



SCOPE TECHNOLOGIES CORP.

Condensed Interim Financial Statements
For the Nine Months Ended June 30, 2025 and 2024
(Expressed in Canadian Dollars, Unaudited)

Notice of no Auditor Review of Condensed 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 June 30, 2025 and September 30, 2024

(Expressed in Canadian Dollars, Unaudited)

	Note	June 30, 2025	September 30, 2024
		\$	\$
Assets			
Current			
Cash and cash equivalents	13	1,619,961	1,075,575
Accounts and other receivables		64,323	36,013
Prepaid expenses	14	171,907	704,576
		1,856,191	1,816,164
Non-current			
Intangible asset	6	1	1
		1	1
		1,856,192	1,816,165
Liabilities			
Current			
Accounts payable & accrued liabilities		121,983	74,803
Due to related parties	7	85,948	413,524
Other liabilities	8	50,000	-
		257,931	488,327
Shareholder's Equity (Deficit)			
Share capital	10	17,587,006	13,648,641
Reserves		1,831,491	2,683,067
Deficit		(17,820,236)	(15,003,870)
		1,598,261	1,327,838
		1,856,192	1,816,165

Going concern (Note 1)

Approved and authorized on behalf of the Board of Directors on August 22, 2025.

"Darien Lattanzi" Director"Alan Tam" Director

Scope Technologies Corp.

Condensed Interim Statements of (Income) Loss and Comprehensive (Income) Loss
For the Three and Nine Months Ended June 30, 2025 and 2024
(Expressed in Canadian Dollars, Unaudited)

		Three months ended		Nine months ended	
	Note	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
		\$	\$	\$	\$
Advertising and promotion		343,822	220,549	2,092,257	247,889
Bank charges		1,290	571	4,153	1,738
Consulting and salaries	7	169,556	72,086	414,774	189,586
Currency exchange		(36)	1,126	13,643	4,936
Filing and transfer agent fees		12,802	14,562	81,708	67,106
Investor relations		50,000	30,192	67,690	30,192
Office expenses	7	47,022	13,384	107,104	24,706
Professional fees		48,148	67,063	162,890	161,449
Research and development	7	172,664	27,689	317,719	90,671
Share-based compensation	10	(1,525,387)	558,417	(561,737)	1,705,263
Travel and entertainment		19,033	1,597	20,274	1,920
		(661,086)	1,007,236	2,720,475	2,525,456
Impairment of investments	5	-	-	-	688,294
Interest expense	9	-	-	39,792	-
Interest income		(8,408)	(21,520)	(40,335)	(26,337)
Loss on settlement of convertible loan	9	-	-	96,434	-
		(8,408)	(21,520)	95,891	661,957
Net (income) loss and comprehensive (income) loss for the period		(669,494)	985,716	2,816,366	3,187,413
Basic and diluted net (income) loss per share	10	(0.01)	0.02	0.05	0.08
Weighted average number of shares outstanding		55,603,464	45,437,364	51,716,743	41,439,181

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

Scope Technologies Corp.

Condensed Interim Statements of Changes in Equity (Deficit)

For the Nine Months Ended June 30, 2025 and 2024

(Expressed in Canadian Dollars, Unaudited)

	Share Capital Number	Share Capital \$	Equity Component of Convertible Loan \$	Reserves \$	Deficit \$	Total \$
Balance, September 30, 2023	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	-	(9,741)	-	-	-	(9,741)
Issued - exercise of restricted share rights	400,000	760,000	-	(760,000)	-	-
Issued - exercise of warrants	4,950,000	990,000	-	-	-	990,000
Share-based compensation	-	-	-	1,705,263	-	1,705,263
Net loss	-	-	-	-	(3,187,413)	(3,187,413)
Balance, June 30, 2024	45,600,001	5,876,149	-	2,171,921	(6,761,867)	1,286,203
Balance, September 30, 2024	50,700,001	13,648,641	-	2,683,067	(15,003,870)	1,327,838
Issued - private placement	4,285,708	3,184,277	-	115,714	-	3,299,991
Less: Issue costs - cash	-	(166,640)	-	-	-	(166,640)
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	-	-	-	(561,737)	-	(561,737)
Net loss	-	-	-	-	(2,816,366)	(2,816,366)
Balance, June 30, 2025	55,691,376	17,587,006	-	1,831,491	(17,820,236)	1,598,261

Scope Technologies Corp.

Condensed Interim Statements of Cash Flows

For the Nine Months Ended June 30, 2025 and 2024

(Expressed in Canadian Dollars, Unaudited)

	June 30, 2025	June 30, 2024
	\$	\$
Operating Activities		
Net Loss	(2,816,366)	(3,187,413)
<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	(561,737)	1,705,263
<i>Changes in non-cash working capital:</i>		
Accounts and other receivables	(28,310)	19,674
Prepaid expenses	532,669	10,644
Accounts payable and accrued liabilities	47,180	(206,285)
Due to related parties	72,424	8,738
Cash used in Operating Activities	(2,618,106)	(961,085)
Investing Activities		
Technology acquisition	(400,000)	-
Loans advanced	-	(688,294)
Cash used in Investing Activities	(400,000)	(688,294)
Financing Activities		
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	3,556,751	2,908,259
Cash provided by Financing Activities	3,562,492	2,858,259
Increase in Cash and Cash Equivalents	544,386	1,208,880
Cash and Cash Equivalents, Beginning of Period	1,075,575	50,572
Cash and Cash Equivalents, End of Period	1,619,961	1,259,452
Cash	254,961	41,303
Cash Equivalents	1,365,000	1,218,149
	1,619,961	1,259,452

Supplemental cash flow information (Note 13)

Scope Technologies Corp.

Notes to the Condensed Interim Financial Statements
For the Nine Months Ended June 30, 2025 and 2024
(Expressed in Canadian Dollars, Unaudited)

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 June 30, 2025, the Company had a working capital surplus of \$1,598,260 (September 30, 2024 - \$1,327,837). The Company incurred a net loss of \$2,816,366 for the nine months ended June 30, 2025 (2024 - \$3,187,413) and had an accumulated deficit of \$17,820,236 as of June 30, 2025 (September 30, 2024 - \$15,003,870).

The continued operations of the Company are dependent on its ability to develop a sufficient financing plan or generate profitable operations in the future. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. To finance future activities, the Company may be required to issue further share capital through private placements, the exercise of warrants and options or obtain debt. There can be no assurance that such financing will be available to the Company and, therefore, a material uncertainty exists which may cast significant doubt about 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 June 30, 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 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.

Scope Technologies Corp.

Notes to the Condensed Interim Financial Statements
For the Nine Months Ended June 30, 2025 and 2024
(Expressed in Canadian Dollars, Unaudited)

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 Nine Months Ended June 30, 2025 and 2024
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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 nine months ended June 30, 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 FAIR VALUE MEASUREMENTS AND RISK MANAGEMENT

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 fair value of these financial instruments approximates their carrying value due to the immediate or short-term maturity of these financial instruments.

The Company is exposed to credit risk with respect to managing its cash. The Company's risk management policies require significant cash deposits, or any short-term investments be invested with Canadian chartered banks rated BBB or better. The Company is also exposed to liquidity risk to the extent that it does not have sufficient resources to meet requirements for administrative overhead and continuing with its development programs in the following twelve months. The Company will be required to raise additional capital in the future to fund its operations. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations, anticipated investing, and financing activities and through management of its capital structure. As of June 30, 2025, the majority of the Company's accounts payable and accrued liabilities have contractual maturities of less than 90 days. Based on relatively stable historical and forecast exchange rates, the Company does not manage currency risks through hedging or other currency management tools.

Scope Technologies Corp.

Notes to the Condensed Interim Financial Statements
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(Expressed in Canadian Dollars, Unaudited)

5. INVESTMENTS

During the nine months ended June 30, 2024, the Company advanced \$688,294 (USD\$504,000) 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 \$688,294 for nine months ended June 30, 2024, in accordance with Level 3 of the fair value hierarchy.

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 former 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 June 30, 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:

- Effective April 2024, the Company entered into an employment agreement appointing James Young as Chief Executive Officer. On June 5, 2025, Young resigned as Chief Executive Officer. The agreement provided remuneration payable of \$120,000 per annum, provision for 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 \$nil (2024 – \$15,000) were charged by James Young Consulting, a company controlled by Young pursuant to a contract for consulting services.

- Effective February 2025, the Company entered into an employment agreement with Ted Carefoot. Under the agreement, remuneration payable was \$100,000 per annum. Effective June 5, 2025, a revised agreement was entered into in conjunction with Carefoot being appointed Chief Executive Officer. The revised agreement provided remuneration payable of \$180,000 per annum, provision for performance bonuses (\$nil to date) and grant of restricted share rights as determined by the Equity Incentive Plan (Note 10).

Scope Technologies Corp.

Notes to the Condensed Interim Financial Statements
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(Expressed in Canadian Dollars, Unaudited)

7. RELATED PARTY TRANSACTIONS, continued

- Fees in the amount of \$35,000 (2024 - \$45,000) 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. Effective May 2025, the Company entered into an employment agreement with Tam. Under the agreement, remuneration payable is \$84,000 per annum.
- Fees in the amount of \$34,500 (2024 - \$53,500) 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 \$182,200 (US\$130,000) (2024 - \$34,453 (US\$25,000)) were charged by Spresso Security – FZCO (“Spresso”), a company controlled by Sean Prescott, an officer and former director of the Company, for research and development work on the Neural Network and QSP Platforms. Accounts payable as of June 30, 2025, were \$81,670 (US\$60,000) (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 June 30, 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 \$56,805 (US\$39,457) (2024 - \$nil) for QSP hosting fees. Accounts payable as of June 30, 2025, were \$4,278 (US\$3,500) (September 30, 2024 - \$nil).
- Pursuant to a month-to-month sub-lease agreement, amounts of \$57,000 (2024 - \$19,992) 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:

	June 30, 2025	June 30, 2024
	\$	\$
Short-term benefits	528,951	86,764
Share-based payments	506,894	1,931
	1,035,845	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.

Scope Technologies Corp.

Notes to the Condensed Interim Financial Statements
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(Expressed in Canadian Dollars, Unaudited)

8. OTHER LIABILITIES, continued

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 June 30, 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.

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

Balance, March 31, 2025 -

10. SHARE CAPITAL

Issued share capital

As of June 30, 2025, there were 55,691,376 (September 30, 2024 – 50,700,001) issued and fully paid common shares.

Scope Technologies Corp.

Notes to the Condensed Interim Financial Statements
For the Nine Months Ended June 30, 2025 and 2024
(Expressed in Canadian Dollars, Unaudited)

10. SHARE CAPITAL, continued

a) Financings

Nine Months Ended June 30, 2025

On January 10, 2025, the Company closed a non-brokered private placement and issued 1,285,708 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.

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. On April 9, 2025, the Company closed the final tranche of this 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.

Nine Months Ended June 30, 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.

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.

Scope Technologies Corp.

Notes to the Condensed Interim Financial Statements
For the Nine Months Ended June 30, 2025 and 2024
(Expressed in Canadian Dollars, Unaudited)

10. SHARE CAPITAL, continued

b) Equity Incentive Plan, continued

Stock Options, continued

On June 5, 2025, the Company granted 950,000 stock options to directors, employees and consultants at an exercise price of \$0.385 per common share expiring on June 5, 2030. The options vest 60% immediately, 20% six months from grant date, and 20% twelve months from grant date. The fair value of the options granted was \$0.33 per option using the Black-Scholes model with the following assumptions: (i) grant date share price - \$0.385 per share; (ii) risk free rate - 2.86%; (iii) expected life - 5 years; (iv) expected volatility - 128.93%; 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	1,350,000	0.57	-
Exercised	(705,667)	0.60	-
Expired	(100,000)	0.60	-
Balance - June 30, 2025	2,144,333	0.63	3.96
Unvested	(830,000)	-	4.70
Exercisable - June 30, 2025	1,314,333	-	3.50

Expiry date	Exercise price (\$)	Remaining life (years)	Options Outstanding	Unvested	Exercisable
October 3, 2027	0.60	2.26	694,333	-	694,333
September 24, 2029	1.73	4.24	100,000	50,000	50,000
January 9, 2030	1.00	4.53	400,000	400,000	-
June 5, 2030	0.385	4.93	950,000	380,000	570,000
			2,144,333	830,000	1,314,333

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.

Scope Technologies Corp.

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10. SHARE CAPITAL, continued

b) Equity Incentive Plan, continued

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 vest as: 10% upon grant; 30% after six months; 30% after one year and the remaining 30% after eighteen months. Each vested right was redeemable for one common share of the Company at the time of vesting and expired April 16, 2025.

During the nine months ended June 30, 2025, the agreement was terminated for non-performance.

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 was being recognized over the vesting period. During the year ended September 30, 2024, 400,000 rights had vested and were exercised. The remaining 600,000 rights were forfeited resulting in a reversal of previously recorded share-based compensation of \$1,123,358.

Pursuant to employment agreement effective April 2024 (Note 7), subsequently amended for vesting terms, the Company granted 1,000,000 rights to Young whereby each right vest as: 20% after ten months; 10% after twelve months; 15% fifteen and eighteen months and 20% after twenty-one and twenty-four months. The modified vesting terms were not deemed beneficial.

During the nine months ended June 30, 2025, the agreement was terminated as a result of Young's resignation.

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 was being recognized over the vesting period. As of June 30, 2025, 300,000 rights had vested and expire December 31, 2026. The remaining 700,000 rights were forfeited resulting in a reversal of previously recorded share-based compensation of \$739,171.

Pursuant to employment agreement effective February, the Company granted 1,500,000 rights to Carefoot whereby each right vest as: 17% after twelve months; 33% after twenty-four months and 50% thirty-six months.

Upon grant, the rights were valued at \$525,000 based on the Company's stock trading price of \$0.35 per share at the grant date, which was being recognized over the vesting period. As of June 30, 2025, nil rights had vested, and 1,500,000 rights remain unvested.

Restricted share rights outstanding were as follows:

	Number of Rights
Balance - September 30, 2024	1,600,000
Granted	1,500,000
Forfeited	(1,300,000)
Balance - June 30, 2025	1,800,000
Unvested	(1,500,000)
Exercisable - June 30, 2025	300,000

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10. SHARE CAPITAL, continued

b) Equity Incentive Plan, continued

Restricted Share Rights ("Rights"), continued

Expiry date	Rights Outstanding	Unvested	Exercisable
December 31, 2026	300,000	-	300,000
June 7, 2028	1,500,000	1,500,000	-
	1,800,000	1,500,000	300,000

During the three months ended June 30, 2025, the Company recorded \$304,468 in share-based compensation expense related to the vesting of stock options, \$32,674 related to the vesting of restricted share rights and a recovery of \$1,862,529 relating to the reversal of previously recorded share-based compensation relative to unvested forfeited restricted share rights (2024 - \$nil relating to vesting of stock options, \$558,417 related to the vesting of restricted share rights and \$nil recovery).

During the nine months ended June 30, 2025, the Company recorded \$450,546 in share-based compensation expense related to the vesting of stock options, \$850,246 related to the vesting of restricted share rights and a recovery of \$1,862,529 relating to the reversal of previously recorded share-based compensation relative to unvested forfeited restricted share rights (2024 - \$2,896 relating to vesting of stock options, \$1,702,367 related to the vesting of restricted share rights and \$nil recovery).

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	
Balance - June 30, 2025	1,910,708	1.95	1.14

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

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10. SHARE CAPITAL, continued

d) Diluted Loss per Share

Excluded from the calculation of diluted loss per share were 2,144,333 stock options, 1,910,708 share purchase warrants and 1,800,000 restricted share rights (2024 – 1,500,000 stock options, 1,675,000 share purchase warrants and 1,600,000 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 nine months ended June 30, 2025, and 2024.

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.

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13. SUPPLEMENTAL CASH FLOW INFORMATION

	June 30, 2025	June 30, 2024
	\$	\$
Cash:		
Interest received	40,335	26,337
Non-Cash:		
<i>Financing activities:</i>		
Share subscriptions received in prior period	-	72,000
Equity component of convertible loan, net of transaction costs	91,775	-
Proceeds from private placement allocated to warrants	115,714	-
Fair value of options exercised transferred from reserve to share capital	497,328	-

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 June 30, 2025 cash on hand was \$254,961; Prime-Linked Cashable GICs was \$1,350,000 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 June 30, 2025 is an amount of \$142,589 (September 30, 2024 - \$678,851) representing advance payments for ongoing marketing campaigns.

15. SUBSEQUENT EVENTS

Other than disclosed elsewhere, the following occurred subsequent to June 30, 2025:

On August 8, 2025, the Company granted 100,000 stock options to an employee exercisable at \$0.35 per share for a period of five years from the date of grant. The options vest 50% immediately, 25% six months from grant date, and 25% twelve months from grant date.

On August 8, 2025, the Company granted to Carefoot, 100,000 fully vested stock options exercisable at \$0.35 per share for a period of five years and 135,000 fully vested restricted share rights.

On August 20, 2025, the Company entered into an asset purchase agreement (the "Agreement") with Plurilock Security Inc. ("Plurilock"), a company listed on the TSX Venture Exchange, to acquire its subsidiary Plurilock Security Private Limited ("Cloud Codes"). Under the terms of the Agreement, Scope Technologies has agreed to acquire Cloud Codes, including any other "Cloud Codes" assets owned by Plurilock. In consideration, the Company has agreed to pay Plurilock CAD \$100,000 and issue a total of 4,200,000 common shares (the "Consideration Shares") at a deemed price of \$0.40 per share. The total consideration for Cloud Codes is CAD \$1,780,000. The Consideration Shares may be subject to a restriction on resale for a period of four months from the date of issue. Closing of the transaction is subject to approval of the TSX Venture Exchange for Plurilock, approval of the Canadian Securities Exchange for Scope Technologies, and such other customary conditions required for similar transactions.

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15. SUBSEQUENT EVENTS, continued

To the knowledge of Scope Technologies, none of the directors, officers, or other insiders of Plurilock are insiders of Scope Technologies or own any securities of Scope Technologies.