

Datametrex AI Limited

Condensed Interim Consolidated Financial Statements
September 30, 2023

(Unaudited)

(Canadian dollars)

Notice to Reader

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Datametrex AI Limited

Condensed Interim Consolidated Statements of Financial Position

As of September 30, 2023 and December 31, 2022

(Canadian dollars)

	September 30, 2023	December 31, 2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,144,404	8,934,913
Trade and loan receivables (note 12)	4,882,459	3,411,502
Inventory	495,202	-
Marketable securities (note 9)	373,574	478,343
Prepaid expenses and other assets	516,475	269,507
Deposit on acquisition of Imagine Health (note 13)	-	2,524,473
Total current assets	7,412,114	15,618,738
Right-of-use asset (note 7)	3,449,357	3,784,162
Property and equipment (note 4)	4,360,944	2,920,204
Intangible assets (notes 5 and 13)	9,152,102	10,704,545
Goodwill (note 5)	5,445,107	2,972,348
Total assets	29,819,624	35,999,997
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (notes 11 and 12)	2,428,824	2,120,460
Deferred revenue	28,980	28,980
Income taxes payable	4,408,124	4,408,124
Current portion of lease liability (note 7)	435,552	450,440
Loan payable (notes 8 and 12)	507,674	520,189
Provisions (note 13)	1,875,000	1,875,000
Total current liabilities	9,684,154	9,403,193
Long-term lease liability (note 7)	3,010,290	3,330,206
Long-term loan payable (note 8)	-	225,084
Deferred income taxes	272,869	272,869
Total liabilities	12,967,313	13,231,352
Shareholders' equity		
Share capital (note 10)	55,366,570	55,491,860
Reserves (note 10)	9,027,785	8,149,978
Foreign currency translation reserve	(5,227)	(23,252)
Deficit	(47,536,817)	(40,849,941)
Total shareholders' equity	16,852,311	22,768,645
Total liabilities and shareholders' equity	29,819,624	35,999,997

Description of business and organization (note 1)

Contingency (note 14)

Signed "Paul Haber" Director

Signed "Marshall Gunter" Director

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

Datametrex AI Limited

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the three and nine months ended September 30, 2023 and 2022
(Canadian dollars, except share and per share amounts)

	Three months ended September 30, 2023 \$	Three months ended September 30, 2022 \$	Nine months ended September 30, 2023 \$	Nine months ended September 30, 2022 \$
Revenue				
AI and Technology (note 3)	557,952	977,537	2,402,006	3,781,009
Health Security (note 3)	1,050,770	8,225,357	4,119,300	23,763,329
	1,608,722	9,202,894	6,521,306	27,544,338
Direct costs (note 3)	(1,233,712)	(3,989,249)	(3,558,984)	(12,355,296)
Gross profit (note 3)	375,010	5,213,645	2,962,322	15,189,042
Expenses				
Salaries, benefits and consulting fees	854,974	1,108,070	2,743,839	3,359,459
Office and general	659,014	727,616	1,615,713	1,470,785
Professional fees	495,514	741,115	1,592,938	2,622,635
Other operating expenses	134,527	99,426	530,787	224,655
Share-based compensation (note 10)	160,856	-	1,213,194	-
Depreciation and amortization (notes 4, 5 and 7)	763,331	544,029	2,499,773	1,799,202
	3,068,216	3,220,256	10,196,244	9,476,736
(Loss) income before undernoted items	(2,693,206)	1,993,389	(7,233,922)	5,712,306
Unrealized gain (loss) on marketable securities (note 9)	44,076	103,623	(35,648)	(1,804,481)
Loss on sale of marketable securities (note 9)	(64,884)	-	(64,884)	(640)
Interest and accretion	(19,433)	(1,369)	(69,646)	(3,380)
Interest and other income	372,920	56,601	705,394	255,614
Foreign exchange gain (loss)	(1,931)	1,597	11,830	3,144
(Loss) income before income taxes	(2,362,458)	2,153,841	(6,686,876)	4,162,563
Income tax expense	-	(1,191,919)	-	(1,371,052)
Net (loss) income	(2,362,458)	961,922	(6,686,876)	2,791,511
Other comprehensive (loss) income				
Foreign exchange translation adjustment	(13,597)	(1,088)	18,025	(160,548)
Comprehensive (loss) income	(2,376,055)	960,834	(6,668,851)	2,630,963
Weighted average number of common shares - basic	395,036,875	412,176,147	395,861,315	356,103,763
Weighted average number of common shares - diluted	395,036,875	412,176,147	395,861,315	356,103,763
Basic (loss) earnings per share	(0.01)	0.00	(0.02)	0.01
Diluted (loss) earnings per share	(0.01)	0.00	(0.02)	0.01

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

Datametrex AI Limited

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the nine months ended September 30, 2023 and 2022

(Canadian dollars, except for number of shares)

	<u>Common Shares</u>		Reserves	Foreign currency translation reserve	Deficit	Total
	Number	Amount \$				
Balance – December 31, 2021	355,166,034	47,771,587	8,310,315	(1,745)	(23,591,132)	32,489,025
Net income for the period	-	-	-	-	2,791,511	2,791,511
Shares issued for business acquisition	66,666,667	9,333,333	-	-	-	9,333,333
Shares issued on exercise of options (note 10)	1,250,000	355,337	(160,337)	-	-	195,000
Shares returned and cancelled	(17,807,500)	(2,040,350)	-	-	-	(2,040,350)
Foreign exchange translation adjustment	-	-	-	(160,548)	-	(160,548)
Balance – September 30, 2022	405,275,201	55,419,907	8,149,978	(162,293)	(20,799,621)	42,607,971
Balance – December 31, 2022	410,275,201	55,491,860	8,149,978	(23,252)	(40,849,941)	22,768,645
Net loss for the period	-	-	-	-	(6,686,876)	(6,686,876)
Shares issued on exercise of options (note 10)	9,500,000	1,085,387	(335,387)	-	-	750,000
Shares returned to treasury and cancelled (note 10)	(16,390,500)	(1,210,677)	-	-	-	(1,210,677)
Share-based compensation (note 10)	-	-	1,213,194	-	-	1,213,194
Foreign exchange translation adjustment	-	-	-	18,025	-	18,025
Balance – September 30, 2023	403,384,701	55,366,570	9,027,785	(5,227)	(47,536,817)	16,852,311

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

Datametrex AI Limited

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30, 2023 and 2022

(Canadian dollars)

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash flows used in operating activities		
Net (loss) income for the period	\$ (6,686,876)	\$ 2,791,511
Adjustments to reconcile net (loss) income to operating cash flows		
Depreciation of property and equipment (note 4)	570,951	71,016
Amortization of intangible assets (note 5)	1,552,443	1,614,042
Amortization of right-of use asset (note 7)	334,805	78,885
Accretion on lease liability (note 7)	10,688	2,365
Accretion on long-term debt (note 8)	59,068	-
Loss on sale of marketable securities (note 9)	64,885	640
Share-based payments (note 10)	1,213,194	-
Unrealized loss on marketable securities (note 9)	35,648	1,804,481
Net change in operating assets and liabilities (note 6)	<u>(2,038,443)</u>	<u>(6,892,248)</u>
	<u>(4,883,637)</u>	<u>(529,308)</u>
Cash flows used in investing activities		
Purchase of property and equipment (note 4)	(1,882,236)	(610,829)
Proceeds from the sale of marketable securities (note 9)	4,236	59,360
Deposit on acquisition of Imagine Health (note 13)	(41,000)	-
Cash obtained from Imagine Health acquisition (note 13)	101,671	-
	<u>(1,817,329)</u>	<u>(551,469)</u>
Cash flows used in financing activities		
Repayments of lease liability (note 7)	(345,492)	(77,733)
Repayments of loans payable (note 8)	(296,667)	-
Proceeds from exercise of share options (note 10)	750,000	195,000
Shares repurchased (note 10)	(1,210,677)	(2,040,350)
	<u>(1,102,836)</u>	<u>(1,923,083)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>13,293</u>	<u>(159,731)</u>
Decrease in cash and cash equivalents	<u>(7,790,509)</u>	<u>(3,163,591)</u>
Cash and cash equivalents, beginning of period	<u>8,934,913</u>	<u>15,400,166</u>
Cash and cash equivalents, end of period	<u>1,144,404</u>	<u>12,236,575</u>
Cash and cash equivalents are comprised of:		
Cash	694,404	1,236,575
Cash equivalents	450,000	11,000,000
Total	<u>1,144,404</u>	<u>12,236,575</u>
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

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

Datametrex AI Limited

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Canadian dollars)

1 Description of business and organization

Datametrex AI Limited (the “Company”) is a technology company focused on collecting, analyzing and presenting structured and unstructured data using machine learning and artificial intelligence. The Company also started a health security businesses, including COVID-19 related services, concierge medical services and telemedicine services.

The Company is a publicly traded corporation, incorporated in the province of Ontario and its head office and principal place of business is located at 2300 Yonge Street, Suite 2802, Toronto, Ontario, M4P 1E4, Canada. The Company’s common shares are listed on the TSX Venture Exchange (“TSXV”) under the trading symbol “DM” and on the Frankfurt Stock Exchange under the trading symbol “D4G”.

Beginning in March 2020, the Governments of Canada and the United States, as well as other foreign governments instituted emergency measures as a result of the COVID-19 virus outbreak. The virus has had a major impact on North America and international securities and currency markets, and consumer activity. As a result, the Company entered into agreements securing the rights to import COVID-19 test kits from manufacturers in South Korea. The Company provides COVID-19 related services on the Canadian and international market. COVID-19 has had a significant positive impact on the Company’s financial position, its results of operations and its cash flows. However, the Company is unable to predict how COVID-19 will affect the Company’s ability to generate positive financial results and cash flows and its ability to raise capital in the future, as the need for COVID-19 test kits has been declining in recent periods.

2 Significant accounting policies

Basis of presentation and statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 – Interim Financial Reporting of International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and footnote disclosure normally included in annual financial statements have been omitted or condensed.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 2 to the Company’s consolidated financial statements for the year ended December 31, 2022. These interim financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2022. The accounting policies have been applied consistently in these interim financial statements, unless otherwise indicated.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Company’s Board of Directors on November 29, 2023. The consolidated financial statements are presented in Canadian dollars which is also the Company’s functional currency.

Datametrex AI Limited

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Canadian dollars)

Basis of consolidation

The condensed interim consolidated financial statements include the accounts of all entities controlled by the Company, which are referred to as subsidiaries, and references to the Company include references to such subsidiaries. The financial statements of the subsidiaries are included in these consolidated financial statements from the date on which control commences until the date on which control ceases.

The Company's wholly owned operating subsidiaries include:

Name of the entity	Jurisdiction of incorporation	Functional currency	Principal activity
Datametrex Limited	Canada	Canadian Dollar	Inactive
9172-8766 Quebec Inc. ("Nexalogy")	Canada	Canadian Dollar	AI and Technology
Datametrex Korea Limited ("Datametrex Korea")	Korea	Korean Won	AI and Technology
Medi-Call Inc. ("Medi-Call")	Canada	Canadian Dollar	Health Care
Datametrex Electric Vehicle Solutions Inc. ("EVS")	Canada	Canadian Dollar	AI and Technology
Imagine Health Medical Clinics Ltd. ("IHMed")	Canada	Canadian Dollar	Health Care
Imagine Health Pharmacies & Research Ltd. ("IHPharma")	Canada	Canadian Dollar	Health Care
Imagine Health Physio Ltd. ("IHPhysio")	Canada	Canadian Dollar	Health Care

Intercompany balances and transactions are eliminated upon consolidation and preparation of these consolidated financial statements.

Critical Accounting Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and judgments that affect the applications of accounting policies regarding certain types of assets, liabilities, revenues, and expenses in the preparation of these consolidated financial statements. Estimates and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. These estimates and judgments are based on management's historical experience, and its best knowledge of current events or conditions and activities that the Company may undertake in the future. Actual results could differ materially from these estimates.

Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the amounts reported in these consolidated financial statements are discussed below:

a) Business combinations, control and significant influence

The Company uses judgment in determining the entities that it controls and therefore, consolidates or has significant influence over and therefore accounts for on an equity basis. The Company controls an entity when the Company has existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company has significant influence when the Company has the power to participate in the financial and operating policy decisions of the investee, but does not control nor has joint control of that investee's policies.

Datametrex AI Limited

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Canadian dollars)

b) **Intangible assets and goodwill**

Management is required to use judgment in determining the economic useful lives of identifiable intangible assets. Judgment is also required to determine the frequency with which these assets are to be tested for impairment. The Company uses judgment in determining the grouping of assets to identify its Cash Generating Units (“CGUs”) for purposes of testing for impairment of intangible assets and goodwill. In testing for impairment, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the business combination. In testing for impairment of intangibles with indefinite lives, these assets are allocated to the CGUs to which they relate.

c) **Income taxes**

In calculating current and deferred income taxes, the Company uses judgment when interpreting the tax rules where the Company operates. The Company also uses judgment in classifying transactions and assessing probable outcomes of claimed or accrued deductions, which considers expectations of future operating results, the timing and reversal of temporary differences and possible audits of income tax filings by tax authorities.

d) **Share based compensation**

In calculating grant valuations, various inputs and assumptions are used with respect to expected option life, risk free interest rate, dividend yield and expected volatility.

e) **Accounting for the acquisitions**

The Company applies significant judgment to conclude whether an acquired set of activities and assets is a business. The acquisition of a business is accounted for as a business combination, under IFRS 3. If an acquired set of activities and assets does not meet the definition of a business, the transaction is accounted for as an asset acquisition. The Company also applied judgment in identifying the assets acquired and evaluating which IFRS standard the asset should be measured in.

Estimates

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the changes affects both.

a) **Accrued liabilities, provisions and contingent consideration**

Certain estimates and assumptions that have a significant risk of causing material adjustments to the carrying amount of assets and liabilities within the next fiscal year include accrued liabilities, provisions and contingent consideration. These estimates are based on management’s assumptions, based on current circumstances, that management believes are a reasonable basis upon which to estimate the future liabilities. Specifically for provisions, that the amount of the estimate is reliable and that management has determined that there is an expectation that future outflows of assets will be necessary to cover the provided for amounts.

b) **Fair value of intangible assets and goodwill**

With respect to intangible assets acquired and goodwill recognized in a business combination, and at subsequent assessment dates, the Company determines fair values using such estimates such as discounts rates, growth rates and terminal growth rates. These estimates take into account any material change to the assumptions that occur when reviewed annually by management.

Datametrex AI Limited

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Canadian dollars)

3 Segment information

For the nine months ended September 30, 2023 and the year ended December 31, 2022, the Company has two operating and reportable segments being: (1) AI and Technology; and (2) Health Security.

	Health Care \$	AI and Technology \$	Consolidated totals \$
For the nine months ended September 30, 2023			
Revenue	4,119,300	2,402,006	6,521,306
Direct costs	2,270,821	1,288,163	3,558,984
Gross profit	1,848,479	1,113,843	2,962,322
Segment loss	(5,020,440)	(1,666,436)	(6,686,876)
 For the nine months ended September 30, 2022			
Revenue	23,763,329	3,781,009	27,544,338
Direct costs	11,473,181	882,115	12,355,296
Gross profit	12,290,148	2,898,894	15,189,042
Segment income (loss)	3,609,518	(818,007)	2,791,511
 As at September 30, 2023			
Segment assets	23,063,612	6,756,012	29,819,624
Segment liabilities	11,124,993	1,842,320	12,967,313
 As at December 31, 2022			
Segment assets	28,479,579	7,520,418	35,999,997
Segment liabilities	12,190,171	1,041,181	13,231,352

The Company operates in two geographic locations, being Canada and Korea. Geographical information is summarized as follows:

	Canada \$	Korea \$	Total \$
For the nine months ended September 30, 2023			
Revenue from external customers	5,074,517	1,446,789	6,521,306
Non-current assets	22,154,551	252,959	22,407,510
	Canada \$	Korea \$	Total \$
For the nine months ended September 30, 2022			
Revenue from external customers	26,425,188	1,119,150	27,544,338
Non-current assets	26,170,115	874,718	27,044,833

Datametrex AI Limited

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Canadian dollars)

4 Property and equipment

	Computer equipment, software and machinery \$	Office equipment and furniture \$	Electric Vehicle Solutions \$	Leasehold improvements \$	Total \$
Cost					
Balance at December 31, 2021	228,434	36,102	-	-	264,536
Additions	1,709,737	1,683	937,903	350,000	2,999,323
Effect of foreign exchange	-	(1,646)	-	-	(1,646)
Balance at December 31, 2022	1,938,171	36,139	937,903	350,000	3,262,213
Additions	1,495,739	858	385,639	-	1,882,236
Acquisition of Imagine Health (note 13)	47,689	26,682	-	50,352	124,723
Effect of foreign exchange	-	(1,190)	-	-	(1,190)
Balance at September 30, 2023	3,481,599	62,489	1,323,542	400,352	5,267,982
Accumulated depreciation					
Balance at December 31, 2021	170,130	22,941	-	-	193,071
Depreciation	145,188	5,417	-	-	150,605
Effect of foreign exchange	-	(1,667)	-	-	(1,667)
Balance at December 31, 2022	315,318	26,691	-	-	342,009
Depreciation	545,355	11,609	-	13,987	570,951
Effect of foreign exchange	(5,240)	(682)	-	-	(5,922)
Balance at September 30, 2023	855,433	37,618	-	13,987	907,038
Carrying amounts					
Balance at December 31, 2022	1,622,853	9,448	937,903	350,000	2,920,204
Balance at September 30, 2023	2,626,166	24,871	1,323,542	386,365	4,360,944

Electric Vehicle (“EV”) solutions and leasehold improvements at the Arbutus location were in construction and were not available for use at September 30, 2023.

Datametrex AI Limited

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Canadian dollars)

5 Goodwill and other intangible assets

	Goodwill	Trademark	Non-competition agreements and others	Patents and developed technologies	Customer relationships	Total intangibles
	\$	\$	\$	\$	\$	\$
Cost						
Balance at December 31, 2021	2,972,348	400,000	14,530,337	17,191,576	1,262,000	33,383,913
Acquisition – EVS (note 13)	-	-	-	4,272,000	-	4,272,000
Balance at December 31, 2022	2,972,348	400,000	14,530,337	21,463,576	1,262,000	37,655,913
Acquisition – Imagine Health (note 13)	2,472,759	-	-	-	-	-
Balance at September 30, 2023	5,445,107	400,000	14,530,337	21,463,576	1,262,000	37,655,913
Accumulated amortization and impairment losses						
Balance at December 31, 2021	-	-	14,480,026	2,790,763	518,795	17,789,584
Amortization	-	-	50,311	2,239,956	126,200	2,416,467
Impairment	-	-	-	6,745,317	-	6,745,317
Balance at December 31, 2022	-	-	14,530,337	11,776,036	644,995	26,951,368
Amortization	-	-	-	1,457,793	94,650	1,552,443
Balance at September 30, 2023	-	-	14,530,337	13,233,829	739,645	28,503,811
Carrying amounts						
Balance at December 31, 2022	2,972,348	400,000	-	9,687,540	617,005	10,704,545
Balance at September 30, 2023	5,445,107	400,000	-	8,229,747	522,355	9,152,102

Nexalogy

As at September 30, 2023, customer relationships had remaining useful lives of 4.14 years (December 31, 2022 – 4.89 years). Trademarks and other intangibles include indefinite life trademarks in the amount of \$400,000 (December 31, 2022 - \$400,000) relating to the Nexalogy brand which the Company intends to continue marketing and strengthening for the foreseeable future. The goodwill and indefinite life trademarks are both a result of the Nexalogy acquisition.

Medi-Call

During the year ended December 31, 2022, the Company recorded an impairment loss of \$4,520,112 related to its developed technologies related to Medi-Call, due to Medi-Call falling short of the expected revenues and financial performance during the year. The impairment was determined using a value in use recoverable amount calculation, utilizing a 34.8% discount rate, which is consistent with the original valuation of the developed technology at the acquisition during the year ended December 31, 2021. As at September 30, 2023, developed technologies related to Medi-Call had remaining useful lives of 7.72 years (December 31, 2022 – 8.47 years).

EVS

During the year ended December 31, 2022, the Company acquired EVS resulting in an increase in developed technologies of \$4,272,000 (note 13). During the year ended December 31, 2022, the Company recorded an impairment loss of \$2,225,205 related to its developed technologies related to EVS, due to EVS falling short of the expected revenues and financial performance during the year. The impairment was determined using a value in use recoverable amount calculation, utilizing a 21% discount rate, which is consistent with the original valuation of the developed technology at the acquisition (note 13). As at September 30, 2023, developed technologies related to EVS acquisition had remaining useful lives of 7.69 years (December 31, 2022 - 8.44 years).

Datametrex AI Limited

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Canadian dollars)

6 Net change in operating assets and liabilities

	Nine months ended September 30, 2023 \$	Nine months ended September 30, 2022 \$
Cash flows provided by (used in)		
Trade and loan receivables	(1,342,548)	(7,371,493)
Inventory	(336,154)	(397,982)
Prepaid expenses and other assets	(246,968)	(321,491)
Accounts payable and accrued liabilities and provisions	(112,773)	(74,251)
Income taxes payable	-	1,301,949
Deferred revenue	-	(28,980)
	<u>(2,038,443)</u>	<u>(6,892,248)</u>

7 Right-of-use asset and lease liability

During the year ended December 31, 2021, the Company entered into a new lease contract for its office on Yonge Street in Toronto. The lease expires in September 2024.

During the year ended December 31, 2022, the Company entered into a new lease contract for its office on Arbutus Street in Vancouver. The lease expires in August 2032.

Right-of-use asset

	\$
Balance at December 31, 2021	<u>227,289</u>
Addition	3,781,679
Amortization charge for the year	(224,806)
Balance at December 31, 2022	<u>3,784,162</u>
Amortization charge for the period	(334,805)
Balance at September 30, 2023	<u>3,449,357</u>

Lease liability

	\$
Balance at December 31, 2021	<u>223,772</u>
Addition	3,781,679
Accretion on lease liability	4,455
Lease payments	(229,260)
Balance at December 31, 2022	<u>3,780,646</u>
Accretion on lease liability	10,688
Lease payments	(345,492)
Balance at September 30, 2023	<u>3,445,842</u>
Classified as current	<u>435,552</u>
Classified as non-current	<u>3,010,290</u>

When measuring the lease liability, the Company discounted lease payments using its incremental borrowing rate of 3.45%.

During the nine months ended September 30, 2023, rent expense related to an office premises lease, which was exempt from lease accounting due to its short-term nature, was \$28,473 (2022 - \$67,250). The rent expense associated with this lease is included within office and general in profit or loss.

Datametrex AI Limited

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Canadian dollars)

8 Debt

	September 30, 2023	December 31, 2022
	\$	\$
Unsecured Canada Emergency Business Account funded by the Government of Canada. During the year ended December 31, 2020, the Company obtained an \$80,000 loan under the Canada Emergency Business Account Program. If the Company repays \$60,000 by December 31, 2023, the \$20,000 balance will be forgiven. Otherwise, an interest rate of 5% will apply to the balance, which will be repayable in 24 monthly blended instalments to the maturity date of December 31, 2025. Since there was reasonable assurance that the Company will repay \$60,000 by December 31, 2023, the Company recognized \$20,000 in profit or loss when the loan was granted. \$30,000 was repaid during the year ended December 31, 2021.	-	30,000
Pursuant to the Share Purchase Agreement to acquire Imagine Health, the Company issued a secured vendor take-back note with a principal amount of \$800,000 payable in installments of 6, 12 and 18 months from the date of issuance, with interest charged at a rate of 12% per annum on any amounts unpaid within 30 days of their due date. During the nine months ended September 30, 2023, the Company paid \$266,667. The note is secured by the assets of Imagine Health (note 13).	507,674	715,273
	<u>507,674</u>	<u>745,273</u>
Less: Current portion of long-term debt	<u>(507,674)</u>	<u>(520,189)</u>
	<u>-</u>	<u>225,084</u>

9 Marketable Securities

The continuity of marketable securities for the nine months ended September 30, 2023 and the year ended December 31, 2022 is as follows:

	ScreenPro \$	Graph \$	Total \$
Balance, December 31, 2021	720,000	1,865,222	2,585,222
Purchased	430,000	-	430,000
Disposition	(80,040)	-	(80,040)
Fair value adjustment for the year	(715,966)	(1,740,873)	(2,456,839)
Balance, December 31, 2022	353,994	124,349	478,343
Disposition	-	(69,121)	(69,121)
Fair value adjustment for the period	(58,999)	23,351	(35,648)
Balance, September 30, 2023	294,995	78,579	373,574

Datametrex AI Limited

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Canadian dollars)

10 Share capital and reserves

a) Common shares

The Company is authorized to issue an unlimited number of common shares with no par value.

For the nine months ended September 30, 2023:

During the nine months ended September 30, 2023, the Company issued 9,500,000 common shares for gross proceeds of \$750,000 upon exercise of stock options.

The Company repurchased 12,604,000 common shares of the Company for an aggregate amount of \$1,210,677 under the Normal Course Issuer Bid. A total of 16,390,500 common shares of the Company, including 3,786,500 common shares that were purchased during the year ended December 31, 2022, were returned to treasury and cancelled.

For the year ended December 31, 2022:

On January 17, 2022, the Company issued 1,000,000 common shares for gross proceeds of \$170,000 upon exercise of stock options.

On June 6, 2022, the Company issued 250,000 common shares for gross proceeds of \$25,000 upon exercise of stock options.

On June 7, 2022, the Company issued 66,666,667 common shares with a fair value of \$9,333,333 in connection with the acquisition of EVS (note 13).

On November 28, 2022, the Company issued 5,000,000 common shares with a fair value of \$400,000 in connection with the acquisition of Imagine Health (note 13).

During the year ended December 31, 2022, the Company repurchased 21,594,000 common shares for an aggregate amount of \$2,368,397 under the Normal Course Issuer Bid. At December 31, 2022 a total of 17,807,500 common shares purchased for \$2,040,351 were returned to treasury and cancelled, and 3,786,500 common shares purchased for \$328,046 were returned to and remain in treasury.

b) Share options

The Company's stock option plan (the "Stock Option Plan") is a rolling stock option plan which provides that the Board of Directors may from time to time, in its discretion, and in accordance with applicable policies of the TSX Venture Exchange ("TSXV"), grant options to acquire common shares to directors, officers and employees of the Company and its affiliates and to consultants, consultant companies and management company employees, provided that the common shares that may be reserved for issuance under the Stock Option Plan at any point in time will not be greater than 10% of the then issued and outstanding common shares. Options issued pursuant to the Stock Option Plan will have an exercise price determined by the Board of Directors provided that the exercise price will not be less than the greater of \$0.05 per share and the "Discounted Market Price" as defined in the policies of the TSXV. The vesting of the Options is at the discretion of the Board, except in the case of an optionee performing investor relations activities, in which case the Stock Option Plan requires that options vest over a minimum of 12 months with no more than one quarter of such options vesting during any three month period.

Datametrex AI Limited

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Canadian dollars)

Share options granted by the Company are recorded in “Reserves” in the consolidated statements of financial position as they vest. The following summarizes transactions involving share options issued by the Company:

	Number	Weighted average exercise price \$
Options outstanding at December 31, 2021	8,750,000	0.17
Options exercised	(1,250,000)	0.16
Options expired	(4,800,000)	0.16
Options outstanding at December 31, 2022	2,700,000	0.18
Options granted	34,500,000	0.08
Options expired	(2,700,000)	0.18
Options outstanding at September 30, 2023	34,500,000	0.08

In June 2023, the Company granted 29,500,000 stock options with an exercise price of \$0.08 expiring on June 9, 2025. The options vested immediately. The fair value was calculated to be \$1,052,338 using the Black-Scholes option pricing model with the following assumptions: (1) expected life of the option: 2 years, (2) expected volatility: 78%, (3) expected dividend yield: 0%, and (4) risk-free interest rate: 4.36%.

In August 2023, the Company granted 5,000,000 stock options with an exercise price of \$0.07 expiring on August 14, 2025. The options vested immediately. The fair value was calculated to be \$160,857 using the Black-Scholes option pricing model with the following assumptions: (1) expected life of the option: 2 years, (2) expected volatility: 81%, (3) expected dividend yield: 0%, and (4) risk-free interest rate: 4.64%.

During the period ended September 30, 2023, the Company recorded stock-based compensation of \$1,213,194 (2022 - \$Nil) related to stock options.

c) Warrants

On June 18, 2023, a total of 60,000,000 warrants with an exercise price of \$0.26 expired. As of September 30, 2023, there were no warrants issued and outstanding.

11 Related party transactions and balances

a) Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities at September 30, 2023 was \$44,100 (December 31, 2022 - \$Nil) due to certain officers of the Company.

b) Loan receivables

As at September 30, 2023, the Company has a loan receivable from Graph in an amount of \$20,340 (December 31, 2022 - \$10,000). The loan is unsecured, non-interest bearing and repayable on demand.

Datametrex AI Limited

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Canadian dollars)

c) Compensation of key management personnel

Related parties include key management personnel and others considered to have significant influence or control over the Company's operations. The Company considers key management personnel to include members of the Board of Directors and executive officers of the Company. Compensation to key management personnel is listed below:

	Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	Amount \$	Options vested	Amount \$	Options vested
Cash based compensation	984,867	-	2,461,179	-
Share-based compensation	820,798	21,000,000	-	-
	<u>1,805,665</u>	<u>21,000,000</u>	<u>2,461,179</u>	<u>-</u>

12 Fair values of financial instruments

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented below.

Management has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of management is to set policies that seek to minimize risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The Company has established risk management policies and procedures designed to reduce the potentially adverse effects of price volatility on operating results and distributions. Further details regarding these policies are set out below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments which are potentially subject to credit risk for the Company consists primarily of cash and cash equivalents and trade and loan receivables.

Credit risk associated with cash and cash equivalents is minimized by ensuring these financial assets are maintained with financial institutions of reputable credit and may be redeemed upon demand. During the year ended December 31, 2022, the Company recorded allowance for expected credit losses relating to trade and loan receivables of \$2,698,673 included as cost of revenue. The allowance for expected credit losses relates to two customers and is for the full amount of the trade receivables related to those customers, due to a change in the expected lifetime credit losses related to the trade receivables in question. At September 30, 2023, the Company's maximum exposure to risk of loss with respect to these financial instruments is limited to the carrying amounts in the consolidated statement of financial position. The Company's exposure to and management of credit risk has not changed materially from that of the prior year.

Datametrex AI Limited

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Canadian dollars)

Liquidity risk

Liquidity risk is the risk the Company will encounter difficult in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach is to ensure it will have sufficient liquidity to meet operations, tax, capital and regulatory requirements and obligations, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed by management to ensure a sufficient continuity of funding exists. The Company's financial liabilities are comprised of its accounts payable and accrued liabilities and loan payable. The payments for the Company's accounts payable and accrued liabilities are due in less than a year.

The following table sets out the Company's contractual maturities (representing undiscounted contractual cash flows) of financial liabilities and commitments:

	12 months \$	1 to 2 years \$	2 to 5 years \$	Total \$
Accounts payable and accrued liabilities	2,428,824	-	-	2,428,824
Loan payable	507,674	-	-	507,674
At September 30, 2023	<u>2,936,498</u>	<u>-</u>	<u>-</u>	<u>2,936,498</u>

The Company's exposure to and management of liquidity risk has not changed materially from that of the prior year.

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. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns. Market risk is comprised of interest rate, foreign currency and other price risk. The Company's exposure to and management of market risks has not changed materially from that of the prior year.

Interest rate risk

Interest rate risk is the risk related to the fair value or future cash payments of interest-bearing financial instruments due to changes in interest rates. The Company is not exposed to market risk from changes in interest rates, as the Company does not have any debt instruments with variable interest rates.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to market risk from changes in foreign exchange rates, in particular the exchange rate between the Canadian Dollar and the Korean Won as Datametrex Korea transactions are denominated in Korean Won, which could affect operating results, financial position and cash flows. The Company is not exposed to a market risk from changes in foreign exchange rates between the Canadian Dollar and the U.S. Dollar as the Company holds minimal cash balance in U.S. Dollar and Korean Won accounts and has minimal trades receivable denominated in U.S. Dollars and Korean Won. The Company manages its exposure to this market risk through its regular operating and financing activities. A 1% change in the exchange rates between the Korean Won or U.S. Dollar and the Canadian Dollar would have an immaterial impact on these consolidated financial statements.

Datametrex AI Limited

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Canadian dollars)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market (other than interest rate risk and foreign currency risk). The Company's exposure to other price risk relates to its investments in marketable securities, which are publicly traded securities subject to market fluctuations of the quoted prices for the securities, which had a fair value at September 30, 2023 of \$373,574 (December 31, 2022 - \$478,343).

Fair values of financial instruments

IFRS 13 - *Fair value measurement*, requires disclosure of a three-level hierarchy ("FV hierarchy") that reflects the significance of the inputs used in making fair value measurements and disclosures. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include those whose valuations are determined using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are those based on inputs that are unobservable and significant to the overall fair value measurement.

Cash and cash equivalents, trade and loan receivables, accounts payable and accrued liabilities and loans payable, have relatively short periods to maturity, and as such, the carrying values contained in the consolidated statements of financial position approximate their estimated fair value.

The Company's marketable securities are measured at fair value in the consolidated statement of financial position in accordance with level 1 of the fair value hierarchy.

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from the prior year.

The capital structure of the Company consists of shareholders' equity, which totaled \$16,852,311 at September 30, 2023 (December 31, 2022 - \$22,768,645). The availability of new capital will depend on many factors including positive stock market conditions, results of operations thereby access to suitable debt products, and the experience of management. The Company is not subject to any external covenants on its capital.

13 Acquisitions

Ronin

In January 2019, the Company issued a statement of claim in the Ontario Superior Court of Justice against various vendors in connection to the Ronin Blockchain Corp. Transaction ("Ronin Vendors"). Some of the defendants have counterclaimed for shares of the Company allegedly owing under the share purchase agreement, under which the Company acquired Ronin Blockchain Corp. (subsequently dissolved), as well as damages. The action and counterclaim have not proceeded beyond the close of pleadings. On March 12, 2019, the Company entered into a final settlement with a 25% owner of the Ronin Vendors, and issued 2,000,000 common shares in satisfaction of an aggregate of \$100,000 of indebtedness. As at September 30, 2023 and December 31, 2022, claims against the Company from the remaining Ronin Vendors amounted to a balance of \$1,875,000, which is included in "Provisions".

Datametrex AI Limited

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Canadian dollars)

EVS

In June 2022, the Company completed the acquisition of EVS, an arm's length privately held electric vehicle charging solution company incorporated under the laws of the Province of British Columbia, and issued 66,666,667 common shares (note 10) valued at \$9,333,333. The acquisition of EVS was accounted as an asset acquisition. The purchase price of \$9,333,333 was allocated as follows:

Purchase price	\$	9,333,333
Patents and developed technologies (note 5)	\$	4,272,000
Consideration paid in excess of asset acquired	\$	5,061,333

The Company has accounted for the transaction as an asset acquisition under the scope of IFRS 2, *Share Based Payments*. Consideration consisted entirely of shares of the Company which were measured at the fair value of assets acquired. Management determined the fair value of the patents and developed technologies based on an external valuation. The difference between the fair value of the common shares issued of \$9,333,333 and the fair value attributed to the identifiable intangible assets of \$4,272,000 did not meet the criteria for recognition as an asset and consisted of unidentifiable goods or services, which were recognized at \$5,061,333 in profit or loss.

Imagine Health

In November 2022, the Company entered into a Share Purchase Agreement under which the Company acquired all of the issued and outstanding shares of Imagine Health located in Calgary, Alberta and Edmonton, Alberta. The purchase price was as follows: cash payment of \$1,300,000 (paid), issuance of 5,000,000 common shares of the Company (issued) (note 10) and the issuance of a secured vendor take-back note with a principal amount of \$800,000 payable in installments of 6, 12, and 18 months from the date of issuance (the "Note") (note 8). The Note is secured by the assets of Imagine Health. In addition, the Share Purchase Agreement includes a covenant to expand Imagine Health by way of working and growth capital contribution of up to \$1,000,000 to Imagine Health over a period of 12 months from the date of the acquisition.

In April 2023, the Company obtained control over the operations in both locations and, as such, the acquisition was considered completed. The acquisition was accounted for as a business combination consistent with IFRS 3, *Business Combination*. The preliminary purchase price allocation was as follows:

Purchase price – preliminary	\$	2,565,473
Assets acquired and liabilities assumed – preliminary		
Cash and cash equivalents	\$	101,671
Trade and other receivables		128,409
Inventory		159,048
Property and equipment		124,723
Accounts payable and other liabilities		(421,137)
Net asset acquired	\$	92,714
Goodwill (note 5)		2,472,759
Total	\$	2,565,473

Unaudited pro-forma revenue and net loss of the Company had if the acquisition occurred on January 1, 2023 is as follows:

	As reported for the nine months ended September 30, 2023	Pro-forma for the nine months ended September 30, 2023
Revenue	\$ 6,521,306	\$ 7,819,951
Net loss	\$ (6,686,876)	\$ (6,458,250)

Datametrex AI Limited

Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Canadian dollars)

14 Contingency

A former employee of the Company filed a claim for wrongful dismissal seeking damages aggregating \$135,000. The Company filed a defence and counterclaim denying the claim and counterclaiming for certain losses incurred by the Company. The Company intends to defend the claim vigorously and the outcome of the claim cannot be reasonably estimated at this time. Accordingly, no provision has been recorded for the nine months ended September 30, 2023.

15 Subsequent events

In November 2023, the Company granted 24,500,000 stock options with an exercise price of \$0.05 expiring in two years to certain management, employees, advisors and directors of the Company. The options vest immediately.

In November 2023, the Company cancelled an aggregate of 4,000,000 stock options with an exercise price of \$0.08 expiring on June 9, 2025.

On November 13, 2023, the Company entered into an agreement related to the sale of its subsidiary, EVS, to Graph Blockchain Inc. ("Graph"). Pursuant to the agreement, Graph agreed to acquire EVS for an aggregate purchase price of up to \$3,750,000, contingent upon EVS achieving certain milestones over a three year period. At closing, Graph will issue 15,000,000 common shares to the Company. The Company may receive up to an additional \$3,000,000 in Earn-Out Payments contingent upon EVS's fulfillment of certain post-closing performance metrics over three years.