

Consolidated Financial Statements  
(In Canadian dollars)

# **01 COMMUNIQUE LABORATORY INC.**

Years ended October 31, 2024 and 2023

*Audit. Tax. Advisory.*

## **Independent Auditor's Report**

To the Shareholders of 01 Communique Laboratory Inc.

### **Opinion**

We have audited the consolidated financial statements of 01 Communique Laboratory Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2024 and 2023, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at October 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### **Basis for opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there were no key audit matters to communicate in our report.

### **Other information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Jessica Glendinning.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
January 22, 2025

# 01 COMMUNIQUE LABORATORY INC.

Consolidated Statements of Financial Position  
(In Canadian dollars)

As at October 31, 2024 and 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash	\$ 139,126	\$ 272,540
Guaranteed investment certificate (note 4)	-	80,000
Accounts receivable (note 2(a))	62,902	87,966
Prepaid expenses and other assets	6,037	6,060
Total current assets	208,065	446,566
Property and equipment (note 5)	32,418	37,375
Total assets	\$ 240,483	\$ 483,941

## Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities (notes 2(a), 13)	\$ 104,122	\$ 145,989
Deferred revenue	3,869	4,009
Current portion of lease liability (note 6)	21,071	19,878
Canadian emergency business account loan (note 17)	-	40,000
Total current liabilities	129,062	209,876
Shareholders' equity:		
Share capital (note 7(a))	44,282,090	44,282,090
Contributed surplus (note 7(b))	6,460,194	6,287,173
Warrants (note 7(c))	-	16,875
Deficit	(50,630,863)	(50,312,073)
Total shareholders' equity	111,421	274,065
Total liabilities and shareholders' equity	\$ 240,483	\$ 483,941

Contingencies (note 14)

Subsequent events (note 18)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

/s/ "William Train" Director

/s/ "Gary Kissack" Director

# 01 COMMUNIQUE LABORATORY INC.

Consolidated Statements of Operations and Comprehensive Loss  
(In Canadian dollars)

Years ended October 31, 2024 and 2023

	2024	2023
Revenue (note 8)	\$ 412,948	\$ 474,491
Expenses (note 15):		
Selling, general and administrative (note 13)	574,440	769,507
Research and development (note 13)	123,729	391,347
Withholding tax	36,370	45,896
	734,539	1,206,750
Loss before interest, other income and expense	(321,591)	(732,259)
Foreign exchange gain (loss)	912	(2,041)
Interest income	4,027	15,343
Interest expense	(2,138)	(3,155)
Net loss for the year and comprehensive loss	(318,790)	(722,112)
Loss per common share (note 9):		
Basic	\$ (0.00)	\$ (0.01)
Diluted	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding (note 9):		
Basic	96,364,554	96,296,746
Diluted	96,364,554	96,296,746

See accompanying notes to consolidated financial statements.

# 01 COMMUNIQUE LABORATORY INC.

Consolidated Statements of Changes in Shareholders' Equity  
(In Canadian dollars)

Years ended October 31, 2024 and 2023

2024	Number of shares	Share Capital	Contributed Surplus	Warrants	Deficit	Total shareholders' equity
Balance, October 31, 2023	96,364,554	\$44,282,090	\$6,287,173	\$ 16,875	\$(50,312,073)	\$ 274,065
Loss and comprehensive loss	-	-	-	-	(318,790)	(318,790)
Stock based compensation expense (note 7 (b))	-	-	156,146	-	-	156,146
Expiration of warrants (note 7 (c) (i))	-	-	16,875	(16,875)	-	-
Balance, October 31, 2024	96,364,554	\$44,282,090	\$6,460,194	-	\$(50,630,863)	\$ 111,421

2023	Number of shares	Share Capital	Contributed Surplus	Warrants	Deficit	Total shareholders' equity
Balance, October 31, 2022	95,802,054	\$44,214,590	\$6,083,350	\$ 16,875	\$(49,589,961)	\$ 724,854
Loss and comprehensive loss	-	-	-	-	(722,112)	(722,112)
Stock based compensation expense (note 7 (b))	-	-	203,823	-	-	203,823
Private placement (note 7 (a) (i))	562,500	67,500	-	-	-	67,500
Balance, October 31, 2023	96,364,554	\$44,282,090	\$6,287,173	\$ 16,875	\$(50,312,073)	\$ 274,065

See accompanying notes to consolidated financial statements.

# 01 COMMUNIQUE LABORATORY INC.

Consolidated Statements of Cash Flows  
(In Canadian dollars)

Years ended October 31, 2024 and 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Loss and comprehensive loss	\$ (318,790)	\$ (722,112)
Adjustments to reconcile loss for the year to net cash flows from operating activities:		
Depreciation of property and equipment (note 5)	8,794	9,848
Amortization of right-of-use asset (note 5)	45,998	44,876
Stock-based compensation expense	156,146	203,823
Fair value adjustment of investment (note 16)	-	1,500
Change in non-cash operating working capital (note 10)	(16,920)	158,102
Total cash used in operating activities	(124,772)	(303,963)
Financing activities:		
Repayment of Canadian emergency business account loan (note 17)	(40,000)	-
Proceeds from private placement (note 7(a)(i))	-	67,500
Lease payments made (note 6)	(48,099)	(46,988)
Total cash (used in) provided by financing activities	(88,099)	20,512
Investing activities:		
Proceeds from guaranteed investment certificate (note 4)	80,000	70,000
Purchase of property and equipment (note 5)	(543)	(1,188)
Total cash provided by (used in) investing activities	79,457	68,812
Decrease in cash	(133,414)	(214,639)
Cash, beginning of year	272,540	487,179
Cash, end of year	\$ 139,126	\$ 272,540

See accompanying notes to consolidated financial statements.



# 01 COMMUNIQUE LABORATORY INC.

Notes to Consolidated Financial Statements  
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01 Communique Laboratory Inc. (the "Company") was incorporated on October 7, 1992 under the laws of Ontario. The Company's cybersecurity business unit focuses on its IronCAP™ patented cryptographic system. The Company's remote access business unit focuses on its I'm InTouch suite of secure remote access services and products.

The Company's head office is located at 789 Don Mills Road, Suite 700, Toronto, Ontario M3C 1T5 and its common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol ONE and quoted on the OTC Pink market in the United States under the symbol OONEF.

## 1. Material Accounting Policies:

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, unless otherwise indicated:

### (a) Statement of compliance:

These consolidated financial statements, including comparatives, are prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective for the Company's reporting for the year ended October 31, 2024. These consolidated financial statements reflect management's best estimates and judgment based on information currently available.

These consolidated financial statements were authorized for issue by the Board of Directors on January 22, 2025.

### (b) Basis of presentation:

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, 01 Communique (GP) Inc. and 01 Communique Laboratory Hong Kong Limited. Intercompany transactions and balances are eliminated on consolidation.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are deconsolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

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Notes to Consolidated Financial Statements  
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The consolidated financial statements have been prepared on the historical cost basis, except for certain items which may be accounted for at fair value as further discussed in subsequent notes, using the Material accounting policies and measurement bases summarized below.

The consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

Presentation of the consolidated statements of financial position differentiates between current and non-current assets and liabilities. The consolidated statements of operations and comprehensive loss are presented using the functional classification for expenses.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. The Company has sustained substantial losses and negative cash flows from operations in recent years and its ability to continue as a going concern is dependent on the Company's ability to generate future profitable operations and cash flows and/or obtain additional financing.

Should the Company not be able to generate sufficient cash flows to become profitable in the future and generate sufficient working capital to fund operations, it will become necessary to secure additional sources of financing. However, there can be no assurances that any such financing will be available to the Company on acceptable terms or at all. These 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 course of business and at amounts different from those reflected in these consolidated financial statements. See Note 18.

(c) Revenue recognition:

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered in accordance with the terms of the arrangement, fees are fixed and determinable, and collection is reasonably assured. Revenue is measured based on the consideration specified in the contract.

The Company has multiple sources of revenue, and in general, the Company recognizes revenue in accordance with the above policy. The following are the revenue sources and the specific revenue recognition criteria for these sources:

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Notes to Consolidated Financial Statements  
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- (i) Revenue from software development and general engineering agreements are determined based on completion of specific performance obligations as agreed to under the terms of the agreements, provided these amounts can be measured reliably and collection is reasonably assured.
- (ii) Revenue from royalty fee agreements is recognized at the later of delivery of the software by the licensee and fulfillment of all other significant performance obligations under the terms of the underlying license agreement.
- (iii) Revenue from subscriptions and maintenance are recognized as the services are provided over the life of the contract on a straight-line basis.

To the extent payments are received before completion of specific performance obligations, the payments are reflected as deferred revenue.

- (d) Cash and cash equivalents:

Cash and cash equivalents include cash on account and short-term, highly liquid investments with original maturities of three months or less.

- (e) Property and equipment:

Property and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

Any gain and loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized within selling, general and administrative expenses in the consolidated statements of operations.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its estimated residual value.

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Depreciation is provided on a declining balance basis over the estimated useful lives of the property and equipment at the following annual rates:

Computer systems	30%
Communications equipment	10% - 20%
Furniture and fixtures	20%
Right-of-use assets	Shorter of estimated useful life and term of lease
Leasehold improvements	Shorter of estimated useful life and term of lease

(f) Research and development:

All research costs are expensed as incurred. Software development costs are expensed as incurred unless they satisfy the criteria for capitalization and subsequent amortization. The Company has not capitalized any such development costs to date. Expenditures on internally developed software programs are capitalized if it can be demonstrated that:

- It is technically feasible to develop the product and for it to be sold;
- Adequate resources are available to complete the development;
- There is an intention to complete and sell the product;
- There is the ability to use or sell the product;
- Sale of the product will generate future economic benefits; and
- Expenditure on the project can be measured reliably.

Development expenses are charged to operations as incurred unless such costs meet the criteria for capitalization and amortization.

(g) Foreign exchange translation:

The Company's functional and presentation currency is the Canadian dollar. The functional currency of the Company's subsidiaries is the Canadian dollar. Monetary assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Non-monetary assets and liabilities denominated in foreign currencies are translated at their historical exchange rates. Revenue and expenses are translated at average rates of exchange for the month of the transaction. All of the exchange gains or losses resulting from these transactions are recognized in operations.

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(h) Stock-based compensation:

The fair value of each stock option granted to employees and others providing similar services is estimated on the date of the grant using the Black-Scholes option-pricing model and expensed over the vesting period.

Equity-settled share-based compensation transactions with parties other than employees are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the services.

Stock-based compensation expense is recognized so that each tranche in a stock option award with graded vesting is considered a separate grant with a different vesting date and fair value. No compensation expense is recognized for stock options that are forfeited if the grantee fails to satisfy the service requirement for vesting. The amount recognized is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that vest.

(i) Loss per share:

Basic loss per share is computed using the weighted average number of common shares outstanding during the years. Diluted loss per share is computed using the weighted average number of common and potential common shares outstanding during the years, if dilutive. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation.

(j) Income taxes:

Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in the consolidated statements of operations, except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable or receivable based on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the consolidated financial statements' carrying amounts

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of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

(k) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Examples could include:

Legal claims:

In the normal course of operations, the Company may be subject to litigation claims from customers, suppliers, patent holders, former employees and others. A provision is recognized when the Company determines the probability that the event will occur is greater than the probability that it will not. The Company regularly reviews any outstanding claims it may have to see if they meet the criteria. A provision is calculated based on management's best estimate of a probable outflow of economic resources.

(l) Financial instruments:

The Company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the company commits to purchase or sell the asset. The Company classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance IFRS 9.

(i) Financial Assets and Liabilities at Fair Value through Profit or Loss ("FVTPL")

These financial assets are designated upon initial recognition on the basis that they are evaluated on a fair value basis in accordance with risk management and investment strategies of the Company. The Company classifies its investment as FVTPL.

Subsequent to initial recognition, financial assets and financial liabilities at FVTPL are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at FVTPL' category are presented in the consolidated

# 01 COMMUNIQUE LABORATORY INC.

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statement of operation within 'changes in unrealized appreciation (depreciation)' in the period in which they arise. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense.

## (ii) Financial Assets at Fair Value Through Other Comprehensive Income ("FVOCI")

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company currently does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss. Dividends from such investments are recognized in other income in the consolidated statements of operations when the right to receive payments is established.

## (iii) Financial Assets at Amortized Cost

This category is comprised of non-derivative financial assets with fixed or determinable payments, including loans and receivables that are not quoted in an active market and cash and cash-equivalents. These financial assets are initially measured at fair value and subsequently measured at amortized cost. Transaction costs are included in the initial carrying amount of the asset. The Company includes its cash, guaranteed investment certificate and accounts receivable in this category.

## (iv) Financial Liabilities at Amortized Cost

This category includes all financial liabilities, other than those classified at FVTPL. Financial liabilities classified as other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Transaction costs are included in the initial carrying amount of the liability. The Company includes accounts payable and accrued liabilities and the Canadian emergency business account loan in this category.

## Impairment of Financial Assets

The Company's only financial assets subject to impairment are accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods

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if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

(m) Government assistance

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as a reduction of the non-current assets in the consolidated statement of financial position, and transferred to the consolidated statement of operations on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognized as a reduction of the related expenses over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in the consolidated statement of operations in the period in which they become receivable.

(n) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, based on the initial amount of the lease liability. The asset is depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term can include periods covered by an option to extend if the Company is reasonably certain to exercise that option providing the lease has such a provision. In addition, the right-of-use asset is periodically adjusted for certain remeasurements of the lease liability, if required.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments, if there is a change in the Company's



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estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for (1) short-term leases, that have a lease term of 12 months or less, as well as for (2) leases of low value assets. The lease payments associated with these leases are recognized as expenses on a straight-line basis over the lease term.

(o) Measurement uncertainty:

The preparation of consolidated financial statements prepared in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclose contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the years. Actual results could differ from those estimates. Management must also make estimates and judgements about future results of operations in assessing recoverability of assets and the value of liabilities. These judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the years in which the estimates are revised and in any future years affected.

Critical judgements and estimates used in the preparation of the consolidated financial statements include the following:

Going concern

The Company's ability to continue its ongoing and planned software development activities and to continue operations as a going concern is dependent on the Company achieving profitable operations and/or the ability to obtain external financing from time to time.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All

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tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

## Share-based payments and warrants

Management estimates the values for share-based payments and warrants using market-based valuation techniques. The fair value of the market-based share awards is determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

## Development costs qualifying for capitalization

In assessing whether development costs qualify for capitalization, management makes judgments and estimates related to expectations of technical feasibility in completing the project, the probability of future economic benefits, the availability of adequate technical and financial resources to complete the development, the ability to reliably measure the costs, and whether the Company intends to complete development, and to use or sell the assets.

In making these judgments and estimates, management has assessed various sources of information, including but not limited to, criteria for the capitalization of development costs, forecasted cash flows associated with the developments and with operations, in general, which are used to support whether or not the Company will have sufficient resources to complete the development of the assets. Changes in management's judgments, estimates and assumptions, could have a material effect in the future on the Company's financial position and results of operations.

## Government assistance and investment tax credits

The Company has applied for and received funding from certain government grants and assistance programs. Remaining funding under these grant programs, if any, will be recognized when the Company qualifies and there is reasonable assurance that the grant will be received. Government assistance and investment tax credits received are subject to government audit and potential reassessment subsequent to the reporting period. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will be recognized in operations in the period in which such determination is made.

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## Revenue recognition

Application of the accounting principles related to the measurement and recognition of revenue requires the Company to make judgments and estimates. Revenue arrangements may be comprised of multiple performance obligations. Judgment is required in determining the performance obligations that exist in an arrangement and the nature of these deliverables.

## Discount rate used on leases

The determination of the Company's lease liabilities and right-of-use assets depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's estimated incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company's consolidated financial statements.

## Commitments and contingencies

Refer to Note 14.

### (p) Adoption of new accounting policies:

During the year ended October 31, 2024, the Company adopted a number of amendments and improvements of existing standards, including IAS 1, IAS 8 and IAS 12. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

### (q) Recent accounting pronouncements effective for year ends beginning on or after January 1, 2023:

IFRS 10 - Consolidated Financial Statements ("IFRS 10") and IAS 28 - Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IAS 1 - Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity

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instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2024.

IFRS 9 - Financial Instruments and IFRS and IFRS 7 Financial Instruments – Disclosures were amended In May 2024. The amendments clarify the derecognition of financial liabilities and introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system. The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and the treatment of non-recourse assets and contractually linked instruments (CLIs). Further, the amendments mandate additional disclosures in IFRS 7 for financial instruments with contingent features and equity instruments classified at FVOCI.

The amendments are effective for annual periods starting on or after January 1, 2026. Retrospective application is required and early adoption is permitted.

IFRS 18 - Presentation and Disclosure in Financial Statements. In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. The new standard replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Retrospective application is required and early adoption is permitted.

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## 2. Financial Instruments and Financial Risk Management:

### (a) Financial instruments:

The Company has classified its financial instruments as follows:

	2024	2023
Financial assets:		
Financial assets measured at amortized cost:		
Cash	\$ 139,126	\$ 272,540
Guaranteed investment certificate	-	80,000
Accounts receivable	62,902	87,966
Financial liabilities:		
Financial liabilities measured at amortized cost:		
Accounts payable and accrued liabilities	104,122	145,989
Canadian emergency business account loan	-	40,000

Accounts receivable comprise the following:

	2024	2023
Trade receivables	\$ 50,871	\$ 55,857
Investment tax credits receivable	8,000	20,000
HST receivable	4,031	12,109
	\$ 62,902	\$ 87,966

### (b) Financial risk management:

#### (i) Overview:

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

#### (a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and accounts receivable. The carrying amount of financial assets represents the maximum credit exposure.

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The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company generally does not require collateral for sales on credit. The Company closely monitors extensions of credit and has not experienced significant credit losses in the past. At October 31, 2024 and 2023, the Company had a nil balance in the allowance for doubtful accounts and had no material past due trade receivables.

The Company invests its cash with the objective of maintaining safety of principal and providing adequate liquidity to meet all current payment obligations. The Company invests its cash with Canadian chartered banks that are of high credit quality. Given these high credit ratings, the Company does not expect these counterparties to fail to meet their obligations.

Concentrations of credit risk:

In 2024, there was one customer that comprised 97% (2023 – 97%) of the Company's total revenue. No other customers exceeded 10% of revenue during the current or prior year. One customer who comprised 97% of revenue in 2024 (2023 – 97%) comprised 100% of trade receivables, as at October 31, 2024 (2023 – 100%).

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity or debt transactions.

However, the Company has sustained substantial losses in recent years and its ability to continue as a going concern is dependent on the Company's ability to generate future profitable operations and cash flows and/or obtain additional financing, which would be contingent upon market and other conditions in the future, which are beyond the Company's control. See Note 18.

At October 31, 2024, the Company had financial assets, consisting of cash, guaranteed investment certificate and accounts receivable of \$202,028 (2023 - \$440,506) and financial liabilities, consisting of accounts payable and accrued liabilities, the Canadian emergency business account loan and the lease liability of \$125,093 (2023 - \$205,867).

The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows.

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(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and market price risk. The Company is exposed to currency risk and interest rate risk.

Currency risk:

Net monetary assets and liabilities due in U.S. dollars include accounts payable of USD 3,030 (2023 – USD 22,759) and cash of USD 62,050 (2023 – USD 135,069). Net monetary assets due in Japanese Yen include accounts payable of 564,889 Yen, \$5,179 CAD equivalent, (2023 – 608,880 Yen, \$5,583 CAD equivalent), nil cash held in Yen (2023 - 2,747,533 Yen, \$25,145 CAD equivalent) and accounts receivable of 5,648,892 Yen, \$51,790 CAD equivalent (2023 – 6,100,741 Yen, \$55,834 CAD equivalent).

The Company reports its results in Canadian dollars. The Company markets its products in Canada, the United States ("U.S.") and other jurisdictions, including Japan. Sales to Japanese customers are primarily denominated in the Japanese Yen and sales to U.S. and other customers outside Canada in U.S. dollars. Substantially all of the Company's sales are either in U.S. dollars or the Japanese Yen. As a result, the Company is subject to currency risk from sales made and expenses incurred in U.S. dollars and the Japanese Yen. The Company does not hedge the risk related to fluctuations in the exchange rate between the U.S. dollar or the Japanese Yen and the Canadian dollar from either the date of the sales transaction to the collection date due or from the date an expense is incurred to the date the payment is made. As at October 31, 2024, the Company had net monetary assets in U.S. dollars of USD 59,020 (2023 – USD 109,520) and net monetary assets in the Japanese Yen of 5,084,003 (2023 – 8,239,494). An increase or decrease in the U.S. to Canadian dollar exchange rate by 10% as at October 31, 2024 would have resulted in a gain in the amount of \$8,150 (2023 - \$15,400) or a loss of \$8,150 (2023 - \$15,400), respectively. An increase or decrease in the Japanese Yen to Canadian dollar exchange rate by 10% as at October 31, 2024 would have resulted in a gain in the amount of \$4,660 (2023 - \$7,550) or a loss of \$4,660 (2023 – \$7,550), respectively.

Interest rate risk:

The Company is exposed to interest rate risk on its fixed rate financial instruments. Fixed rate instruments subject the Company to fair value interest rate risk, as the fair value of the financial instrument fluctuates due to changes in market interest rates. Financial instruments subject to interest rate risk include demand deposits and the liability component of the debenture.

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(ii) Fair values of financial instruments:

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Values based on prices or valuations techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

As at October 31, 2024 and 2023, the Company measures its investment at fair value, and it is categorized as level 3.

### 3. Capital Risk Management:

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund operations and discharge liabilities as they become due. Management performs regular reviews of its forecasted cash flow requirements to ensure cash flow needs are addressed.

The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to consist of shareholders' equity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no significant changes in the Company's approach to capital management during the years ended October 31, 2024 and 2023.

The Company and its subsidiaries are not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months. As at October 31, 2024 and 2023, the Company believes it is compliant with the policies of the TSXV.



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## 4. Guaranteed Investment Certificate:

	2024	2023
One year prime linked cashable guaranteed investment certificate. At the date of issuance the rate was 4.75% per annum. Maturity date is October 10, 2024.	\$ -	\$ 80,000
	\$ -	\$ 80,000

## 5. Property and Equipment:

	Computer systems	Communication equipment	Furniture and fixtures and leasehold improvements	Right of Use Asset	Total
<b>Cost</b>					
Balance at October 31, 2022	\$ 575,414	\$ 3,394	\$ 99,513	\$ 134,634	\$ 812,955
Additions	1,188	-	-	-	1,188
Dispositions	-	-	-	-	-
Balance at October 31, 2023	\$ 576,602	\$ 3,394	\$ 99,513	\$ 134,634	\$ 814,143
Additions	543	-	-	49,291	49,834
Dispositions	-	-	-	(134,634)	(134,634)
Balance at October 31, 2024	\$ 577,145	\$ 3,394	\$ 99,513	\$ 49,291	\$ 729,343
<b>Depreciation</b>					
Balance at October 31, 2022	\$ 550,260	\$ 1,217	\$ 99,513	\$ 71,054	\$ 722,044
Additions	9,510	338	-	44,876	54,724
Dispositions	-	-	-	-	-
Balance at October 31, 2023	\$ 559,770	\$ 1,555	\$ 99,513	\$ 115,930	\$ 776,768
Additions	8,453	340	-	45,998	54,791
Dispositions	-	-	-	(134,634)	(134,634)
Balance at October 31, 2024	\$ 568,223	\$ 1,895	\$ 99,513	\$ 27,294	\$ 696,925
<b>Carry amounts</b>					
Balance at October 31, 2023	\$ 16,832	\$ 1,839	\$ -	\$ 18,704	\$ 37,375
Balance at October 31, 2024	\$ 8,922	\$ 1,499	\$ -	\$ 21,997	\$ 32,418

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## 6. Lease Commitment:

The Company's head office, located at 789 Don Mills Road, Suite 700, Toronto, Ontario M3C 1T5, is leased and considered to be a right-of-use asset. On March 1, 2024 the lease was amended with the expiry date extended to March 31, 2025 with no renewal term. Lease payments (including the Company's share of property taxes, operating costs, utilities and extra services) were \$51,037 (2023 - \$46,988).

The lease liability has been measured by discounting future lease payments at the incremental borrowing rate at March 1, 2021 and for the amendment at March 1, 2024. The incremental borrowing rate applied was determined to be 5.0% per annum for the lease and represents the Company's best estimate of the rate of interest that it would expect to pay to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in the current economic environment. As a result, the Company recorded an increase in property and equipment, right of use asset, of \$134,634 and \$49,291 for the amendment with an increase in lease liability of \$134,634 and \$49,291 for the amendment. The carrying value included as part of property and equipment as at October 31, 2024 is \$21,997 (2023 - \$18,704). The current lease liability as at October 31, 2024 is \$21,071 (2023 - \$19,878).

The following details the changes in the lease liability for the years ended October 31, 2024 and 2023:

Balance, October 31, 2022	\$	66,866
Interest expense		2,596
Undiscounted contractual lease payments made		(49,584)
Balance, October 31, 2023	\$	19,878
March 1, 2024 amendment		48,291
Interest expenses		1,875
Undiscounted contractual lease payments made		(48,973)
Balance, October 31, 2024	\$	21,071

Future undiscounted contractual lease payments required through to the end of the lease on March 31, 2025 are \$21,325.

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## 7. Shareholders' Equity:

(a) Share capital authorized, issued and outstanding:

	2024	2023
Authorized:		
50,000 Series A preference shares		
Unlimited preference shares, issuable in series		
Unlimited common shares		
Issued: 96,364,554 common shares (2023 – 96,364,554)	\$ 44,282,090	\$ 44,282,090

The following details the changes in issued and outstanding shares for the years ended October 31, 2024 and 2023.

	Common shares	
	Number	Amount
Balance, October 31, 2022	95,802,054	\$ 44,214,590
Private placement (note 7 (a)(i))	562,500	67,500
Balance, October 31, 2023 and 2024	96,364,554	\$ 44,282,090

(i) On December 14, 2022 the Company completed a non-brokered private placement issuing 562,500 common shares at a price of \$0.12 per common share for gross proceeds of \$67,500.

(b) Employee option plan:

The Company maintains a share option plan (the "Plan") for the benefit of management, directors, officers, contractors and employees. The Plan is a "rolling" stock option plan, pursuant to which the maximum number of common shares that may be reserved for issuance under outstanding stock options will be 10% of the Company's issued and outstanding common shares, as constituted on the date of any grant of options under the Plan.

Options are granted under the Plan at the discretion of the Board of Directors at exercise prices determined as the trading prices of the Company's common shares on the TSX-V on the day preceding the effective date of the grant. In general, options granted under the Plan vest over the period of up to a maximum of five years from the grant date and expire by no later than the fifth anniversary of the date of grant.

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The following table details the changes in outstanding options for the years ended October 31, 2024 and 2023.

	Number	Weighted average exercise price
Options outstanding, October 31, 2022	5,425,000	\$ 0.14
Granted	2,725,000	0.12
Expired	(2,605,000)	0.07
Options outstanding, October 31, 2023	5,545,000	\$ 0.16
Granted	1,320,000	0.05
Expired	(600,000)	0.10
Options outstanding, October 31, 2024	6,265,000	\$ 0.15

The following table summarizes information about stock options outstanding at October 31, 2024:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$0.05	1,320,000	3.6	\$ 0.05	-	\$ -
\$0.12 to \$0.17	3,875,000	2.3	\$ 0.13	2,833,750	\$ 0.13
\$0.23 to \$0.38	1,070,000	7	\$ 0.33	1,070,000	\$ 0.33
	6,265,000	2.3	\$ 0.15	3,903,750	\$ 0.19

The average grant date fair value of options granted during 2024 was \$0.04 (2023 - \$0.09). The fair value of each option granted has been estimated on the date of grant using the Black-Scholes fair value option-pricing model with the following assumptions used for grants for the year ended October 31, 2024: expected dividend yield of nil (2023 - nil), expected volatility of 115% (2023 – between 113% and 115%), weighted average risk-free interest rate of 3% (2023 - 3%) and expected lives of four years (2023 – four years).

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Details of the stock options granted for the years ended October 31, 2024 and 2023 follows:

Grant date	Expiry date	Number granted	Exercise price	Vesting date
20-Jan-23	20-Jan-27	1,285,000	\$ 0.13	321,250 on each of: 20-Jul-23 20-Jan-24 20-Jul-24 20-Jan-25
20-Sept-23	20-Sept-27	1,440,000	\$ 0.12	360,000 on each of: 20-Mar-24 20-Sept-24 20-Mar-25 20-Sept-25
Granted in 2023		2,725,000		
19-Jun-24	19-Jun-28	1,320,000	\$ 0.05	330,000 on each of: 19-Dec-24 19-Jun-25 19-Dec-25 19-Jun-26
Granted in 2024		1,320,000		

Stock option expense for the year ended October 31, 2024 was \$156,146 (2023 - \$203,823).

## (c) Warrants:

The following details the changes in the share purchase warrants for the years ended October 31, 2024. There were no changes in the share purchase warrants for the year ended October 31, 2023.

	Number	Amount	Weighted average exercise price
Balance, October 31, 2023 and 2022	281,250	\$ 16,875	\$ 0.35
Expiration of warrants (note 7 (c)(i))	(281,250)	(16,875)	0.35
Balance, October 31, 2024	-	\$ -	\$ -

- (i) There were 281,250 warrants that expired on September 6, 2024 which had been issued as part of a private placement completed on September 6, 2022. In addition, the fair value of

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the warrants, as estimated on date of grant, was \$16,875 which has been reclassified from warrants to contributed surplus as a result of the warrants expiring.

## 8. Revenues:

The significant categories of revenue recognized are as follows:

	2024	2023
Royalty, development fees, engineering and maintenance	\$ 400,764	\$ 458,958
Subscription fees	12,184	15,533
	\$ 412,948	\$ 474,491

## 9. Loss per Common Share:

The computations for basic and diluted loss per share are as follows:

	2024	2023
Loss for the year	\$ (318,790)	\$ (722,112)
Weighted average number of common shares outstanding:		
Basic	96,364,554	96,296,746
Diluted	96,364,554	96,296,746
Loss per common share:		
Basic	\$ (0.00)	\$ (0.01)
Diluted	(0.00)	(0.01)

As the Company is in a loss position for the years ended October 31, 2024 and 2023, the inclusion of options and warrants in the calculation of diluted earnings per share would be anti-dilutive, and accordingly, were excluded from the diluted loss per share calculation.

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## 10. Change in Non-Cash Operating Working Capital:

	2024	2023
Accounts receivable	\$ 25,064	\$ 228,304
Prepaid expenses and other assets	23	58,071
Accounts payable and accrued liabilities	(41,867)	(126,795)
Deferred revenue	(140)	(1,478)
	\$ (16,920)	\$ 158,102

## 11. Income Taxes:

The reconciliation of the income tax expense at the currently enacted tax rates for the years ended October 31, 2024 and 2023 is as follows:

Tax rate reconciliation:

	2024	2023
Loss for the year	\$ (319,790)	\$ (722,112)
Tax calculated at the 26.5% (2023 - 26.5%) enacted rate	\$ (85,000)	\$ (191,000)
Non-deductible expenses and permanent differences	54,000	78,000
Benefit of temporary differences and tax losses not recognized	31,000	113,000
Total income taxes recognized in net income	\$ -	\$ -

Unrecognized deferred tax assets:

The benefit related to deferred tax temporary differences have not been recognized in respect of the following items:

	2024	2023
Non-capital loss carry-forwards	\$ 13,272,000	\$ 13,151,000
Research and development deduction pool	13,471,000	13,392,000
Financing costs	4,000	12,000
Property and equipment	1,000	4,000

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As at October 31, 2024, the Company had an unclaimed pool of scientific research and experimental development costs of approximately \$13,471,000, which can be carried forward indefinitely as a deduction against future taxable income under certain circumstances, and investment tax credits of approximately \$2,289,000, which can be utilized to reduce taxes payable under certain circumstances in years up to 2044. The tax benefits have not been recorded in the consolidated financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The Company had unused tax loss carry forwards which expire as follows:

2026	\$	792,000
2027		1,368,000
2028		783,000
2029		553,000
2030		639,000
2031		2,201,000
2032		1,063,000
2033		2,221,000
2034		1,290,000
2035		1,012,000
2036		509,000
2038		228,000
2040		260,000
2041		14,000
2043		252,000
2044		87,000
Total unused tax losses	\$	13,272,000

## 12. Segmented Information:

The Company currently operates in one business segment, which is the development and marketing of its remote access software and its cryptographic software. The Company markets its products primarily in the United States, Asia/Pacific and Canada.

Revenue attributable to geographic location based on the location of the customer is as follows:

	2024	2023
United States	\$ 7,431	\$ 8,045
Canada	4,753	7,488
Asia/Pacific	400,764	458,958
	\$ 412,948	\$ 474,491

Substantially all of the Company's identifiable assets as at October 31, 2024 and 2023 are located in Canada.



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## 13. Related Party Transactions:

The remuneration of directors and other key management personnel of the Company during the years ended October 31, 2024 and 2023 was as follows:

	2024	2023
Salaries and contractor fees	\$ 232,500	\$ 257,000
Stock-based compensation	142,375	168,500
Total	\$ 374,875	\$ 425,500

The Company's President and Chief Executive Officer ("CEO") invoices the Company for his services that pertain to research and development pursuant to a contractor agreement. Fees paid under this agreement during 2024 were \$49,500 (2023 - \$74,000) and have been included in research and development expenses and are included in the salaries and contractor fees amounts in the above table. In addition, the CEO received a salary for 2024 of \$84,000 (2023 - \$84,000) which has been recorded in selling, general and administrative expenses, and is included in the salaries and contractor fees amounts in the above table.

Salary and contractor fees included in the above table owing to directors and other key management personnel and so included in accounts payable and accrued liabilities at October 31, 2024 is \$22,913 (2023 - \$12,300). They are unsecured, non-interest bearing with no fixed terms of payment and were paid subsequent to the end of the year.

## 14. Contingencies:

The Company is engaged in legal actions from time to time arising in the ordinary course of business. None of these actions, individually or in the aggregate, is expected to have a material adverse effect on the consolidated financial position or results of operations.

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## 15. Operating Expenses:

The Company presents functional consolidated statements of operations in which expenses are aggregated according to the function to which they relate. The Company has identified the major functions as selling, general and administrative expenses; and research and development expenses. The following tables present the expenses based on their nature:

for the year ended 31-Oct-24	Selling, general and administration	Research and development	Total
Salaries, contractors, commissions and benefits	\$ 234,614	\$ 86,086	\$ 320,700
Stock-based compensation	156,146	-	156,146
Other operating expenses	183,680	37,643	221,323
	<u>\$ 574,440</u>	<u>\$ 123,729</u>	<u>\$ 698,169</u>

for the year ended 31-Oct-23	Selling, general and administration	Research and development	Total
Salaries, contractors, commissions and benefits	\$ 291,121	\$ 322,525	\$ 613,646
Stock-based compensation	203,823	-	203,823
Other operating expenses	274,563	68,822	343,385
	<u>\$ 769,507</u>	<u>\$ 391,347</u>	<u>\$ 1,160,854</u>

## 16. Investment in Talent Summit:

The Company made a minority investment in Talent Summit, a private company incorporated in The Bahamas during the year ended October 31, 2022 for an initial cost of \$1,500 and an additional deposit of \$30,000 for a future investment in Talent Summit. During the year ended October 31, 2023, Management determined that the fair value of the investment in Talent Summit was nil as the operations had been suspended pending further market research. As a result, for the year ended October 31, 2023 the Company recognized a \$1,500 impairment of the investment and expensed the \$30,000 deposit to be applied against a future investment. The estimated fair value at October 31, 2024 continues to be \$nil.

## 17. Government Assistance:

The Canada Emergency Business Account ("CEBA") provided interest-free bank loans, guaranteed by the government of Canada, of up to \$60,000 to small businesses that qualify. The Company's loan consisted of a \$60,000 CEBA loan that was interest free. It was repaid in January 2024 with \$20,000 of the loan being forgiven. The \$20,000 forgivable amount was recorded as government assistance income in 2021.

# 01 COMMUNIQUE LABORATORY INC.

Notes to Consolidated Financial Statements  
(In Canadian dollars)

Years ended October 31, 2024 and 2023

## 18. Subsequent Events:

### (a) Private Placement.

On January 7, 2025 the Company closed a non-brokered private placement of units ("Units") for gross proceeds of \$920,000. Pursuant to the offering the Company issued a total of 4,000,000 Units. The securities issued in connection with the offering were issued pursuant to applicable exemptions from the prospectus requirements under applicable securities laws. In addition, the investors have voluntarily agreed to a contractual hold (in addition to the regulatory four month hold period) for twelve months which hold will expire on January 7, 2026. Each Unit was issued at a price \$0.23 and consists of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional Common Share at an exercise price of \$0.75 per Common Share at any time on or before January 7, 2028.

### (b) Grant of Options.

The Company granted 750,000 stock options to third party contractors for business development, marketing activities and product development, summarized in the following table:

Grant date	Expiry date	Number granted	Exercise price	Vesting date
16-Dec-24	16-Dec-25	300,000	\$ 0.32	100,000 on each of: 16-Jan-2025 20-Feb-2025 20-Mar-2025
09-Jan-25	09-Jan-27	200,000	\$ 0.45	200,000 on 9-Jul-2025
15-Jan-25	15-Jan-29	250,000	\$ 0.465	62,500 on each of: 15-Jul-2025 15-Jan-2026 15-Jul-2026 15-Jan-2027
Total		750,000		

### (c) Exercise of Options.

There were 250,000 stock options exercised by third party contractors at an average exercise price of \$0.23.