consideration.

The net gain arising upon the business combination is as follows:

| | Amount |
|---|---|
| FMV of assets acquired from business combination | 6,836,857 |
| Satisfied by: | |
| Issuance of 60 million common shares at $0.20 per share | (1,200,000) |
| Issuance of 10 million share warrants at $0.15 per warrant | (1,470,992) |
| | **4,165,865** |
| | |
| Pima Zinc Inc.'s investment in Cybeats Technologies Inc. | 6,836,857 |
| Cybeats Technologies Inc.'s paid-up value of common stock | (3,100,807) |
| | 3,736,050 |
| **Net gain on business combination** | **429,815** |