



SEKUR PRIVATE DATA LTD.

(FORMERLY GLOBEX DATA LTD.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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.

SEKUR PRIVATE DATA LTD.
(FORMERLY GLOBEX DATA LTD.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)
As at

	September 30, 2022	December 31, 2021
ASSETS		
Current		
Cash and cash equivalents	\$ 5,248,375	\$ 8,812,477
Receivables	6,617	48,555
Prepaid expenses (Notes 6 and 9)	167,167	775,294
	<u>5,422,159</u>	<u>9,636,326</u>
Non-current		
Equipment (Note 3)	576,565	666,900
Intangible asset (Note 4)	2,552,573	2,552,573
	<u>2,552,573</u>	<u>2,552,573</u>
Total Assets	\$ 8,551,297	\$ 12,855,799
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 9,290	\$ 77,633
Due to related parties (Note 6)	-	97
Licensee fees payable (Notes 1, 4 and 6)	24,580	52,734
	<u>33,870</u>	<u>130,464</u>
Shareholders' equity		
Share capital (Note 5)	22,001,842	20,982,323
Reserves (Note 5)	5,221,699	5,228,563
Deficit	(18,706,114)	(13,485,551)
	<u>8,517,427</u>	<u>12,725,335</u>
Total Liabilities and Shareholders' Equity	\$ 8,551,297	\$ 12,855,799

Nature of operations and going concern (Note 1)

Approved on behalf of the Board of Directors:

"Alain Ghiai"

Director

"Henry Sjöman"

Director

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

SEKUR PRIVATE DATA LTD.
(FORMERLY GLOBEX DATA LTD.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
REVENUE (Note 10)	\$ 118,252	\$ 45,451	\$ 319,652	\$ 64,292
COST OF SALES				
Credit card processing fees	(6,655)	-	(18,173)	-
GROSS PROFIT	111,597	45,451	301,479	64,292
EXPENSES				
Accounting and audit (Note 6)	9,485	12,075	57,465	40,450
Consulting fees (recovery)	8,813	(8,539)	35,473	104,541
Data center and hardware maintenance (Note 6)	109,417	65,000	369,417	235,250
Depreciation (Note 3)	42,069	-	90,335	-
Legal	34,180	854	55,132	7,900
Licensee fees (Notes 1, 4 and 6)	12,932	4,535	31,840	6,397
Marketing	982,455	977,700	4,228,661	1,931,968
Office and administration	15,824	11,621	45,277	30,273
Research, development and software maintenance	134,867	656,681	450,812	927,088
Rent and virtual office	5,524	6,284	18,139	16,999
Share-based payments (Notes 5 and 6)	-	2,123,595	-	2,787,088
Transfer agent and filing fees	32,774	9,361	84,428	35,292
Travel	45,399	-	83,023	-
	(1,433,739)	(3,859,167)	(5,550,002)	(6,123,246)
OTHER ITEMS				
Interest income	21,613	3,909	33,335	4,296
Income (loss) on foreign exchange	16,022	(9,299)	(5,375)	(28,074)
	37,635	(5,390)	27,960	(23,778)
Net loss and comprehensive loss for the period	\$ (1,284,507)	\$ (3,819,106)	\$ (5,220,563)	\$ (6,082,732)
Basic and diluted loss per share	\$ (0.01)	\$ (0.04)	\$ (0.05)	\$ (0.08)
Weighted average number of common shares outstanding	116,925,426	91,898,839	115,659,582	80,684,066

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

SEKUR PRIVATE DATA LTD.
(FORMERLY GLOBEX DATA LTD.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended September 30, 2022 and 2021

(Unaudited)

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital \$	Shares Subscribed \$	Reserves \$	Deficit \$	Shareholders' Equity \$
Balance, December 31, 2020	57,000,713	6,161,300	22,780	996,016	(4,073,067)	3,107,029
Shares issued	40,161,797	10,904,323	(22,780)	-	-	10,881,543
Share issue costs	-	(660,297)	-	82,343	-	(577,954)
Exercise of stock options	2,720,000	596,827	-	(266,427)	-	330,400
Exercise of warrants	5,776,715	1,013,715	-	(135,781)	-	877,934
Shares issued for accounts payable	50,000	18,000	-	-	-	18,000
Share-based payments	-	-	-	2,787,088	-	2,787,088
Net loss for the period	-	-	-	-	(6,082,732)	(6,082,732)
Balance, September 30, 2021	105,709,225	18,033,868	-	3,463,239	(10,155,799)	11,341,308
Balance, December 31, 2021	113,701,188	20,982,323	-	5,228,563	(13,485,551)	12,725,335
Shares issued	2,321,585	812,555	-	-	-	812,555
Exercise of warrants	852,668	150,714	-	(6,864)	-	143,850
Shares issued for marketing services	150,000	56,250	-	-	-	56,250
Net loss for the period	-	-	-	-	(5,220,563)	(5,220,563)
Balance, September 30, 2022	117,025,441	22,001,842	-	5,221,699	(18,706,114)	8,517,427

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SEKUR PRIVATE DATA LTD.
(FORMERLY GLOBEX DATA LTD.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2022 and 2021
(Unaudited)
(Expressed in Canadian Dollars)

	2022	2021
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss	\$ (5,220,563)	\$ (6,082,732)
Items not affecting cash:		
Depreciation	90,335	-
Shares issued for marketing services	56,250	-
Share-based payments	-	2,787,088
Changes in non-cash working capital items:		
Receivables	41,938	(72,730)
Prepaid expenses	608,127	(451,934)
Accounts payable and accrued liabilities	(68,343)	530,293
Due to related parties	(97)	11,717
Licensee fees payable	(28,154)	6,404
Cash used in operating activities	<u>(4,520,507)</u>	<u>(3,271,894)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash	812,555	10,881,543
Share issue costs	-	(577,955)
Exercise of stock options	-	330,400
Exercise of warrants	143,850	877,935
Cash provided by financing activities	<u>956,405</u>	<u>11,511,923</u>
Change in cash and cash equivalents	(3,564,102)	8,240,029
Cash, beginning	8,812,477	494,927
Cash and cash equivalents, ending	\$ 5,248,375	\$ 8,734,956
Cash and cash equivalents:		
Cash	\$ 671,778	\$ 8,734,956
Money market mutual funds	4,576,597	-
	<u>\$ 5,248,375</u>	<u>\$ 8,734,956</u>
Supplemental cash flow information:		
Cash received for interest	\$ 33,335	\$ 4,296
Transfer to share capital on exercise of stock options	\$ -	\$ 266,427
Transfer to share capital on exercise of broker's warrants	\$ 6,864	\$ 135,781
Fair value of agent's warrants	\$ -	\$ 82,343
Shares issued for accounts payable	\$ -	\$ 18,000

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

SEKUR PRIVATE DATA LTD.
(FORMERLY GLOBEX DATA LTD.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

(Unaudited)

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

a) Nature of operations

Sekur Private Data Ltd. (formerly GlobeX Data Ltd.) (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on March 1, 2017 and completed its initial public offering (“IPO”) during the year ended December 31, 2019. The Company’s common shares and tradeable warrants were listed on the Canadian Securities Exchange effective July 22, 2019 under the symbols “SWIS” and “SWIS.WT”, respectively. On November 5, 2019, the Company’s common shares began trading on the OTCQB Venture Market with the trading symbol SWISF. On April 14, 2022, the Company changed its name to Sekur Private Data Ltd. and the Company’s common shares and tradable warrants were listed on the Canadian Securities Exchange under the new symbols “SKUR” and “SKUR.WT”, respectively. The Company began trading on the OTCQX as of April 29, 2022 under the trading symbol SWISF.

The Company is a Cybersecurity and Internet Privacy provider of Swiss-hosted solutions for secure communications and secure data management. On May 7, 2017, the Company (as licensee) entered into the *GlobeX Data Secure Cloud Services Licensee Agreement and Program* (“Reseller Agreement 2”) with GlobeX Data S.A. (“GDSA”), a Swiss corporation with a common director, whereby GDSA granted to the Company an exclusive, transferrable license to resell the Plan Offerings (as defined) to prospects in all countries except Switzerland, Lichtenstein, the Principality of Monte Carlo, the Vatican City State, Canada and the United States for a perpetual term unless terminated by GDSA. The terms and conditions of Reseller Agreement 2 are the same as for the Reseller Agreement as described in Note 4, except that the Company has 90 days to cure a breach of any part of Reseller Agreement 2.

On July 21, 2022, the Company entered into an Addendum (the “Addendum”) to the Global License Agreement with GDSA. This Addendum allows the Company to market/distribute the Products globally, including Switzerland, Lichtenstein, The Principality of Monte Carlo, The Vatican City State, and The Grand-Duchy of Luxembourg. The Company is permitted to market the Products in Switzerland only through online sales, and is not permitted to enter into a physical Reseller relationship in Switzerland. All other countries globally are now open to market by the Company.

The Company’s head office and principal address is located at First Canadian Place, 100 King Street West, Suite 5600, Toronto, ON, Canada, M5X 1C9 and the registered and records office is located at 595 Howe Street, Suite 704, Vancouver, BC, Canada, V6C 2T5.

**SEKUR PRIVATE DATA LTD.
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Unaudited)

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

b) Going concern

Between January 15, 2021 and November 17, 2021, the Company closed five non-brokered private placements (Note 5) that realized net proceeds of \$12,448,573 which will be used to complete the Company's commercialization path and a step to develop profitable operations. As at September 30, 2022, the Company had a deficit of \$18,706,114 since inception and incurred negative operating cash flows. As at September 30, 2022, the Company had a working capital balance of \$5,388,289 (December 31, 2021 - \$9,505,862) and available cash of \$5,248,375 (December 31, 2021 - \$8,812,477). Therefore, management concludes that the Company has sufficient funds to fund its operations for the next 12 months. Our continued operation as a going concern is dependent upon our ability to generate positive cash flows and/or obtain additional financing sufficient to fund continuing activities and acquisitions. While we continue to review our operations in order to identify strategies and tactics to increase revenue streams and financing opportunities, there is no assurance that we will be successful in such efforts; if we are not successful, we may be required to significantly reduce or limit operations, or no longer operate as a going concern. It is also possible that operating expenses could increase in order to grow the business. If we do not start generating and significantly increase revenues to meet these increased operating expenses and/or obtain financing until our revenues meet these operating expenses, our business, financial condition and operating results could be materially adversely affected. We cannot be sure when or if we will ever achieve profitability and, if we do, we may not be able to sustain or increase that profitability. These condensed consolidated interim financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due and do not reflect any adjustments that would be necessary if the going concern basis was not appropriate. If the going concern basis was not appropriate, significant adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the classifications used in the consolidated statements of financial position.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 17, 2022.

Statement of compliance to International Financial Reporting Standards

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting.

Basis of presentation

These condensed consolidated interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

These condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2021.

The Company uses the same accounting policies and methods of computation as in the annual audited consolidated financial statements for the year ended December 31, 2021.

**SEKUR PRIVATE DATA LTD.
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Unaudited)

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these 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.

Certain of the Company's accounting policies and disclosures require key assumptions concerning the future and other estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities or disclosures within the next fiscal year. Where applicable, further information about the assumptions made is disclosed in the notes specific to that asset or liability. The critical accounting estimates and judgments set out below have been applied consistently to all periods presented in these financial statements.

- a) Ability to continue as a going concern – evaluation of the ability of the Company to realize its strategy for funding its future needs for working capital involves making judgments.
- b) Equipment – equipment is depreciated over the estimated useful life of the asset to the asset's estimated residual value as determined by management. Assessing the reasonableness of the estimated useful life, residual value and the appropriate depreciation methodology requires judgment and is based on management's experience and knowledge of the industry.
- c) Impairment – an evaluation of whether or not an asset is impaired involves consideration of whether indicators of impairment exist. Factors which could indicate impairment exist include: significant underperformance of an asset relative to historical or projected operating results, significant changes in the manner in which an asset is used or in the Company's overall business strategy, the carrying amount of the net assets of the Company being more than its market capitalization or significant negative industry or economic trends. In some cases, these events are clear. However, in many cases, a clearly identifiable event indicating possible impairment does not occur. Instead, a series of individually insignificant events occur over a period of time leading to an indication that an asset may be impaired. Events can occur in these situations that may not be known until a date subsequent to their occurrence. When there is an indicator of impairment, the recoverable amount of the asset is estimated to determine the amount of impairment, if any. If indicators conclude that the asset is no longer impaired, the Company will reverse impairment losses on assets only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Similar to determining if an impairment exists, judgment is required in assessing if a reversal of an impairment loss is required. The Company tests its intangible assets with indefinite useful lives at least annually and whenever there is an indication that the intangible asset may be impaired.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

(Unaudited)

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Basis of Consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its controlled subsidiary. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when an investor has existing rights that give it the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a Company's share capital. All significant intercompany transactions and balances have been eliminated.

These condensed consolidated interim financial statements include the financial statements of the Company and its wholly-owned subsidiary listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership Interest	Principal Activity
GlobeX Data, Inc.	USA	100%	Secure Data Management and Communications

3. EQUIPMENT

	Solid-state Drives	Servers	Total
Cost:			
As at December 31, 2020	\$ -	\$ -	\$ -
Additions during the year	99,172	573,926	673,098
As at December 31, 2021 and September 30, 2022	99,172	573,926	673,098
Accumulated depreciation:			
As at December 31, 2020	-	-	-
Depreciation for the year	6,198	-	6,198
As at December 31, 2021	6,198	-	6,198
Depreciation for the period	18,591	71,744	90,335
As at September 30, 2022	24,789	71,744	96,533
Net book value:			
At December 31, 2021	\$ 92,974	\$ 573,926	\$ 666,900
At September 30, 2022	\$ 74,383	\$ 502,182	\$ 576,565

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For the nine months ended September 30, 2022 and 2021

(Unaudited)

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4. INTANGIBLE ASSET

On March 30, 2018, the Company acquired all of the issued and outstanding shares of GlobeX Data Inc. (“GDI”). As consideration for the acquisition, the Company issued 25 million common shares to GDI, with the license agreement held by GDI being assigned a fair value of \$2,552,573.

On April 3, 2017, GDI (as licensee) entered into the *GlobeX Data SA Secure Cloud Services Licensee License Agreement and Program* (the “Reseller Agreement”) with GDSA (see Note 1), whereby GDSA granted to GDI an exclusive, non-transferrable license to resell the Plan Offerings (as defined) to prospects in the United States and Canada for a perpetual term unless terminated by GDSA. Pursuant to the Reseller Agreement, GDI markets the Plan Offerings to prospects or customers (the “End User”) and the End User subscribes to the Plan Offerings by entering into an end user license agreement (the “EULA”) with GDSA by signing a contract with the GDI. Acceptance of a prospect or customer as an End User is at the sole discretion of GDSA, with GDSA having the right to terminate an EULA. GDI has the absolute right to accept any End User and, if it does, it also assumes the liability of acceptance of the End User. GDSA charges the End User a service fee for the Plan Offerings, with payment received by GDSA being remitted to GDI. GDI also has the option of collecting funds directly from the End User. Gross service fee revenue is split between GDSA (10%, being the licensee fee) and GDI (90%). The Reseller Agreement can be terminated by GDSA at any time if GDI fails to cure a breach of any part of the Reseller Agreement within 30 days of receiving written notice of the breach.

During the period ended September 30, 2022, the Company accrued licensee fees of \$31,840 (2021 - \$6,397) in respect of the Reseller Agreement.

As at September 30, 2022, \$24,580 (December 31, 2021 - \$52,734) was payable to GDSA pursuant to the Reseller Agreement.

5. SHARE CAPITAL

The Company has authorized an unlimited number of common shares and preferred shares. No preferred shares have been issued.

During the period ended September 30, 2022, the Company:

- a) Closed a private placement consisting of 2,321,585 units at a price of \$0.35 per unit for proceeds of \$812,555. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional share at a price of \$0.70 per share for two years.
- b) Issued 150,000 common shares at a fair value of \$56,250 for marketing services.
- c) Received proceeds of \$143,850 from the exercise of 852,668 warrants.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2022 and 2021

(Unaudited)

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (cont'd...)

During the year ended December 31, 2021, the Company:

- a) Closed a private placement consisting of 9,150,000 units at a price of \$0.12 per unit for proceeds of \$1,098,000 (of which \$22,780 was received during the year ended December 31, 2020). Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional share at a price of \$0.15 per share for two years. The Company issued 417,000 finder's units under the same terms at a fair value of \$50,040. Cash finder's fees were paid of \$17,600 and finder's warrants of 640,000 were issued at a fair value of \$82,343 under the same terms.
- b) Closed a private placement consisting of 4,076,400 units at a price of \$0.30 per unit for proceeds of \$1,222,920. Each unit consists of one common share and one-half of a share purchase warrant. Each full warrant entitles the holder to purchase an additional share at a price of \$0.50 per share for two years. Cash finder's fees were paid of \$60,000.
- c) Closed a private placement consisting of 7,256,927 units at a price of \$0.30 per unit for proceeds of \$2,177,078. Each unit consists of one common share and one-half of a share purchase warrant. Each full warrant entitles the holder to purchase an additional share at a price of \$0.50 per share for two years. Cash finder's fees were paid of \$122,000.
- d) Closed a private placement consisting of 19,261,470 units at a price of \$0.33 per unit for proceeds of \$6,356,285. Each unit consists of one common share and one-half of a share purchase warrant. Each full warrant entitles the holder to purchase an additional share at a price of \$0.60 per share for two years. Cash finder's fees were paid of \$328,314.
- e) Closed a private placement consisting of 5,355,510 units at a price of \$0.40 per unit for proceeds of \$2,142,204. Each unit consists of one common share and one-half of a share purchase warrant. Each full warrant entitles the holder to purchase an additional share at a price of \$0.80 per share for two years. Cash finder's fees were paid of \$20,000.
- f) Received proceeds of \$1,128,631 from the exercise of 7,113,168 warrants and \$330,400 from the exercise of 2,720,000 stock options.
- g) Issued 50,000 common shares to settle \$18,000 payable to a company for investor relations services.
- h) Issued 1,300,000 common shares at a fair value of \$572,000 for marketing services (see Note 9).

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5. **SHARE CAPITAL** (cont'd...)

Escrow Shares

Following the closing of the IPO, the Company had an aggregate of 31,960,001 common shares held in escrow pursuant to the escrow agreement dated May 8, 2019. The shares are subject to a 10% release on the Listing Date (July 22, 2019), with the remaining escrowed securities being released in 15% tranches every 6 months thereafter. As at September 30, 2022, there were nil shares remaining in escrow.

Stock Options

The Company adopted a stock option plan on April 30, 2018. The stock option plan provides that, subject to the requirements of the CSE, the aggregate number of securities reserved for issuance will be 15% of the number of the Company's common shares issued and outstanding at the time such options are granted. The exercise price of option grants will be determined by the Board of Directors, but will not be less than the closing market price of the common shares on the CSE less allowable discounts at the time of grant. All options granted under the stock option plan will expire not later than the date that is ten years from the date that such options are granted.

	Number of Options	Weighted Average Exercise Price (\$)
Outstanding at December 31, 2020	5,260,000	0.13
Granted	20,320,000	0.52
Exercised	(2,720,000)	0.12
Expired/cancelled	(6,320,000)	0.50
Outstanding and exercisable, December 31, 2021 and September 30, 2022	16,540,000	0.47

The weighted-average remaining contractual life of options at September 30, 2022 was 6.69 years (year ended December 31, 2021 – 7.43 years).

Additional information regarding stock options outstanding as at September 30, 2022 is as follows:

Exercise price (\$)	Number of options	Expiry Date
0.14	1,400,000	June 12, 2023
0.12	1,140,000	December 17, 2025
0.25	3,500,000	January 20, 2026
0.50	6,320,000	July 27, 2031
0.80	4,180,000	December 20, 2031
	16,540,000	

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5. SHARE CAPITAL (cont'd...)

During the period ended September 30, 2022, the Company granted nil (year ended December 31, 2021 - 14,000,000) stock options with a fair market value of \$nil (year ended December 31, 2021 - \$4,555,966) or \$nil (year ended December 31, 2021 - \$0.33) per option which was charged to operations. In April 2021 and June 2021 of the previous fiscal year, the Company granted 4,820,000 stock options and 1,500,000 stock options to directors, officers and consultants at an exercise price of \$0.50 per share for a period of five years. These options were voluntarily returned to the Company in June 2021. The following assumptions were used for the Black-Scholes valuation of the stock options assuming no expected dividends or forfeitures:

	Period ended September 30, 2022	Year ended December 31, 2021
Risk-free interest rate	-	0.43% - 1.38%
Expected life (in years)	-	5 - 10
Expected volatility	-	125% - 135%

Warrants

	Number of Warrants	Weighted Average Exercise Price (\$)
Outstanding, December 31, 2020	10,727,791	0.48
Issued	28,182,154	0.44
Exercised	(7,113,168)	0.16
Outstanding, December 31, 2021	31,796,777	0.51
Issued	2,321,585	0.70
Exercised	(852,668)	0.17
Expired	(5,827,623)	0.74
Outstanding, September 30, 2022	27,438,071	0.49

The weighted-average remaining contractual life of warrants at September 30, 2022 was 0.76 years (year ended December 31, 2021 – 1.26 years).

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(Unaudited)

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (cont'd...)

Additional information regarding warrants outstanding as at September 30, 2022 is as follows:

Exercise price (\$)	Number of warrants	Expiry Date
0.15	7,141,332	January 15, 2023
0.50	2,038,200	March 31, 2023
0.50	3,628,464	May 14, 2023
0.60	9,630,735	September 3, 2023
0.80	2,677,755	November 17, 2023
0.70	2,321,585	April 18, 2024
	<u>27,438,071</u>	

During the period ended September 30, 2022, the Company granted nil (year ended December 31, 2021 - 640,000) agent's warrants with a fair market value of \$nil (year ended December 31, 2021 - \$82,343) or \$nil (year ended December 31, 2021 - \$0.13) per warrant which was charged to share issue costs. The following assumptions were used for the Black-Scholes valuation of the warrants assuming no expected dividends or forfeitures:

	Period ended September 30, 2022	Year ended December 31, 2021
Risk-free interest rate	-	0.15%
Expected life (in years)	-	2
Expected volatility	-	135%

6. RELATED PARTY TRANSACTIONS

Related party transactions were in the normal course of operations and measured at the exchange amount, which is the amount established and agreed to by the related parties. Key management personnel are the persons responsible for planning, directing and controlling the activities of the Company, and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

During the period ended September 30, 2022, the Company incurred \$35,065 (2021 - \$37,650) in accounting fees and corporate services to an accounting firm in which an officer of the Company is a partner. As at September 30, 2022, there was \$nil (December 31, 2021 - \$nil) owing to this firm. This balance is unsecured, non-interest bearing and has no fixed terms of repayment.

As at September 30, 2022, there was \$nil (December 31, 2021 - \$97) owing to an officer and director of the Company for expense reimbursements. This balance is unsecured, non-interest bearing and has no fixed terms of repayment.

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6. RELATED PARTY TRANSACTIONS (cont'd...)

During the period ended September 30, 2022, the Company granted nil (year ended December 31, 2021 – 13,950,000) stock options with a fair value of \$nil (year ended December 31, 2021 - \$4,536,550) to directors and officers of the Company. In April 2021 and June 2021 of the previous fiscal year, the Company granted 4,800,000 stock options and 1,500,000 stock options to directors and officers at an exercise price of \$0.50 per share for a period of five years. These options were voluntarily returned to the Company in June 2021.

During the period ended September 30, 2022, the Company paid data center and hardware maintenance fees of \$369,417 (2021 - \$235,250) and licensee fees of \$31,840 (2021 - \$6,397) to GDSA (see Notes 1 and 4). As at September 30, 2022, \$nil in data center and hardware maintenance fees was included in prepaid expenses (December 31, 2021 - \$85,000).

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables (excluding GST), accounts payable and accrued liabilities, due to related parties and licensee fees payable approximate their carrying value. The Company's other financial instrument, being cash and cash equivalents, is measured at fair value using Level 1 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) *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. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank and investment accounts. The Company has deposited the cash with its bank from which management believes the risk of loss is remote.

b) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities when due. Accounts payable and accrued liabilities are due within the current operating year. The Company has a sufficient cash balance to settle current liabilities.

c) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

d) *Currency risk*

A portion of the Company's financial assets and liabilities are denominated in US dollars. The Company monitors this exposure, but has no hedge positions.

The Company is exposed to currency risk on fluctuations related to cash, accounts payable and accrued liabilities and licensee fees payable that are denominated in US dollars. At September 30, 2022, a 10% change in the value to the US dollar as compared to the Canadian dollar would not have a significant effect on net loss.

e) *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk, from time to time, on its cash balances. Surplus cash, if any, is placed on call with financial institutions and management actively negotiates favorable market related interest rates.

8. CAPITAL DISCLOSURE AND MANAGEMENT

The Company defines its capital as all components of shareholders' equity. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern.

In order to maintain its capital structure, the Company is dependent on equity funding and when necessary, raises capital through the issuance of equity instruments, primarily comprised of common shares. The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Company is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. There were no changes to the Company's approach to managing capital during the period.

9. CONTRACTUAL OBLIGATIONS

During the year ended December 31, 2021, the Company entered into three production and broadcasting agreements with a media services company ("AMI") in the United States to assist the Company in furthering its media awareness through television, production, media analysis and procurement as follows:

- a) May 10, 2021 – 14-month campaign: development of a biography format television show, production of 14 specialized NASDAQ interviews, tech reports and emerging growth articles, broadcast of the interviews via five media outlets, production and broadcast a minimum of 30 commercials per month and social media support. As compensation for performing these services, AMI will receive US\$15,000 per month and 500,000 common shares of the Company;

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9. CONTRACTUAL OBLIGATIONS (cont'd...)

- b) June 1, 2021 – 14-month campaign: broadcast a minimum of two security segments per month via two media outlets. As compensation for performing these services, AMI will receive US\$5,000 per month and 500,000 common shares of the Company. The Company has the right to produce two additional segments, at \$2,500 per segment, for a maximum of four segments per month; and
- c) October 25, 2021 – 18-month marketing campaign: as for the May 10, 2021 agreement. As compensation for performing these services, AMI will receive US\$30,000 per month and 300,000 common shares of the Company.

On December 23, 2021, an aggregate of 1,300,000 common shares of the Company were issued to AMI at a value of \$572,000 based on the Company's share price of \$0.44 on that date (see Note 5). As at September 30, 2022, \$nil was included in prepaid expenses (December 31, 2021 - \$303,286).

10. REVENUE

Sekur Private Data Ltd. serves consumers, businesses and governments worldwide and distributes a suite of encrypted e-mails, secure messaging and secure communication, and a suite of cloud-based storage, disaster recovery and document management tools (the "Solutions") developed by GDSA. All data and data traffic is hosted and transmitted in secure servers located in Switzerland that are held and managed by GDSA. The Company sells its Solutions through its websites sekur.com and sekursuite.com, and through its approved distributors and telecommunications companies. The Company offers all its services on a subscription base charged either monthly or yearly. Each subscription comes with a 7-day free trial and all yearly plans offer a two-month free of charge period as part of a discount for purchasing a yearly plan. Channel partner contracts are done on a 12-month basis with optional renewal if both parties agree to renew. The Company provides the solution and invoices the channel partners monthly. In some cases, the Company is integrating its billing system directly with the channel partners and the revenues come at the time the channel partner sells the solution. This integration is done via the credit card processor of the company called Stripe. Prices are discounted from 25% to 60% of published prices listed on the Company's website www.sekurprivatedata.com.

Sales are categorized in the following manner:

- B2B (channel partners)
- Sekur (direct purchases).

(a) Total Revenues by Major Product Type

Revenue is recognized at the point in time when the customer obtains control of the service. The following table shows the Company's revenue disaggregated by major solution type:

	Period ended September 30, 2022	Year ended December 31, 2021
B2B (channel partners)	\$ 2,333	\$ 6,496
Sekur (direct purchases)	<u>317,319</u>	<u>138,385</u>
	<u>\$ 319,652</u>	<u>\$ 144,881</u>

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10. REVENUE (cont'd...)

(b) Total Revenues by geographical location

The following table shows the Company's revenue disaggregated by geographical location:

	Period ended September 30, 2022	Year ended December 31, 2021
Latin America	\$ 1,249	\$ 585
United States	<u>318,403</u>	144,296
	<u>\$ 319,652</u>	<u>\$ 144,881</u>