



## **SCOPE TECHNOLOGIES CORP.**

Condensed Interim Financial Statements  
For the Six Months Ended March 31, 2025 and 2024  
(Expressed in Canadian Dollars, Unaudited)

## **Notice of no Auditor Review of Interim Financial Statements**

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

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

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

**Scope Technologies Corp.**  
**Condensed Interim Statements of Financial Position**  
**As at March 31, 2025 and September 30, 2024**  
*(Expressed in Canadian Dollars, Unaudited)*

	Note	March 31, 2025	September 30, 2024
		\$	\$
<b>Assets</b>			
Current			
Cash and cash equivalents	13	1,705,844	1,075,575
Accounts and other receivables		43,477	36,013
Prepaid expenses	14	394,663	704,576
		<b>2,143,984</b>	1,816,164
Non-current			
Intangible asset	6	1	1
		1	1
		<b>2,143,985</b>	1,816,165
<b>Liabilities</b>			
Current			
Accounts payable & accrued liabilities		100,791	74,803
Due to related parties	7	33,798	413,524
Other liabilities	8	50,000	-
		<b>184,589</b>	488,327
<b>Shareholder's Equity (Deficit)</b>			
Share capital	10	17,092,248	13,648,641
Reserves		3,356,878	2,683,067
Deficit		<b>(18,489,730)</b>	<b>(15,003,870)</b>
		<b>1,959,396</b>	1,327,838
		<b>2,143,985</b>	1,816,165

Going concern (Note 1)

Approved and authorized on behalf of the Board of Directors on May 23, 2025.

"Darien Lattanzi" Director

"Alan Tam" Director

**Scope Technologies Corp.**  
**Condensed Interim Statements of Loss and Comprehensive Loss**  
**For the Three and Six Months Ended March 31, 2025 and 2024**  
*(Expressed in Canadian Dollars, Unaudited)*

		Three months ended		Six months ended	
	Note	March 31, 2025	March 31, 2024	March 31, 2025	March 31, 2024
		\$	\$	\$	\$
Advertising and promotion		150,150	25,335	1,748,435	27,340
Bank charges		1,602	346	2,863	1,167
Consulting and salaries	7	140,814	50,500	245,218	117,500
Currency exchange		(682)	165	13,679	3,810
Filing and transfer agent fees		26,269	39,380	68,906	52,544
Investor relations		-	-	17,690	-
Office expenses	7	36,205	6,326	60,082	11,322
Professional fees		64,603	66,365	114,742	94,386
Research and development	7	91,622	48,139	145,055	62,982
Share-based compensation	10	519,397	519,817	963,650	1,146,846
Travel and entertainment		355	323	1,241	323
		<b>1,030,335</b>	756,696	<b>3,381,561</b>	1,518,220
Impairment of investments	5	-	72,410	-	688,294
Interest expense	9	36,433	-	39,792	-
Interest income		(8,449)	(3,877)	(31,927)	(4,817)
Loss on settlement of convertible loan	9	96,434	-	96,434	-
		<b>124,418</b>	68,533	<b>104,299</b>	683,477
<b>Net loss and comprehensive loss for the period</b>		<b>1,154,753</b>	825,229	<b>3,485,860</b>	2,201,697
<b>Basic and diluted net loss per share</b>	10	<b>0.02</b>	0.02	<b>0.07</b>	0.05
<b>Weighted average number of shares outstanding</b>		<b>52,574,213</b>	42,960,111	<b>51,716,743</b>	41,439,181

**Scope Technologies Corp.**  
**Condensed Interim Statements of Changes in Equity (Deficit)**  
**For the Six Months Ended March 31, 2025 and 2024**  
*(Expressed in Canadian Dollars, Unaudited)*

	Share Capital	Share Capital	Equity Component of Convertible Loan	Reserves	Deficit	Total
	Number	\$	\$	\$	\$	\$
<b>Balance, September 30, 2023</b>	39,000,001	2,135,890	-	1,226,658	(3,574,454)	(211,906)
Issued - private placement	1,250,000	2,000,000	-	-	-	2,000,000
Less: Issue costs - cash	-	(9,646)	-	-	-	(9,646)
Issued - exercise of warrants	4,950,000	990,000	-	-	-	990,000
Share-based compensation	-	-	-	1,146,846	-	1,146,846
Net loss	-	-	-	-	(2,201,697)	(2,201,697)
<b>Balance, March 31, 2024</b>	<b>45,200,001</b>	<b>5,116,244</b>	<b>-</b>	<b>2,373,504</b>	<b>(5,776,151)</b>	<b>1,713,597</b>
<b>Balance, September 30, 2024</b>	<b>50,700,001</b>	<b>13,648,641</b>	<b>-</b>	<b>2,683,067</b>	<b>(15,003,870)</b>	<b>1,327,838</b>
Issued - private placement	3,285,708	2,684,277	-	115,714	-	2,799,991
Less: Issue costs - cash	-	(161,398)	-	-	-	(161,398)
Issued - exercise of options	705,667	423,400	-	-	-	423,400
Issuance of convertible loan	-	-	91,775	-	-	91,775
Transfer equity reserve related to settlement of convertible loan	-	-	(91,775)	91,775	-	-
Transfer equity reserve related to options exercised	-	497,328	-	(497,328)	-	-
Share-based compensation	-	-	-	963,650	-	963,650
Net loss	-	-	-	-	(3,485,860)	(3,485,860)
<b>Balance, March 31, 2025</b>	<b>54,691,376</b>	<b>17,092,248</b>	<b>-</b>	<b>3,356,878</b>	<b>(18,489,730)</b>	<b>1,959,396</b>

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

**Scope Technologies Corp.**  
**Condensed Interim Statements of Cash Flows**  
**For the Six Months Ended March 31, 2025 and 2024**  
*(Expressed in Canadian Dollars, Unaudited)*

	March 31, 2025	March 31, 2024
	\$	\$
<b>Operating Activities</b>		
Net Loss	(3,485,860)	(2,201,697)
<i>Items not involving cash:</i>		
Impairment of investments	-	688,294
Interest accretion	39,600	-
Loss on settlement of convertible loan	96,434	-
Share-based payments	963,650	1,146,846
<i>Changes in non-cash working capital:</i>		
Accounts and other receivables	(7,464)	25,579
Prepaid expenses	309,913	25,060
Accounts payable and accrued liabilities	25,988	(197,284)
Due to related parties	20,274	6,523
<b>Cash used in Operating Activities</b>	<b>(2,037,465)</b>	<b>(506,679)</b>
<b>Investing Activities</b>		
Technology acquisition	(400,000)	-
Loans advanced	-	(688,294)
<b>Cash used in Investing Activities</b>	<b>(400,000)</b>	<b>(688,294)</b>
<b>Financing Activities</b>		
Proceeds from short-term loans	50,000	50,000
Repayment of short-term loans	-	(100,000)
Proceeds from convertible loan	1,000,000	-
Convertible loan transaction costs	(34,000)	-
Repayment of convertible loan	(1,010,259)	-
Shares issued for cash, net	3,061,993	2,908,354
<b>Cash provided by Financing Activities</b>	<b>3,067,734</b>	<b>2,858,354</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>630,269</b>	<b>1,663,381</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>1,075,575</b>	<b>50,572</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>1,705,844</b>	<b>1,713,953</b>
<b>Cash</b>	<b>1,040,844</b>	<b>863,953</b>
<b>Cash Equivalents</b>	<b>665,000</b>	<b>850,000</b>
	<b>1,705,844</b>	<b>1,713,953</b>

*Supplemental cash flow information (Note 13)*

**Scope Technologies Corp.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Six Months Ended March 31, 2025 and 2024**  
*(Expressed in Canadian Dollars, Unaudited)*

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

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

These condensed interim financial statements were prepared on a going-concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As of March 31, 2025, the Company had a working capital surplus of \$1,959,395 (September 30, 2024 - \$1,327,837). The Company incurred a net loss of \$3,485,860 for the six months ended March 31, 2025 (2024 - \$2,201,697) and had an accumulated deficit of \$18,489,730 as of March 31, 2025 (September 30, 2024 - \$15,003,870).

As of March 31, 2025, the Company does not have sufficient capital to meet the requirements for its administrative overhead or maintaining its development programs. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. To finance future activities, the Company will be required to issue further share capital through private placements and the exercise of options and warrants or obtain debt. There can be no assurance that such financing will be available to the Company and, therefore, a material uncertainty exists which casts significant doubt over the Company's ability to continue as a going concern.

The economic uncertainties around persistent inflation pressure, geopolitical events and other global factors have the potential to slow growth in the global economy. Future developments in these challenging areas could impact on the Company's results and financial condition and the full extent of that impact remains unknown. However, as of March 31, 2025, the Company has not been significantly impacted by these matters.

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

**2. BASIS OF PRESENTATION**

*Statement of Compliance and Basis of Measurement*

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

**3. MATERIAL ACCOUNTING POLICIES**

Material Accounting Policy Information

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

### **3. MATERIAL ACCOUNTING POLICIES, continued**

#### *Convertible Loan*

Convertible loan issuances by the Company represent a compound financial instrument that includes the host debt liability and the convertible component, with the proceeds received allocated between the two components at the date of issue. The Company assesses whether the convertible component qualifies as equity or is considered a derivative liability. If the conversion feature meets the definition of equity, the fair value of the liability component is estimated at the date of issue of the instrument using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability (net of transaction costs) on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. Transaction costs are apportioned between the liability and equity components of the convertible instrument, based on the allocation of proceeds to the financial liability and equity components when the instruments are initially recognized.

Upon conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

If settled before maturity, the loan is extinguished and derecognized from the financial statements by allocating the settlement consideration between the liability and equity components on a pro-rata basis based on their relative carrying amounts at the settlement date. Any difference between the carrying amount of the liability component and the fair value of the consideration allocated to it is recognized in profit or loss as a gain or loss on settlement. The portion of the consideration allocated to the equity component is recorded directly in equity and not remeasured or recycled to profit or loss.

If the conversion feature of a convertible instrument does not meet the definition of equity, it is classified as an embedded derivative and measured accordingly. The debt component of the instrument is determined by deducting the fair value of the embedded derivative at inception from the fair value of the consideration received for the instrument as a whole. The debt component is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

#### *Recent Accounting Pronouncements*

IAS 1 has been amended to clarify classification of liabilities as current or non-current. The amendments are effective for the years beginning on or after January 1, 2024. The amendment had no impact for the Company.

In April 2024, the IASB issued International Financial Accounting Standards 18 – Presentation and Disclosure in Financial Statements (“International Financial Accounting Standards 18”) to replace IAS 1 – Presentation of Financial Statements. This standard focuses on updates to the statement of profit or loss, including: (a) the structure of the statement of profit or loss; (b) required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and (c) enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. The Company will apply International Financial Accounting Standards 18 for the annual period beginning October 1, 2027, and it will be applied retrospectively, requiring the comparative information for the financial year ending September 30, 2026 to be restated in accordance with International Financial Accounting Standards 18. The Company is currently assessing the effect of this new standard on its financial statements.

**Scope Technologies Corp.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Six Months Ended March 31, 2025 and 2024**  
*(Expressed in Canadian Dollars, Unaudited)*

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**3. MATERIAL ACCOUNTING POLICIES, continued**

Significant Accounting Estimates and Judgments

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

Actual results may differ from these estimates.

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

With the exception of below, areas of significant judgement and estimates for the six months ended March 31, 2025 in the application of International Financial Accounting Standards that have a significant effect on the Company's financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Note 2 of the Company's audited financial statements for the year ended September 30, 2024.

*Convertible Loan*

The identification of convertible loan components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible note at issuance and the subsequent measurement of interest on the liability component. The determination of fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates, and the presence of any derivative financial instruments. Additionally, significant judgement is required when accounting for the redemption, conversion or modification of these instruments. The key assumptions applied in the valuation include an estimated 15% market discount rate.

**4. FINANCIAL INSTRUMENTS**

The Company's financial instruments include cash and cash equivalents and other non-tax receivables which are classified as financial assets at amortized cost, and accounts payable and accrued liabilities, due to related parties and other liabilities which are classified as financial liabilities at amortized cost. The carrying values of all these instruments approximate their fair values due to the short period to maturity.

**5. INVESTMENTS**

During the six months ended March 31, 2024, the Company advanced \$615,884 (USD\$450,000) to Farm Flight Inc. ("Farm Flight") pursuant to a Loan Facility Agreement. During that time, the Company undertook further review of the financial condition of Farm Flight, and it became evident that the transactions originally proposed would not proceed as planned. The Company concluded that it did not expect recovery of any amounts advanced.

Management therefore recorded an impairment of \$615,884 for six months ended March 31, 2024, in accordance with Level 3 of the fair value hierarchy.

**Scope Technologies Corp.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Six Months Ended March 31, 2025 and 2024**  
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## **6. INTANGIBLE ASSET**

On July 9, 2024, the Company entered into a technology agreement (the "Technology Agreement") with Ovryde Ltd. ("Ovryde") whereby Ovryde agreed to transfer its ownership and rights relating to delivery and application of quantum resilient entropy (the "QSE Technology"). Ovryde is controlled by the spouse of Sean Prescott, who is an officer and director of the Company (Note 7).

Consideration for the acquisition was valued at \$6,000,000, consisting of 2,800,000 common shares (issued on August 6, 2024) valued at \$2.00 per common share, which was the Company's stock trading price at the date of issuance, and payment of \$400,000 cash (included in due to related parties balance as of September 30, 2024 (Note 7) and paid in October 2024).

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

Intangible assets as of March 31, 2025 were \$1 (September 30, 2024 - \$1).

## **7. RELATED PARTY TRANSACTIONS**

Related party transactions are in the normal course of operations and have been measured at the exchange amount of consideration agreed between the related parties. Except as disclosed elsewhere, the Company entered into the following related party transactions with amounts due to related parties being unsecured, non-interest-bearing, and with no formal terms of repayment:

- Pursuant to an employment agreement with James Young as Chief Executive Officer, gross remuneration payable is \$10,000 per month, plus an annual discretionary bonus (\$nil to date) and grant of restricted share rights as determined by the Equity Incentive Plan (Note 10).
- Fees in the amount of \$85,626 (US\$60,000) (2024 - \$6,764 (US\$5,000)) were charged by Spresso Security – FZCO ("Spresso"), a company controlled by Sean Prescott, a director of the Company, for research and development work on the Neural Network and QSP Platforms. Accounts payable as of March 31, 2025, were \$28,764 (US\$20,000) (September 30, 2024 - \$13,524 (US\$10,000)). Sean Prescott is an indirect controlling party to the QSE Technology Agreement (Note 6), under which accounts payable as of March 31, 2025, were \$nil (September 30, 2024, - \$400,000), and a trustee to the Prescott Family Foundation (the "Foundation"), the former counterparty to the Technology Acquisition Agreement (Note 12).
- An amount of \$11,114 (US\$8,000) (2024 - \$nil) was charged by Ovryde for research and development consumables and \$48,285 (US\$33,288) (2024 - \$nil) for QSP hosting fees. Accounts payable as of March 31, 2025, were \$5,034 (US\$3,500) (September 30, 2024 - \$nil).
- Fees in the amount of \$21,000 (2024 - \$45,000) were charged by Lattz Equity, a company controlled by Darien Lattanzi, a director of the Company, pursuant to a contract for consulting services.
- Fees in the amount of \$30,000 (2024 - \$30,000) were charged by Alan Tam Inc, a company controlled by Alan Tam, a director and officer of the Company, pursuant to a contract for consulting services.

**Scope Technologies Corp.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Six Months Ended March 31, 2025 and 2024**  
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**7. RELATED PARTY TRANSACTIONS, continued**

- Pursuant to a month-to-month sub-lease agreement, amounts of \$30,000 (2024 – \$9,992) were charged by Munchen Motorwerks Ltd, a company of which Darien Lattanzi is director, for office space rental and included in office expenses.

Key management personnel are the persons responsible for planning, directing, and controlling the activities of an entity, and include the chief executive officer, chief financial officer, and directors. The Company has no long-term employee or post-employment benefits. A summary of compensation awarded to key management, was as follows:

	<b>March 31, 2025</b>	March 31, 2024
	<b>\$</b>	<b>\$</b>
Short-term benefits	<b>286,055</b>	86,764
Share-based payments	<b>641,927</b>	1,931
	<b>927,982</b>	88,695

**8. OTHER LIABILITIES**

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

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

On October 24, 2024, the Company received an on-demand interest-free short-term loan of \$50,000 from a third party. The loan remains outstanding as of March 31, 2025.

**9. CONVERTIBLE LOAN**

On December 23, 2024, and amended January 22, 2025, the Company entered into a one year \$1,000,000 convertible loan financing with First Majestic Silver Corp. ("First Majestic"). The loan financing includes a compound annual interest rate of 4% based on a year of 360 days with 30-day calendar months and the sole right of First Majestic to convert any principal amount of the loan outstanding into common shares of the Company at \$1.40 per share. The Company retained the right to settle the principal loan plus accrued interest at any time in cash.

The loan is considered a compound financial instrument with an interest rate deemed below the market rate for a similar commercial loan with no loan conversion feature and is therefore split into a liability component and an equity component. The call option which allows the Company to repay the principal plus any outstanding accrued interest at any time is a derivative asset which was considered to be closely related and not separately accounted. To determine the discounted cash flow, the Company was required to use significant judgment in determining the appropriate discount rate to apply in the fair value calculation and applied a discount rate of 15% based on its analysis of other companies receiving similar loans at early commercialization stages and the Company's risk factors.

**Scope Technologies Corp.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Six Months Ended March 31, 2025 and 2024**  
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**9. CONVERTIBLE LOAN, continued**

Of the gross proceeds of \$1,000,000, upon recognition \$904,995 was allocated to the present value of the liability component and \$95,005 was allocated to the equity component. Transaction costs of \$34,000 were allocated based on the relative values of the liability (\$30,770) and equity components (\$3,230). Interest on the net liability component was determined using the effective interest rate method of 17.53% annualized.

On March 24, 2025 the parties agreed to redeem the loan in cash. The Company determined that the fair value of the financial liability component of the loan was equal to the redemption amount and allocated all the redemption amount to the financial liability component with the difference being recorded in profit or loss.

	\$
Balance, September 30, 2024	-
Proceeds from loan	1,000,000
Amount classified as equity	(95,005)
Transaction costs	(30,770)
Interest accreted	39,600
Settled in cash	(1,010,259)
Loss on settlement	96,434
<b>Balance, March 31, 2025</b>	<b>-</b>

**10. SHARE CAPITAL**

**Issued share capital**

As of March 31, 2025, there were 54,691,376 (September 30, 2024 – 50,700,001) issued and fully paid common shares.

**a) Financings**

*Six Months Ended March 31, 2024*

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

*Six Months Ended March 31, 2025*

On January 10, 2025, the Company closed a non-brokered private placement and issued 1,285,714 units (“Units”) at a price of \$1.40 per Unit for gross proceeds of \$1,799,991. Each Unit comprised one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at an exercise price of \$1.80 for a period of two years upon issuance. The Company allocated \$1,684,277 of the proceeds to common shares and \$115,714 to warrants by applying the residual method.

**Scope Technologies Corp.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Six Months Ended March 31, 2025 and 2024**  
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**10. SHARE CAPITAL, continued**

**a) Financings, continued**

On March 31, 2025, the Company closed the first tranche of a non-brokered private placement and issued 2,000,000 common shares at a price of \$0.50 per common share for gross proceeds of \$1,000,000.

**b) Equity Incentive Plan**

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

Stock Options

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

On January 9, 2025, the Company granted 200,000 stock options to an employee and 200,000 stock options to a director at an exercise price of \$1.00 per common share expiring on January 9, 2030. The options vest one-quarter six months from grant date, one-quarter twelve months from grant date, one-quarter eighteen months from grant date and one-quarter twenty-four months from grant date. The fair value of the options granted was \$0.83 per option using the Black-Scholes model with the following assumptions: (i) grant date share price - \$1.00 per share; (ii) risk free rate - 3.04%; (iii) expected life - 5 years; (iv) expected volatility - 120.09%; and (v) expected forfeiture and dividends - nil.

Volatility was estimated by using the common share's historical trading price of other companies in the same industry during the similar period.

Stock options granted and outstanding were as follows:

	Number of options	Weighted average exercise price (\$)	Weighted average remaining life (years)
Balance - September 30, 2024	1,600,000	0.67	3.13
Granted	400,000	1.00	-
Exercised	(705,667)	0.60	-
Expired	(100,000)	0.60	-
<b>Balance - March 31, 2025</b>	<b>1,194,333</b>	<b>0.83</b>	<b>3.44</b>
Unvested	(450,000)	1.08	4.75
<b>Exercisable - March 31, 2025</b>	<b>744,333</b>	<b>0.76</b>	<b>2.64</b>

**Scope Technologies Corp.**  
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**10. SHARE CAPITAL, continued**

**b) Equity Incentive Plan, continued**

*Stock Options, continued*

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>Remaining life (years)</b>	<b>Options Outstanding</b>	<b>Unvested</b>	<b>Exercisable</b>
October 3, 2027	0.60	2.51	694,333	-	694,333
September 24, 2029	1.73	4.49	100,000	50,000	50,000
January 9, 2030	1.00	4.78	400,000	400,000	-
			<b>1,194,333</b>	<b>450,000</b>	<b>744,333</b>

The weighted average share price at the date of exercise of the stock options was \$1.33. Upon exercise, the fair value of exercised stock options of \$497,328 (2024 - \$nil) was reclassified from reserves to share capital.

*Restricted Share Rights ("Rights")*

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

Pursuant to employment agreement dated April 29, 2024 (Note 7), subsequently amended for vesting terms during December 2024, the Company granted 1,000,000 rights to an officer and director of the Company, whereby each now right vests as follows: 20% after ten months; 10% after twelve months; 15% fifteen and eighteen months and 20% after twenty-one and twenty-four months. Each vested right is redeemable for one common share of the Company at the time of vesting and expire five years from the date of grant. Upon grant, the rights were valued at \$1,850,000 based on the Company's stock trading price of \$1.85 per share at the grant date, which is being recognized over the vesting period, and, as of March 31, 2025, a total of 200,000 rights have vested (September 30, 2024 - nil). The modified vesting terms were not deemed beneficial.

Restricted share rights outstanding were as follows:

	<b>Number of Rights</b>
Balance - September 30, 2024	1,600,000
<b>Balance - March 31, 2025</b>	<b>1,600,000</b>
Unvested	(1,100,000)
<b>Exercisable - March 31, 2025</b>	<b>500,000</b>

Scope Technologies Corp.  
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10. SHARE CAPITAL, continued

b) Equity Incentive Plan, continued

*Restricted Share Rights ("Rights"). continued*

Expiry date	Rights		
	Outstanding	Unvested	Exercisable
April 16, 2025	600,000	300,000	300,000
April 29, 2029	1,000,000	800,000	200,000
	<b>1,600,000</b>	<b>1,100,000</b>	<b>500,000</b>

During the three months ended March 31, 2025, the Company recorded \$110,601 in share-based compensation expense related to the vesting of stock options and \$408,796 related to the vesting of restricted share rights (2024 - \$nil relating to vesting of stock options and \$519,817 related to the vesting of restricted share rights).

During the six months ended March 31, 2025, the Company recorded \$146,078 in share-based compensation expense related to the vesting of stock options and \$817,572 related to the vesting of restricted share rights (2024 - \$2,896 relating to vesting of stock options and \$1,143,950 related to the vesting of restricted share rights).

c) Share Purchase Warrants

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

	Number of warrants	Weighted average exercise price (\$)	Weighted average remaining life (years)
Balance - September 30, 2024	625,000	2.25	1.07
Issued	1,285,708	1.80	
<b>Balance - March 31, 2025</b>	<b>1,910,708</b>	<b>1.95</b>	<b>1.39</b>

Expiry date	Exercise price \$	Number of warrants outstanding
October 27, 2025	2.25	625,000
January 10, 2027	1.80	1,285,708
		<b>1,910,708</b>

d) Diluted Loss per Share

Excluded from the calculation of diluted loss per share were 1,194,333 stock options, 1,910,708 share purchase warrants and 1,600,000 restricted share rights (2024 – 1,500,000 stock options, 1,675,000 share purchase warrants and 1,000,000 restricted share rights respectively), that could potentially dilute basic earnings per share in the future but were not included as being antidilutive for each of the three and six months ended March 31, 2025, and 2024.

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**11. SEGMENTED INFORMATION**

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

**12. TECHNOLOGY ACQUISITION AGREEMENT**

On February 15, 2022, the Company entered in a technology acquisition agreement (the "Technology Acquisition Agreement") with the Foundation for the exclusive right of use to the Foundation's image recognition technology (the "Technology"). A director of the Company is also the trustee to the Foundation (Note 7). Pursuant to an assignment agreement dated June 25, 2024, the Foundation assigned the technology and Technology Acquisition Agreement to Ovryde (Note 7).

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

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

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

As at March 31, 2025, the Company had not completed a cumulative \$600,000 in expenditures and both parties mutually agreed to indefinitely pause and defer all amounts due under the Technology Acquisition Agreement.

**13. SUPPLEMENTAL CASH FLOW INFORMATION**

	<b>March 31, 2025</b>	March 31, 2024
	\$	\$
<b>Cash:</b>		
Interest received	<b>36,433</b>	4,817
<b>Non-Cash:</b>		
<i>Financing activities:</i>		
Share subscriptions received in prior period	-	72,000
Equity component of convertible loan, net of transaction costs	<b>91,775</b>	-
Proceeds from private placement allocated to warrants	<b>115,714</b>	-
Fair value of options exercised transferred from reserve to share capital	<b>497,328</b>	-

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**13. SUPPLEMENTAL CASH FLOW INFORMATION, continued**

Cash and cash equivalents consist primarily of cash at banks and other short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. As at March 31, 2025 cash on hand was \$1,040,844; Prime-Linked Cashable GICs was \$650,000 and \$15,000 was held in a restricted GIC as credit card collateral. (September 30, 2024 - on hand: \$107,426; Prime-Linked Cashable GICs: \$953,149; and restricted: \$15,000).

**14. PREPAID EXPENSES**

Included in prepaid expenses as at March 31, 2025 is an amount of \$377,892 (September 30, 2024 - \$678,851) representing advance payments for ongoing marketing campaigns.

**15. SUBSEQUENT EVENTS**

Other than disclosed elsewhere, the following occurred subsequent to March 31, 2025:

On April 9, 2025, the Company closed the final tranche of a non-brokered private placement and issued 1,000,000 common shares at a price of \$0.50 per common share for gross proceeds of \$500,000.