
Condensed interim consolidated
financial statements of
Plurilock Security Inc.

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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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 Plurilock Security Inc. have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has performed a review of the condensed interim consolidated financial statements ending September 30, 2021 and for the three and nine months ended September 30, 2021 and has not performed a review of the condensed interim consolidated financial statements ending September 30, 2020 and for the three and nine months ended September 30, 2020 in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Plurilock Security Inc.**Condensed Interim Consolidated Statement of Financial Position (unaudited)**

(Expressed in Canadian dollars)

		September 30, 2021	December 31, 2020
	Notes	\$	\$
Assets			
Current assets			
Cash and cash equivalents		7,050,291	1,721,179
Trade and other receivables	5	4,465,416	118,796
Tax credits receivable		128,346	69,243
Inventory	6	484,475	—
Prepaid expenses and deposits		297,602	207,559
Total current assets		12,426,130	2,116,777
Non-current assets			
Property and equipment	7	68,429	27,618
Right of use asset	8	3,536	14,129
Intangible assets	10	74,064	70,000
Goodwill	4	1,638,741	—
Other non-current assets		13,264	—
Total assets		14,224,164	2,228,524
Liabilities			
Current liabilities			
Trade and other payables	11	9,537,062	409,616
Unearned revenue	12	355,584	94,700
Lease liability	9	3,855	16,857
Total current liabilities		9,896,501	521,173
Non-current liabilities			
Government loans	13	230,508	30,000
Total liabilities		10,127,009	551,173
Shareholders' equity			
Share capital	14	16,160,944	10,131,702
Equity reserve		336,586	208,999
Foreign currency translation reserve		(1,043)	(19,092)
Contributed and other surplus		1,447,262	755,409
Accumulated deficit		(13,846,594)	(9,399,667)
Total equity		4,097,155	1,677,351
Total equity and liabilities		14,224,164	2,228,524
Subsequent events	21		

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

Approved by the Board

"Robert Kiesman"

Robert Kiesman, Director

"Barry Carlson"

Barry Carlson, Director

Plurilock Security Inc.**Condensed Interim Consolidated Statement of Loss and Comprehensive Loss (unaudited)**

(Expressed in Canadian dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
		\$	\$	\$	\$
Revenue	17	15,245,948	168,854	23,926,019	351,705
Cost of sales		(14,685,812)	(32,497)	(22,669,817)	(54,395)
Gross profit		560,136	136,357	1,256,202	297,310
Operating expenses					
Research and development	18	373,168	(5,239)	952,517	184,574
Sales and marketing	18	740,973	244,285	1,507,650	659,178
General and administrative	18	745,927	170,507	2,082,517	796,387
Share-based compensation	14(d)	215,688	8,828	703,490	31,595
Total operating expenses		2,075,756	418,381	5,246,174	1,671,734
Operating loss		(1,515,620)	(282,024)	(3,989,972)	(1,374,424)
Other income (expenses)					
Foreign exchange translation gain (loss)		92,771	1,102	(45,071)	9,416
Acquisition related expenses	4	(14,544)	—	(305,890)	—
Financing expenses		—	—	(99,805)	—
Change in fair value of convertible debt		—	(766)	—	—
Listing expenses		—	(1,455,962)	(1,911)	(1,455,962)
Interest expenses		(2,876)	(3,173)	(4,278)	(32,341)
Total other income (expenses)		75,351	(1,458,799)	(456,955)	(1,478,887)
Net loss for the period		(1,440,269)	(1,740,823)	(4,446,927)	(2,853,311)
Other comprehensive income (loss)					
Items that may be subsequently reclassified to net loss					
Foreign exchange translation difference		(47,271)	(9,717)	18,049	2,395
Other comprehensive income (loss)		(47,271)	(9,717)	18,049	2,395
Comprehensive loss for the period		(1,487,540)	(1,750,540)	(4,428,878)	(2,850,916)
Basic and diluted loss per share		(0.03)	(0.07)	(0.08)	(0.13)

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

Plurilock Security Inc.
Condensed Interim Consolidated Statement of Changes in Equity (unaudited)
(Expressed in Canadian dollars)

		Share capital	Contributed and other surplus	Equity reserve	Foreign currency translation reserve	Accumulated deficit	Total	
	Notes	#	\$	\$	\$	\$	\$	
Balance, January 1, 2020		22,624,180	4,637,663	209,859	5,460	(8,406)	(4,806,893)	37,683
Shares issued for cash		959,920	240,625	-	-	-	240,625	
Share issuance costs		-	(63,690)	-	-	-	(63,690)	
Shares and warrants issued pursuant to concurrent financing private placement		8,678,162	2,560,058	-	43,391	-	2,603,449	
Shares issued to consultants		200,000	58,000	-	-	-	58,000	
Convertible debt converted into shares and warrants		5,810,550	1,272,975	-	34,400	-	1,307,375	
Stock options and warrants converted into shares		1,232,978	241,454	(241,454)	-	-	-	
Deemed issuance of shares and warrants		5,550,000	1,609,500	-	78,000	-	1,687,500	
Share issuance costs pursuant to concurrent financing private placement		-	(469,967)	-	12,611	-	(457,356)	
Recognition of share-based payments		-	-	31,595	-	-	31,595	
Equity component of convertible debt		-	-	-	(5,460)	5,460	-	
Net loss for the period		-	-	-	-	(2,853,311)	(2,853,311)	
Other comprehensive loss		-	-	-	2,395	-	2,395	
Balance, September 30, 2020		45,055,790	10,086,618	-	168,402	(6,011)	(7,654,744)	2,594,265
Deemed issuance of shares and warrants		-	-	-	54,589	-	54,589	
Recognition of share-based payments		-	-	755,409	-	-	755,409	
Exercise of warrants		155,462	45,084	-	(13,992)	-	31,092	
Net loss for the period		-	-	-	-	(1,744,923)	(1,744,923)	
Other comprehensive loss		-	-	-	(13,081)	-	(13,081)	
Balance, December 31, 2020		45,211,252	10,131,702	755,409	208,999	(19,092)	(9,399,667)	1,677,351
Shares issued for cash	14(b)	11,240,735	5,158,111	-	-	-	5,158,111	
Share issuance costs	14(b)	-	(296,903)	-	-	-	(296,903)	
Warrants issuance as brokers fee pursuant to private placement	14(b)	-	(189,375)	-	189,375	-	-	
Shares issued as part of Aurora acquisition consideration	4	698,888	440,299	-	-	-	440,299	
Shares issues pursuant to Aurora acquisition broker fee	4	46,296	25,000	-	-	-	25,000	
Recognition of share-based payments	14(d)	-	-	703,490	-	-	703,490	
Exercise of stock options	14(c)	181,750	67,882	(11,637)	(13,875)	-	42,370	
Exercise of warrants	14(e)	2,091,320	824,228	-	(47,913)	-	776,315	
Net loss for the period		-	-	-	-	(4,446,927)	(4,446,927)	
Other comprehensive income		-	-	-	18,049	-	18,049	
Balance, September 30, 2021		59,470,241	16,160,944	1,447,262	336,586	(1,043)	(13,846,594)	4,097,155

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

Plurilock Security Inc.
Condensed Interim Consolidated Statements of Cash Flows (unaudited)

(Expressed in Canadian dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
		\$	\$	\$	\$
Net loss for the period		(1,440,269)	(1,740,823)	(4,446,927)	(2,853,311)
Operating activities					
Adjustments for					
Amortization		9,839	6,372	27,371	17,064
Share-based compensation	14(d)	215,688	8,828	703,490	31,595
Change in fair value of convertible debt		—	766	—	—
Interest expense - short term loans		—	1,819	—	26,095
Interest expense on government loans		2,236	—	4,073	—
Forgiveness of PPP loan	17,18	(14,406)	—	(204,136)	—
Interest expense - loans payable to related parties		—	804	—	4,204
Interest expense - lease liability		133	554	723	1,956
Listing expenses		—	1,112,985	25,000	1,112,985
Transaction costs		—	58,000	—	58,000
Unrealized foreign exchange loss/(gain)		(4,057)	—	48,139	—
Changes in working capital and other items					
Trade and other receivables		178,372	(172,829)	(1,598,983)	207,787
Tax credits receivable		(21,231)	(14,726)	(2,330)	108,793
Inventory		457,384	—	(287,285)	—
Prepaid expenses and deposits		5,444	(236,636)	(39,846)	(248,937)
Trade and other payables		2,303,276	627,409	5,918,074	755,985
Unearned revenue		211,856	682	180,354	(87,554)
Net cash flows used in operating activities		1,904,265	(346,795)	327,717	(865,338)
Investing activities					
Acquisition of equipment	7	(29,929)	(7,722)	(50,126)	(17,795)
Cash paid for business acquisition	4	—	—	(1,244,520)	—
Cash acquired from business acquisition	4	—	—	1,298,501	—
Net cash flows from/(used in) investing activities		(29,929)	(7,722)	3,855	(17,795)
Financing activities					
Cash acquired upon QT		—	576,944	—	576,944
Proceeds from issuance of shares, net of issuance cost		—	2,105,288	4,861,207	2,235,223
Proceeds from warrant exercise		263,973	37,334	789,975	37,334
Proceeds from stock option exercises		14,620	—	42,370	—
Proceeds from convertible debt		—	—	—	1,307,375
Proceeds from short-term loans		772	—	772	93,038
Repayment of short-term loans		—	(57,595)	(626,920)	(379,974)
Repayment to related parties		—	(26,091)	—	(56,368)
Lease payments		(4,575)	(4,575)	(13,725)	(13,725)
Net cash flows from/(used in) financing activities		274,790	2,631,305	5,053,679	3,799,847
Foreign exchange effect on cash		(76,222)	(9,717)	(56,139)	2,395
Net increase (decrease) in cash and cash equivalents		2,149,126	2,276,788	5,385,251	2,916,714
Cash and cash equivalents, beginning of period		4,977,387	799,471	1,721,179	147,433
Cash and cash equivalents, end of period		7,050,291	3,066,542	7,050,291	3,066,542

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

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

1. Nature of operations and continuance of business

Plurilock Security Inc. ("**Plurilock**", "**PSI**" or the "**Company**"), formerly Libby K Industries Inc. ("**Libby K**"), was incorporated under the BC Business Corporations Act on July 5, 2018. The Company's head office and principal place of business is located at 1021 West Hastings Street, MNP Tower, 9th Floor, Vancouver, BC, V6E0C3, Canada.

The Company's common shares trade on the TSX-V as a Tier 2 technology issuer under the ticker symbol "TSX-V: PLUR" and on the OTCQB under the ticker symbol "OTCQB: PLCKF".

Plurilock is an identity-centric cybersecurity company offering IT and cybersecurity solutions through its Solutions Division, paired with proprietary AI-driven and cloud-friendly security products through its Technology Division.

Plurilock has one wholly owned subsidiary, Plurilock Security Solutions Inc. ("**PL**"), which was formed following the amalgamation of PL and 1243540 B.C. Ltd. on September 17, 2020 pursuant to a Qualifying Transaction ("**QT**"). PL in turn has one wholly owned subsidiary, Plurilock Security Corp. ("**PLUS**"). PLUS was incorporated on November 15, 2017 in the State of Delaware, USA. On March 31, 2021, PLUS completed the acquisition of Aurora Systems Consulting Inc. ("**ASC**" or "**Aurora**"), a provider of advanced cybersecurity technology and services based in the State of California, USA. PLUS acquired all of the outstanding securities of Aurora. On July 22, 2021, Plurilock incorporated an Indian subsidiary, Plurilock Security Private Limited ("**PSP**"). PSP is owned 99.9% by PSI and 0.01% by PL.

These condensed interim consolidated financial statements report that the Company has a comprehensive loss of \$1,487,540 and \$4,428,878 for the three and nine months ended September 30, 2021 (\$1,750,540 and \$2,850,916 respectively in 2020) and an accumulated deficit of \$13,846,594 as at September 30, 2021 (December 31, 2020: \$9,399,667). The Company has financed its operating cash requirements primarily through the issuance of share capital. The Company's ability to realize the carrying value of its assets and to continue as a going concern is dependent upon the successful execution of the Company's strategic plan to improve the scale and profitability of its business to achieve future profitable operations. It will be necessary for the Company to raise additional funds from time to time for the continued execution of its strategic plan. These funds may come from sources which include the issuance of shares, the issuance of debt or alternative sources of financing. The ability of the Company to continue as a going concern is dependent upon the continued support from the Company's shareholders, lenders, and the Company's ability to attain profitable operations in the near future. There can be no assurance that the Company will successfully generate sufficient operating cash flows or raise sufficient funds to continue the execution of its strategic plan and to operate as a going concern. As a result of the above, there may be material uncertainties in the future that may cast significant doubt on the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

1. Nature of operations and continuance of business (continues)

course of business and at the amounts different from those reflected in the accompanying financial statements.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 26, 2021.

2. Basis of presentation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the accounting policies consistent with International Financial Reporting Standards ('IFRS').

These condensed interim consolidated financial statements should be read in conjunction with the most recently issued annual consolidated financial statements of the Company, which include information necessary or useful to understanding the Company's operations, financial performance, and financial statement presentation. In particular, the Company's significant accounting policies were presented as Note 3 to the consolidated financial statements for the year ended December 31, 2020 and have been consistently applied in the preparation of these condensed interim consolidated financial statements.

Basis of presentation

These condensed interim consolidated financial statements were prepared on a going concern basis, under the historical cost convention, except for certain items not carried at historical cost as noted below. These condensed interim consolidated financial statements are presented in Canadian dollars.

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

3. Significant accounting policies

Revenue Recognition

Revenue is recognized when control of a good or service transfers to a customer in accordance with a five-step model:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

The Company accounts for a contract with a customer when it has approval and commitment from all parties, the rights of the parties and payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when control of the promised services or goods (the performance obligation) is transferred to customers, and in an amount that reflects the consideration the Company expects to receive in exchange for those services or goods (the transaction price). The Company measures revenue by estimating the transaction price based on the consideration specified in the customer arrangement. Revenue is recognized as the performance obligations are satisfied.

The Company derives revenues from three main sources: (1) hardware sales, (2) electronic software, license and maintenance sales and (3) professional services. The Company does not provide a guaranteed right of return to its customers except where required by law. A customer needs to obtain permission for a return prior to its acceptance by the Company.

1) Hardware sales

The Company provides physical computer hardware to customers upon submission of an approved purchase order or a signed Company quote. The Company's sales of hardware, which are made in the capacity of principal, are generally distinct goods because the customer can usually benefit from the hardware either on its own or with other resources. Hardware sales performance obligations are fully satisfied at the point the hardware is shipped to the customer and the control of the hardware passes to the customer. As such, revenue is recognized upon delivery of the hardware to the customer.

2) Electronic software, license and maintenance sales

Electronic software, license and maintenance sales revenue are comprised of fees that provide customers access to third-party software licenses, subscriptions and related support and updates during the terms of arrangements. Electronic software, license and maintenance sales are recognized on a point in time basis because the Company's performance obligations are fully satisfied at the point the licenses and maintenance contracts with the software vendors are delivered. Electronic software, license and maintenance sales are either recognized upon delivery to customers or on a straight-line basis for subscriptions, or in the case of a software renewal, at the start of the renewal term.

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Revenue Recognition (continued)

3) Professional services

Professional services are generally on either a fixed fee, milestone based, or time & material based. These services are generally distinct from other goods or services that the Company might provide to the same customer under the same or separate contracts. This is because the customer can benefit from the services from other resources. In addition, the services are not generally integrated with or dependent on other services that might be provided to the customer. The customer receives and consumes the benefits of the services as the Company performs and therefore, these revenues are recognized on a milestone basis or on a proportional performance basis.

The Company's arrangements with its customers generally do not include variable consideration. The transaction price for the Company's products and services is usually fixed at the amount specified in the contract. When selling products or services under the same or linked contracts and those products or services represent one performance obligation, the Company allocates the total transaction price by reference to the prices it charges for those products and services when sold separately, i.e., their stand-alone selling prices.

The Company has determined that it acts as principal in all its performance obligations and therefore, the revenue is recognized at the gross amount of consideration to which it expects to be entitled. The Company determines it is a principal because it obtains control over products and services in advance of transferring those products and services to the customer, and also typically has responsibility for acceptability of the specified products or services. In addition, the Company has primary responsibility for fulfilling the contractual promises to the customer, assumes inventory risk in the event of cancellation of the sale for any reason and has discretion in establishing prices of the products and services provided.

Cost of Sales

The primary components of cost of revenue are the purchase price for all computer hardware, software and related support, as well as an allocation of the related employee compensation and benefits, costs related to the operation of the Company's SaaS-hosted infrastructure, services and any operating supplies.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interest issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests (if any) in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Business Combinations (continued)

and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognized in profit or loss.

Goodwill

Goodwill is initially recognized and measured as set out above.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Inventory

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all costs of purchase, costs of conversion (direct costs and an allocation of fixed and variable production overheads) and other costs incurred in bringing the inventory to their present location and condition. Net realizable value is the estimated selling price less estimated costs to complete and sell.

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Main sources of estimation uncertainty and critical judgements by management

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amount of assets and liabilities, and disclosures of contingent assets and liabilities as at the date of the consolidated financial statements, and the recorded amount of revenues and expenses for the reporting period. These estimates are changed periodically, and as adjustments become necessary, they are reported in profit or loss in the period in which they become known.

The significant accounting policies subject to such estimates that, in the Company's opinion, could significantly affect the reported results or financial position, are as follows:

➤ *Going concern considerations*

The Company has financed its operating cash requirements primarily through the issuance of share capital. The Company's ability to realize the carrying value of its assets and to continue as a going concern is based upon the continued support from the Company's shareholders and the successful execution of the Company's strategic plan to improve the scale and profitability of its business to achieve future profitable operations. It will be necessary for the Company to raise additional funds from time to time for the continued execution of its strategic plan. These funds may come from sources which include the issuance of shares, the issuance of debt or alternative sources of financing. During the nine months ended September 30, 2021, the Company completed two rounds of non-brokered private placement financing totaling \$5.16 million and generated \$789,975 from the exercising of warrants. In addition, on November 10, 2021, Plurilock closed the bought-deal financing for aggregate gross proceeds of \$4.60 million – see Subsequent Events Note 21. As a result of the increase in cash and working capital from the financings, in addition to the anticipated cash flows expected to be achieved from execution of the Company's strategic plan in the next twelve months, Plurilock has concluded that there is no material uncertainty with respect to the Company's ability to continue as a going concern for the next twelve months.

The estimates used by Plurilock in reaching the above conclusion are based on information available as of the date the condensed interim consolidated statement of financial position was authorized for issuance and included internally generated cash flow forecasts. Accordingly, actual results could differ from these estimates and resulting variances may be material to management's assessment.

➤ *Revenue recognition, contracts with multiple performance obligations*

The Company enters into contracts with its customers that may include promises to transfer multiple subscription services and services. A performance obligation is a commitment in a contract with a customer to transfer products or services that are distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment.

The Company's subscription services are distinct as such services are often sold separately. In determining whether services are distinct, the Company considers the following factors for each type of services agreement: the availability of the services from other vendors; the nature of the services; and the timing of when the services contract was signed in comparison to the start date of any related subscription services.

The Company allocates the transaction price to each distinct performance obligation on a relative standalone selling price ("**SSP**") basis. The SSP is the price at which the Company would sell a promised product or service separately to a customer. Judgment is required to determine the SSP for each distinct performance obligation. In certain cases, the Company is able to establish SSP based on observable prices of products or services sold separately in

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

➤ *Revenue recognition, contracts with multiple performance obligations (continued)*

comparable circumstances to similar customers. The Company generally uses a range of SSP when it has observable prices.

If SSP is not directly observable, for example when pricing is highly variable, the Company uses a range of SSP. The Company determines the SSP range using information that may include market conditions or other observable inputs. The Company may have more than one SSP for individual products and services due to the stratification of those products and services by customer size, geography, and the other factors noted above.

➤ *Valuation of share-based compensation*

The Company uses the Black-Scholes model to value share options issued to directors, employees and consultants. The model's estimates include inputs that require management estimates and judgement, such as volatility of the underlying equity instruments, forfeiture rate and expected life of stock options.

➤ *Carrying values of allowances for unrecoverable trade and other receivables*

The Company recognizes allowance for expected credit loss on accounts receivable that are measured at amortized cost. The amount of expected credit loss ("ECL") is updated at each reporting date to reflect changes in credit risk since initial recognition of the trade and other receivables. The Company recognizes lifetime ECL for its trade and other receivables. The expected credit losses on these financial assets are estimated using the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

➤ *Recoverability of tax credits*

In prior year comparative figures, the Company accrued refundable incentive tax credits earned through the Scientific Research and Experimental Development ("**SRED**") program administered through the Canada Revenue Agency ("**CRA**"). The recoverability of qualified expenditures is based on the results of the assessment by the CRA. Management estimates the recoverable amount of research and development costs based on experience with prior assessments under the program.

The Company also accrues tax credits through the Employee Retention Credit ("**ERC**") program through the Internal Revenue Service ("**IRS**") as part of the Coronavirus Tax Relief initiatives. The recoverability of qualified wages is based on the result of the assessment by the IRS. Management assesses the recoverable amount of the ERC based on the IRS' published guidance and best estimates.

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimates above, that has the most significant effect on the amounts in the Company's condensed interim consolidated financial statements, are related to:

- Determination of the functional currency of the Company and its subsidiaries; and
- Determination of the stand-alone selling prices for the licenses.

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4. Business acquisition

On March 31, 2021, Plurilock's United States subsidiary, PLUS, acquired 100% of the outstanding securities and control of Aurora ("**Aurora Acquisition**"). Aurora is a provider of advanced cybersecurity technology and services based in California. The acquisition qualifies as a business combination under IFRS 3. The acquisition is complementary to and was made with a view of growing Plurilock's existing lines of business.

Total aggregate consideration for the Aurora Acquisition was US\$1,561,213 (\$1,968,274) ("**Consideration**"). The Company paid to the vendor US\$896,714 (\$1,130,166) in cash, subject to working capital adjustments, and issued to the Vendor 698,888 common shares of Plurilock (the "**Closing Consideration Shares**") at a price of \$0.63 per share. Of the Consideration, US\$90,000 (\$114,354) was placed in escrow for 12 months to satisfy any indemnification obligations to the Company, as well as any purchase price adjustments pursuant to the terms of the definitive agreement. The escrow agent holds the escrow fund and shall only release the escrow fund in accordance with a joint written instruction of Plurilock and the vendor. The vendor is entitled to a performance-based earnout of up to US\$300,000 (\$377,940) in common shares of Plurilock (the "**Earnout Shares**"). The Earnout Shares will be issued at a deemed price equal to the closing trading price of the common shares of Plurilock on the TSX-V on the date prior to announcement of the issuance of the Earnout Shares, subject to a minimum share price of \$0.30. The Closing Consideration Shares are subject to certain contractual restrictions on trading for a period of 18 months from the date of issuance.

Plurilock paid an Aurora Acquisition transaction success fee on March 31, 2021 to an arm's length third party consultant of \$25,000 in cash and issued 46,296 common shares of the Company at a price of \$0.54 per share. These shares are subject to statutory hold period expiring on the date that is four months and a day from the date of issuance.

The fair value of purchase price consideration and amounts recognized in respect of the identifiable assets acquired and liabilities assumed related to the Aurora Acquisition are as set out in the table below ("**Preliminary Purchase Price Allocation**").

All assets and liabilities from Aurora's statement of financial position have been consolidated as part of Company's condensed interim consolidated statement of financial position as of September 30, 2021.

Revenue and net income (loss) from Aurora's statement of income and comprehensive income have been included in the Company's condensed interim consolidated statement of loss and comprehensive loss for the three and six months ended September 30, 2021.

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4. Business acquisition (continued)

	(preliminary)
Fair value of purchase consideration	CAD \$
Cash paid at closing of business acquisition	1,130,166
Cash paid in escrow	114,354
Closing consideration shares	440,299
Deferred acquisition cost/Earnout shares	283,455
Total	1,968,274
	(preliminary)
Fair values of Aurora's assets and liabilities acquired	CAD \$
Cash and cash equivalents	1,298,501
Trade and other receivables	2,804,410
Inventory	193,773
Prepays	50,197
Furniture and equipment	3,713
Intangible assets	8,833
Other non-current assets	13,139
Short-term loans	(628,246)
Trade and other payables	(2,925,915)
Unearned revenue	(288,928)
Long-term loans	(194,505)
Net book value of Aurora	334,972
Values attributable to following booked under Plurilock	
Adjustment to fair value of inventory	3,417
Goodwill	1,638,741
Foreign exchange gain from the transaction	(8,856)
Total	1,968,274

Acquisition related costs including legal, accounting and regulatory costs totaled \$14,544 and \$305,890 respectively for the three and nine months ended September 30, 2021.

The Company is in the process of determining the fair value of assets and liabilities acquired, as well as identifying any intangible assets that existed at the Aurora Acquisition date. As of September 30, 2021, for the purpose of the purchase price allocation calculation, all fair values of assets and liabilities of Aurora equal to their book values, except for Inventory which has been adjusted to its fair market value. As of September 30, 2021, the working capital adjustment process was still in progress. The Company will finalize the accounting for the business combination including the fair value assessment for Aurora's assets and liabilities as well as the calculation of goodwill or gain from bargain purchase no later than twelve months from the date of acquisition or once it has all the necessary information to do so.

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5. Trade and other receivables

The Company's trade receivables are comprised of the following:

	September 30, 2021	December 31, 2020
	\$	\$
Trade and other receivables	4,465,416	118,796

As at September 30, 2021 \$78,831 or 2% of the Trade Receivables balance is over 90 days past due compared to nil% as at December 31, 2020 and 45% of the trade receivable balances are owing from 5 customers compared to 100% owing from 1 customer as at December 31, 2020. The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. On September 30, 2021, the Company had no expected credit loss compared to \$145,800 as at December 31, 2020.

6. Inventory

	September 30, 2021	December 31, 2020
	\$	\$
Finished goods	484,475	—
	484,475	—

Inventory balance as at September 30, 2021 of \$484,475 is related to products under the Company's possession but not yet delivered to customers.

7. Property and equipment

Property and equipment consist of furniture and computer equipment and are broken down as follows:

	\$
Property and equipment cost	
Balance January 1, 2021	54,385
Additions	50,126
Additions through acquisition	3,713
Balance September 30, 2021	108,224
Property and equipment accumulated amortization	
Balance January 1, 2021	26,767
Amortization for the period	13,028
Balance September 30, 2021	39,795
Property and equipment net book value	
At January 1, 2021	27,618
At September 30, 2021	68,429

Plurilock Security Inc.

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8. Right of use asset

Right of use asset relates to an office space lease. The following table provides a reconciliation of this right of use asset:

	September 30, 2021	December 31, 2020
	\$	\$
Opening balance	14,129	28,253
Less: amortization for the period	(10,593)	(14,124)
Ending balance	3,536	14,129

9. Lease liability

Lease liability relates to the lease of an office space, which has a remaining lease term of three months, and was discounted using an interest rate of 10%. During the three and nine months ended September 30, 2021, the Company recognized \$133 and \$723 in interest expense respectively on lease liability (three and nine months ended September 30, 2020: \$554 and \$1,956 respectively), which is included in interest expenses.

	September 30, 2021	December 31, 2020
	\$	\$
Opening balance	16,857	32,749
Add: interest during the period	723	2,408
Less: payments during the period	(13,725)	(18,300)
Ending balance	3,855	16,857

10. Intangible assets

Intangibles consist of (i) patent costs incurred in 2015 related to (3) three 20-year patents ("Patents") covering certain aspects of our behavioral biometric algorithms and (ii) a U.S. government wide procurement contract ("Procurement Contract").

Patents are amortized over 20 years. The Procurement Contract is amortized on a straight-line basis over the entire period of the contract of 69 months.

Values are broken down as follows:

	\$
Patent cost	
Balance January 1, 2021	100,000
Balance September 30, 2021	100,000
Patent accumulated amortization	
Balance January 1, 2021	30,000
Amortization for the period	3,750
Balance September 30, 2021	33,750
Patent net book value	
At January 1, 2021	70,000
At September 30, 2021	66,250

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10. Intangible assets (continued)

	\$
Procurement contract cost	
Balance January 1, 2021	-
Additions through acquisition	8,833
Balance September 30, 2021	8,833
Procurement accumulated amortization	
Balance January 1, 2021	-
Amortization for the period	1,019
Balance September 30, 2021	1,019
Procurement net book value	
At January 1, 2021	-
At September 30, 2021	7,814

11. Trade and other payables

The Company's trade and other payables are comprised of the following:

	September 30, 2021 \$	December 31, 2020 \$
Trade payables	8,754,218	208,789
Accrued liabilities	503,645	174,721
Vacation payable	279,199	26,106
	9,537,062	409,616

Accrued liabilities as at September 30, 2021 included deferred acquisition costs of \$283,455, equivalent to US \$225,000, equaling performance-based earnout shares to be paid to the vendor (Note 4).

Plurilock Security Inc.**Notes to the condensed interim consolidated financial statements (unaudited)**

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12. Unearned revenue

	\$
Balance January 1, 2021	94,700
Acquired through acquisition	288,928
Revenue recognized	(382,144)
Amounts received	354,100
Balance September 30, 2021	355,584

Unearned revenue as at September 30, 2021 consisted of cash collected under customer contracts with goods or services that had not yet been delivered.

13. Government loans

	September 30, 2021 \$	December 31, 2020 \$
CEBA Loan	30,000	30,000
SBA Loan	200,508	—
	230,508	30,000

In March 2020, the World Health Organization declared the coronavirus (specifically identified as "**COVID-19**") a global pandemic. On April 15, 2020, the Company was approved for a \$40,000 LOC with Royal Bank of Canada under the Canada Emergency Business Account ("**CEBA**") program funded by the Government of Canada to aid with economic effects resulting from COVID-19. The CEBA LOC is non-interest bearing, can be repaid at any time without penalty until December 31, 2022. The Company had drawn \$40,000 from the CEBA LOC on May 11, 2020. On January 1, 2021, the outstanding balance of the CEBA LOC was automatically converted to a non-revolving term loan ("**CEBA Term Loan**"). The CEBA Term Loan bears interest at 5% per annum starting on January 1, 2023 and matures on December 31, 2025. The CEBA Term Loan may be repaid at any time without notice to the lender or the payment of any penalty. If 75% of the CEBA Term Loan at the CEBA Term Loan Commencement Date is repaid on or before December 31, 2022, the repayment of the remaining 25% of such CEBA Term Loan shall be forgiven ("**Early Payment Credit**"). As at September 30, 2021, management planned to repay 75% of the CEBA Term Loan by December 31, 2022, therefore, 25% of the loan (or \$10,000) had been recognized as Government Assistance and recorded as other income in 2020. See Note 21 Subsequent events for further details related to the repayment of the CEBA Term Loan.

On June 9, 2020, the United States Small Business Administration ("**SBA**") provided funds ("**SBA Loan**") to Aurora under the Economic Injury Disaster Loan ("**EIDL**") assistance program in light of the impact of the COVID-19 pandemic. The principal amount of the SBA Loan is US \$150,000 with proceeds to be used for working capital purposes. Interest accrues at 3.75% per annum. Installment payments, including principal and interests, were due monthly beginning June 9, 2021 (twelve months from the date of the SBA Loan) in the amount of US \$731 per month. The balance of principal and interest is payable in full thirty years from the date of the SBA Loan. On August 11, 2021, the SBA Loan was updated from US \$150,000 to US \$500,000 with proceeds to be used for working capital purposes. Interest accrues at 3.75% per annum. Installment payments got updated from amount of US \$731 per month to US \$2,515 per month.

Plurilock Security Inc.**Notes to the condensed interim consolidated financial statements (unaudited)**

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14. Share capital*(a) Authorized*

Unlimited number of common shares without par value and without special rights or restrictions attached.

(b) Issued and outstanding

The following table summarizes the Company's issued and outstanding share capital:

	common shares #	preferred shares #	shares #	\$
Balance, January 1, 2020	20,492,877	2,131,303	22,624,180	4,637,663
Shares issued for cash	959,920	—	959,920	240,625
Share issuance costs	—	—	—	(63,690)
Shares and warrants issued pursuant to concurrent financing private placement	8,678,162	—	8,678,162	2,560,058
Shares issued in exchange of Plurilock preferred shares	2,131,303	(2,131,303)	—	—
Shares issued to consultants	200,000	—	200,000	58,000
Convertible debt converted into shares and warrants	5,810,550	—	5,810,550	1,272,975
Stock options and warrants converted into shares	1,232,978	—	1,232,978	241,454
Deemed issuance of shares and warrants	5,550,000	—	5,550,000	1,609,500
Share issuance costs pursuant to concurrent financing private placement	—	—	—	(469,967)
Balance, September 30, 2020	45,055,790	—	45,055,790	10,086,618
Exercise of warrants	155,462	—	155,462	45,084
Balance, December 31, 2020	45,211,252	—	45,211,252	10,131,702
Shares issued for cash	11,240,735	—	11,240,735	5,158,111
Share issuance costs	—	—	—	(296,903)
Warrants issuance as brokers fee pursuant to private placement	—	—	—	(189,375)
Shares issued as part of Aurora acquisition consideration	698,888	—	698,888	440,299
Shares issues pursuant to Aurora acquisition broker fee	46,296	—	46,296	25,000
Exercise of stock options	181,750	—	181,750	67,882
Exercise of warrants	2,091,320	—	2,091,320	824,228
Balance, September 30, 2021	59,470,241	—	59,470,241	16,160,944

Plurilock Security Inc.**Notes to the condensed interim consolidated financial statements (unaudited)**

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14. Share capital (continued)*(c) Stock option plan*

The following table summarizes the continuity of the Company's Stock Option Plan ("SOP"):

	options #	exercise price \$
Balance, January 1, 2020	5,228,151	0.25
Granted	100,000	0.25
Converted to common shares upon QT	(5,328,151)	0.25
Granted	555,000	0.20
Balance, September 30, 2020	555,000	0.20
Granted	7,495,657	0.34
Cancelled	(86,000)	0.34
Balance, December 31, 2020	7,964,657	0.33
Granted	500,000	0.62
Exercised	(181,750)	0.23
Cancelled	(82,667)	0.50
Balance, September 30, 2021	8,200,240	0.35

Additional information concerning stock options outstanding as at September 30, 2021 and December 31, 2020 as follows:

The weighted average remaining contractual life of stock options outstanding as at September 30, 2021 was 8.53 years compared to 9.38 years as of December 31, 2020.

The estimated fair value of each option granted under the Company's SOP was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions. The volatility used is based on volatilities of a peer Company of companies:

	September 30, 2021	December 31, 2020
Risk-free interest rate	0.27%-1.79%	0.25%-0.53%
Dividend yield	—	—
Expected life (in years)	0.39-7	3-7
Volatility	100%	100%

(d) Stock-based compensation reserve

Total stock-based compensation cost recognized in income for the three and nine months ended September 30, 2021, was \$215,688 and \$703,490 respectively compared to \$8,828 and \$31,595 respectively over the same periods in prior year and is credited to contributed surplus.

Total stock-based compensation expense for the three and nine months ended September 30, 2021, is comprised of the expense related to stock options issued to related parties (as discussed in note 20) of \$176,221 and \$563,687 respectively compared to \$6,721 and \$23,135 respectively over the same periods in prior year and to other employees of \$39,467 and \$139,803 respectively compared to \$2,107 and \$8,460 respectively over the same periods in prior year.

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14. Share capital (continued)*(e) Warrants*

There were 12,501,488 warrants as at September 30, 2021 compared to 8,565,247 as at December 31, 2020.

The following table summarizes the continuity of the warrants:

	Number of warrants #	Weighted average exercise price \$
Balance, January 1, 2020	1,001,632	0.25
Expired	(926,632)	0.25
Special warrants	534,720	0.45
Converted upon RTO	(75,000)	0.25
Finder's fee for Bridge #2 financing	69,400	0.40
Converted from convertible debt	2,905,256	0.40
Concurrent financing	4,339,081	0.40
Broker's fee for concurrent financing	622,252	0.30
Libby K warrants	250,000	0.20
Balance, September 30, 2020	8,720,709	0.39
Exercised	(155,462)	0.20
Balance, December 31, 2020	8,565,247	0.39
Private placement	5,620,364	0.65
Finder's fee for private placement	467,378	0.65
Expired	(4,626)	0.20
Cancelled	(55,555)	0.40
Exercised	(2,091,320)	0.38
Balance, September 30, 2021	12,501,488	0.52

Plurilock Security Inc.

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15. Capital risk management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents, loans, and equity comprised of issued share capital, contributed surplus and equity reserve:

	September 30, 2021	December 31, 2020
	\$	\$
Cash and cash equivalents	7,050,291	1,721,179
Government loans	230,508	30,000
Share capital	16,160,944	10,131,702
Contributed surplus	1,447,262	755,409
Equity reserve	336,586	208,999
Total	25,225,591	12,847,289

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 balance its overall capital structure through new share issuances, loans, or by undertaking other activities as deemed appropriate under the specific circumstances.

16. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, tax credits receivable, trade and other payables and government loans.

Cash and cash equivalents, tax credits receivable and trade and other receivables are classified as financial assets at amortized cost and are initially recognized at fair value and subsequently carried at amortized cost less any impairment. The carrying value of these financial assets approximates their fair value due to the relatively short period to maturity.

Trade and other payables and government loans are classified as financial liabilities at amortized cost and recognized at fair value and subsequently carried at amortized cost. The carrying value of these other financial liabilities approximates fair value due to the relatively short period to maturity.

Financial risk management

Management and monitoring of financial risks are performed by the Company's management, which manages all financial exposures. The Company is exposed to various financial risks through its financial instruments: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risk). The following analysis enables users to evaluate the nature and extent of the risks at the end of each reporting period.

Plurilock Security Inc.**Notes to the condensed interim consolidated financial statements (unaudited)**

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16. Financial instruments (continued)*Financial risk management (continued)**(a) Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's significant financial assets include cash and cash equivalents, trade and other receivables, and tax credits receivable. The Company mitigates credit risk on cash by placing it at a credit-worthy financial institution. Tax credits receivable and other receivables are due from the Canada Revenue Agency (CRA) and the Internal Revenue Service (IRS). The carrying amounts of the financial assets represent the Company's maximum credit exposure:

	September 30, 2021	December 31, 2020
	\$	\$
Cash and cash equivalents	7,050,291	1,721,179
Trade and other receivables	4,465,416	118,796
Tax credits receivable	128,346	69,243
	11,644,053	1,909,218

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rates of the Company's short-term loans and loans payable to related parties are fixed; as a result, the Company is not subject to significant interest rate risk. Interest rate on the Company's cash deposits and guaranteed income certificates held at the bank is nominal.

(c) Liquidity risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due or can only do so at excessive costs. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short term borrowing. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due, through cash flows from its operations and anticipating any investing and financing activities. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company enters into foreign currency purchase and sale transactions and has assets and liabilities that are denominated in foreign currencies. The Company is exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates.

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16. Financial instruments (continued)

Financial risk management (continued)

(d) Currency risk (continued)

The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk.

A breakdown of the Company's financial instruments by currency, presented in Canadian dollars, is presented below:

	September 30, 2021				December 31, 2020			
	USD	INR	CAD	Total	USD	INR	CAD	Total
Cash and cash equivalents	4,740,278	10,240	2,299,773	7,050,291	128,352	-	1,592,827	1,721,179
Trade and other receivables	4,226,994	-	238,422	4,465,416	40,450	-	78,346	118,796
Tax credits receivable	57,314	-	71,032	128,346	-	-	69,243	69,243
Trade and other payables	8,700,550	9,160	827,352	9,537,062	14,048	-	395,568	409,616
Government loan	200,508	-	30,000	230,508	-	-	30,000	30,000

The majority of the US dollar amounts are held at the Company's subsidiaries that have a US dollar functional currency so there would be no impact to the net loss. The Company estimates the impact from a five percent increase or decrease in the US dollar relative to the Canadian dollar would be insignificant to the net loss of the period.

(e) Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value reflects market conditions at a given date and, for this reason, may not be representative of future fair values or of the amount that will be realized upon settling the instrument.

To the extent possible, the Company uses data from observable markets to measure the fair value of an asset or liability. Fair value measurements are established based on a hierarchy into three levels that categorizes the inputs to valuation techniques.

Level 1 – Fair value measurement based on quoted prices (unadjusted) observable in active markets for identical assets or liabilities.

Level 2 – Fair value measurement using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 – Fair value measurement using inputs that are not based on observable market data (unobservable inputs).

The carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value due to the relatively short-term maturity of these financial instruments. The carrying value of loans is initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

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17. Segment information

The Company's operating segments are organized according to similar economic characteristics by the markets and types of products it serves and are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). The CEO and CFO are considered the chief operating decision-makers ("CODMs") and have the authority for resource allocation and are responsible for assessing the Company's performance.

(a) Operating Segments

Effective with the Aurora Acquisition (Note 4), Plurilock has started with two operating segments, the Technology Division and the Solutions Division. The following table provides an overview of these segments and underlying businesses.

Technology Division

The Technology division, operated under the legacy Plurilock brand, builds and operates Plurilock's own proprietary products. The Technology division is operated by the Company's subsidiaries, PL, PLUS and PSP.

Solutions Division

The Solutions division is separately operated by Aurora and created after the March 31, 2021 acquisition of Aurora. The Solutions division offers Aurora's services and resells cybersecurity industry products and technologies to meet customer needs.

(b) Consolidated total assets and liabilities

For the purposes of monitoring segment performance and allocating resources between segments, the Company's CODMs monitor the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of investments in associates. Goodwill has been allocated to one reportable segment. Total assets and liabilities by reportable operating segments are as follows:

	2021		2020	
	\$		\$	
	Technology Division	Solutions Division	Technology Division	Solutions Division
Total assets	5,027,879	9,196,285	2,228,524	-
Total liabilities	1,163,433	8,963,576	551,173	-

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17. Segment information (continued)*(c) Revenue from major products and services*

Under both the Technology Division and the Solutions Division, revenue is generated from the below three categories.

(i) Hardware sales

Hardware sales revenues are comprised of products that proactively prevent, secure and manage advanced cybersecurity threats and malware for customers.

(ii) Electronic software, license and maintenance sales

Electronic software, license and maintenance sales revenues are comprised of fees that provide customers with access to propriety and third-party software licenses and related support and updates during the term of the customer agreements.

(iii) Professional Services

Professional Services are generally on either a fixed fee, milestone based, time & material or subscription basis. These services are generally distinct from other goods or services that the Company might provide to the same customer under the same or separate contracts.

Revenue from the above categories under each segment for the three and nine months ended September 30, 2021 is as follows:

	Three months ended September 30,					
	2021			2020		
	Technology Division	Solutions Division	Total Revenue	Technology Division	Solutions Division	Total Revenue
Hardware sales	-	13,866,649	13,866,649	-	-	-
Electronic software, license and maintenance sales	42,379	1,251,745	1,294,124	84,915	-	84,915
Professional services	-	85,175	85,175	83,939	-	83,939
Total	42,379	15,203,569	15,245,948	168,854	-	168,854

	Nine months ended September 30,					
	2021			2020		
	Technology Division	Solutions Division	Total Revenue	Technology Division	Solutions Division	Total Revenue
Hardware sales	-	21,447,857	21,447,857	-	-	-
Electronic software, license and maintenance sales	153,156	1,946,778	2,099,934	248,395	-	248,395
Professional services	109,431	268,797	378,228	103,310	-	103,310
Total	262,587	23,663,432	23,926,019	351,705	-	351,705

Plurilock Security Inc.**Notes to the condensed interim consolidated financial statements (unaudited)**

For the periods ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

17. Segmented information (continued)*(d) Segment revenue, gross margin and operational results*

Management evaluates each segment's performance based on gross margin which factors in directly attributable segment revenues, cost of sales, as well as net income/(loss) before taxes. Segment net income represents segment revenues less cost of sales, minus operating expenditures including sales and marketing, research and development as well as general and administrative expenses under each segment. The Company's revenue, cost of sales, gross margin and net income for the three and nine months ended September 30, 2021 are as follows:

	Three months ended September 30,					
	2021			2020		
	Technology Division	Solutions Division	Total	Technology Division	Solutions Division	Total
Revenue	42,379	15,203,569	15,245,948	168,854	-	168,854
Cost of sales	10,248	14,675,564	14,685,812	32,497	-	32,497
Gross profit	32,131	528,005	560,136	136,357	-	136,357
Gross margin	75.8%	3.5%	3.7%	80.8%	-	80.8%
Total operating expenses	1,564,585	511,171	2,075,756	418,381	-	418,381
Other expenses/(income)	(77,467)	2,116	(75,351)	1,458,799	-	1,458,799
Income/(loss) before taxes	(1,454,987)	14,718	(1,440,269)	(1,740,823)	-	(1,740,823)

	Nine months ended September 30,					
	2021			2020		
	Technology Division	Solutions Division	Total	Technology Division	Solutions Division	Total
Revenue	262,588	23,663,431	23,926,019	351,705	-	351,705
Cost of sales	41,621	22,628,196	22,669,817	54,395	-	54,395
Gross profit	220,967	1,035,235	1,256,202	297,310	-	297,310
Gross margin	84.1%	4.4%	5.3%	84.5%	-	84.5%
Total operating expenses	4,440,176	805,998	5,246,174	1,671,734	-	1,671,734
Other expenses/(income)	454,516	2,439	456,955	1,478,887	-	1,478,887
Income/(loss) before taxes	(4,673,725)	226,798	(4,446,927)	(2,853,311)	-	(2,853,311)

On April 27, 2021, the Company's Paycheck Protection Program ("PPP") loan obtained from the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was forgiven. The amount of nil and \$102,982 forgiven was recognized and netted against cost of sales under the Solutions Division during the three and nine months ended September 30, 2021.

Plurilock Security Inc.**Notes to the condensed interim consolidated financial statements (unaudited)**

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17. Segmented information (continued)*(e) Revenue and long-lived assets by geographic locations*

Geographic revenue information is based on the location of the customers invoiced. Long-lived assets include non-current property and equipment, right of use asset, and intangible assets.

	For the three months ended		For the nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	\$	\$	\$	\$
Revenue				
United States	15,245,948	168,704	23,926,019	351,255
Canada	—	150	—	450
	15,245,948	168,854	23,926,019	351,705

	September 30, 2021	December 31, 2020
	\$	\$
Long-lived assets		
United States	14,650	—
India	1,658	—
Canada	129,721	111,747
	146,029	111,747

Plurilock Security Inc.**Notes to the condensed interim consolidated financial statements (unaudited)**

For the periods ended September 30, 2021 and 2020

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18. Operating expenses

	For the three months ended		For the nine months ended	
	September 30, 2021 \$	September 30, 2020 \$	September 30, 2021 \$	September 30, 2020 \$
Research and development				
Communication and IT services	70,705	38,396	163,710	104,593
Contractors	74,593	11,278	179,193	11,278
Government assistance	-	(186,954)	(41,228)	(340,446)
Office and general	1,697	427	4,244	1,892
Salaries and benefits	246,710	192,042	698,652	591,567
SRED tax credit	-	(14,726)	(277)	(107,614)
Travel and entertainment	-	65	-	2,129
COS allocation	(20,537)	(45,767)	(51,777)	(78,825)
	373,168	(5,239)	952,517	184,574
Sales and marketing				
Advertising and promotion	19,622	11,886	68,779	25,732
Communication and IT services	26,065	16,889	74,141	41,470
Contractors	176,891	42,910	310,851	65,685
Government assistance	-	(35,553)	-	(69,037)
Marketing	14,263	23,768	(16,715)	39,078
Office and general	3,598	-	7,539	2,643
Salaries and benefits	376,846	182,537	892,960	539,306
Sales commission	120,867	1,848	165,877	13,687
Travel and entertainment	2,821	-	4,218	614
	740,973	244,285	1,507,650	659,178
General and administrative				
Amortization	9,839	6,372	27,371	17,064
Bad Debt	-	-	23,177	-
Communication and IT services	18,013	10,660	47,283	31,893
Contractors	60,793	56,600	164,897	200,606
Government assistance	(14,406)	(17,441)	(101,154)	(37,531)
Insurance	27,060	3,103	38,726	16,286
Office and general	71,419	9,019	151,159	26,577
Professional fees	135,793	3,158	459,906	292,856
Public Market	92,324	12,552	520,495	12,552
Salaries and benefits	341,105	84,916	744,957	220,883
Travel and entertainment	3,987	1,568	5,700	15,201
	745,927	170,507	2,082,517	796,387

On April 27, 2021, the Company's PPP loan obtained from the CARES Act was forgiven. The amount of \$14,406 and \$101,154 forgiven was recognized as Government Assistance and netted against operating expenses under General and administrative department for the three and nine months ended September 30, 2021.

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

19. Loss per share

Basic loss per share is calculated by dividing net loss for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted loss per share is calculated by dividing net loss for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares, if any, that would be issued on conversion of all the dilutive potential effects.

All of the outstanding stock options and share purchase warrants at September 30, 2021 and September 30, 2020 were anti-dilutive for the three and six months ended as the Company was in a loss position.

The basic and diluted net loss per share for the Company for the period is calculated using the following:

	For the three months ended		For the nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	\$	\$	\$	\$
Numerator				
Net loss for the period	(1,487,540)	(1,750,540)	(4,428,878)	(2,850,916)
Denominator				
Weighted average number of common shares outstanding, basic and diluted	58,967,025	25,428,332	58,601,288	22,328,011
Basic and diluted loss per share	(0.03)	(0.07)	(0.08)	(0.13)

20. Related party transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's Board of Directors and members of the executive team.

The following table summarizes the related party transactions:

	For the three months ended		For the nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	\$	\$	\$	\$
Salaries, benefits and consulting fees	181,605	159,568	481,369	551,387
Stock-based compensation expense*	176,221	6,721	563,687	23,135
	357,826	166,289	1,045,056	574,522

Note:

* Reflects the amount recorded as expense in the condensed interim consolidated statement of loss and comprehensive loss. The fair value of stock-based compensation is measured at grant date and is recognized as an expense over the vesting period.

Plurilock Security Inc.

Notes to the condensed interim consolidated financial statements (unaudited)

For the periods ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

21. Subsequent events

(1) On October 21, 2021, Plurilock, PL and PSP entered into definitive asset purchase agreements to acquire certain assets of CloudCodes Software Private Limited, an award-winning cloud access security broker based in India. As of the date of this MD&A, the transactions have not closed.

(2) On November 2, 2021, the Company announced that it has entered into an agreement (the "**Offering**") with Leede Jones Gable Inc. as the lead underwriter and sole bookrunner (the "**Underwriter**") pursuant to which the Underwriter has agreed to purchase, on a bought-deal basis, 8,000,000 common shares for gross proceeds to the Company of \$4,000,000 at a price of \$0.50 per common share (the "**Offering Price**"). The Underwriters were also granted an option (the "**Over-Allotment Option**"), exercisable in whole or in part and from time to time, at any time until 30 days after the closing of the Offering, to purchase from the Company up to 1,200,000 additional common shares at the Offering Price for additional gross proceeds of up to \$600,000 to the Company. On November 10, 2021, the Company closed the Offering. Pursuant to the Offering, the Company issued an aggregate of 9,200,000 Shares at the Offering Price for aggregate gross proceeds of \$4,600,000, including the exercise in full of the Over-Allotment Option. Insiders of the Company purchased 80,000 Shares under the Offering, which constituted "related party transactions" within the meaning of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions.

(3) On November 10, 2021, the Company paid off the Canadian Emergency Business Account ("**CEBA**") term loan in the amount of \$30,000. Since 75% of the CEBA term loan of \$40,000 is repaid before December 31, 2022, the Company is qualified for the early payment credit and the repayment of the remaining 25% (or \$10,000) of the CEBA term loan will be forgiven.

(4) On November 12, 2021, Plurilock granted 1,823,500 stock options to certain officers, employees and consultants at an exercise price of \$0.52 per option share with various vesting periods.