

DeepMarkit Corp.

Consolidated Financial Statements

As at and for the three months ended September 30, 2022

(Unaudited)

(In Canadian dollars)

Notice of No Auditor Review of Condensed Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim consolidated financial statements as at and for the three months ended September 30, 2022.

DeepMarkit Corp.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
(In Canadian dollars)

As at	September 30 2022	June 30 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 1,055,083	\$ 1,949,104
Goods and Services Tax receivable	212,912	169,513
Prepaid expenses	78,533	534,935
Total current assets	1,346,528	2,653,552
Equipment	4,624	4,999
Intangible assets (Note 4)	5,533,249	5,335,749
Total assets	\$ 6,884,401	\$ 7,994,300
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	\$ 429,129	\$ 453,134
CEBA loan (Note 11)	38,615	37,279
Total liabilities	467,744	490,413
Shareholders' equity		
Share capital (Note 5)	32,799,296	32,799,296
Contributed surplus	4,503,800	4,240,210
Deficit	(30,886,439)	(29,535,619)
Total shareholders' equity	6,416,657	7,503,887
Total liabilities and shareholders' equity	\$ 6,884,401	\$ 7,994,300

Going concern (Note 1)
Subsequent event (Note 12)

Approved on behalf of the Board of Directors:

{Signed}

Steve Vanry, Director

{Signed}

Paul McKenzie, Director

DeepMarkit Corp.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited)
(In Canadian dollars)

For the three months ended September 30	2022		2021	
Revenue	\$	116	\$	599
Expenses				
Wages and benefits		25,100		43,306
General and administrative		943,901		10,589
Professional fees		115,399		5,001
Listing and filing fees		10,539		4,906
Share-based payments (Note 7)		263,590		–
Finance (Note 8)		(2,394)		81,043
Amortization		375		631
Foreign exchange		(5,574)		305
Total expenses		1,350,936		145,781
Loss and comprehensive loss	\$	(1,350,820)	\$	(145,182)
Loss per share – basic and diluted (Note 9)	\$	(0.01)	\$	(0.01)

DeepMarket Corp.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)
(In Canadian dollars)

For the three months ended September 30	2022	2021
Share capital		
Balance, beginning of period	\$ 32,799,296	\$ 13,926,489
Unit private placements, net of issue costs	–	690,764
Balance, end of period	32,799,296	14,617,253
Contributed surplus		
Balance, beginning of period	4,240,210	2,035,728
Share-based payments (Note 7)	263,590	–
Balance, end of period	4,503,800	2,035,728
Deficit		
Balance, beginning of period	(29,535,619)	(18,825,804)
Loss for the period	(1,350,820)	(145,182)
Balance, end of period	(30,886,439)	(18,970,986)
Total shareholders' equity (deficit)	\$ 6,416,657	\$ (2,318,005)

DeepMarkit Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
(In Canadian dollars)

For the three months ended September 30	2022		2021	
Operating activities				
Loss for the period	\$	(1,350,820)	\$	(145,182)
Items not affecting cash:				
Amortization		375		631
Share-based payments (Note 7)		263,590		–
Finance expense (Note 8)		1,336		1,163
Change in non-cash working capital:				
Accounts receivable		(43,399)		(511)
Prepaid expenses		456,402		–
Accounts payable and accrued liabilities		(24,005)		87,905
Net cash used in operating activities		(696,521)		(55,994)
Financing activities				
Private placement proceeds, net of issue costs		–		690,764
Net cash provided by financing activities		–		690,764
Investing activities				
Intangible asset expenditures (Note 4)		(197,500)		–
Net cash provided by investing activities		(197,500)		–
Change in cash and cash equivalents		(894,021)		634,770
Cash and cash equivalents, beginning of period		1,949,104		73,570
Cash and cash equivalents, end of period	\$	1,055,083	\$	708,340
Cash and cash equivalents are comprised of:				
Cash	\$	1,035,083	\$	688,340
Redeemable term deposit		20,000		20,000
	\$	1,055,083	\$	708,340

DeepMarkit Corp.
Notes to the Consolidated Financial Statements
For the three months ended September 30, 2022
(Unaudited)
(In Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

DeepMarkit Corp. (the “Company” or “DeepMarkit”) was incorporated in Canada under the Business Corporations Act (Alberta) on November 20, 2007 under the name Challenger Deep Resources Corp. The Company changed its name to DeepMarkit Corp. on October 30, 2015. The Company is a Technology Issuer whose shares trade on the TSX Venture Exchange under the symbol “MKT.V”, on the OTCQB Venture Market under the symbol “MKTDF” and the Frankfurt Stock Exchange under the symbol “DEP”. To date, the Company has not generated significant revenues from operations. The Company’s registered office of record is Suite 202, 615 – 15th Avenue S.W., Calgary, Alberta, Canada, T2R 0R4.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has not achieved profitable operations since its inception and to date has had limited sources of revenue. As at September 30, 2022, the Company had an accumulated deficit of \$30,886,439 (June 30, 2022 – \$29,535,619) and working capital of \$917,399 (June 30, 2022 – \$2,200,418). Whether and when the Company can attain profitability and positive cash flows from operations is uncertain. The factors above give rise to a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern.

While management believes the Company has sufficient cash resources to discharge its obligations in the normal course of operations for the short-term, future operations will continue to be dependent upon successful development of the Company’s business plan, raising of sufficient capital to execute on that plan, and the corresponding generation of future cash flows. Management believes the going concern assumption is appropriate for these consolidated financial statements.

While the Company has been successful to date in obtaining financing, there is no assurance that it will be able to do so in the future or that such financing will be on terms acceptable to the Company. Global events, such as the COVID-19 pandemic and the war in Ukraine, have created uncertainties resulting in significant market volatility and a general restriction on the access to capital. There is significant risk that additional debt and equity financing may not be attainable, in which event, the Company would not be able to continue its business operations. These factors give rise to material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and their classifications. Such adjustments, if required, could be material.

2. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements include the accounts of the following entities:

<u>Name</u>	<u>Place of Business</u>	<u>Ownership</u>
DeepMarkit Corp. (“DeepMarkit”)	Canada	Parent company
DeepMarkit Digital Corp. (“Digital”)	Canada (inactive)	100% owned subsidiary of DeepMarkit
First Carbon Corp. (“First Carbon”)	Canada	100% owned subsidiary of DeepMarkit acquired February 18, 2022

The unaudited condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by

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the International Accounting Standards Board, applicable to the preparation of interim financial statements as set out in International Accounting Standard 34 Interim Financial Reporting.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the June 30, 2022 audited consolidated financial statements and notes thereto. The Company has consistently applied the same accounting policies throughout all periods presented with the addition of the policy described in Note 3.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 28, 2022.

3. NEW ACCOUNTING POLICY

Restricted share units

Restricted share units (“RSUs”) granted by the Company may be settled by issuing one common share for each RSU or in cash, at the Company’s option. As there is no present obligation for the Company to settle in cash, RSUs are accounted for as equity-settled share-based payments.

The fair value of RSUs is estimated based on the market value of the Company’s common shares on the date of grant and is recognized as share-based payment expense, with a corresponding increase in contributed surplus, over the vesting period, based on the Company’s estimate of RSUs that will eventually vest.

Upon settlement of the RSUs, if the Company elects to settle in cash, the cash payment is recognized as a repurchase of equity; if the Company elects to settle by issuing one common share for each RSU settled, no further accounting is required.

4. INTANGIBLE ASSETS

Balance, June 30, 2022	\$	5,335,749
Additions		197,500
<hr/>		
Balance, September 30, 2022	\$	5,533,249

Intangible assets are comprised of the MintCarbon.io platform (the “Platform”), a web-based software as a service platform that facilitates the minting of carbon offsets into non-fungible tokens. Amortization will commence in the period the Company completes development and launches the Platform for commercial use.

5. SHARE CAPITAL

	Number of common shares	Amount
Balance, June 30, 2022 and September 30, 2022	169,862,816	\$ 32,799,296

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(Unaudited)
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6. WARRANTS

As at June 30, 2022 and September 30, 2022, the Company had 43,461,148 warrants outstanding. Information about warrants outstanding and exercisable as at September 30, 2022 is as follows:

Weighted average exercise price	Number of warrants	Weighted average life remaining (years)
\$ 0.13	1,001,000	2.4
0.19	14,634,148	1.0
0.22	686,000	1.5
0.31	17,340,000	2.4
0.38	9,800,000	1.5
\$0.28	43,461,148	1.7

7. STOCK OPTIONS AND RESTRICTED SHARE UNITS

(a) Stock options

On August 19, 2022, the Company cancelled 1,020,000 stock options exercisable at \$0.2125 per common share.

A continuity of stock options and information as at September 30, 2022 is as follows:

	Number of stock options	Weighted average exercise price	Weighted average life remaining (years)
Balance, June 30, 2022	16,000,000	\$ 0.2125	
Cancelled	(1,020,000)	(0.2125)	
Balance, September 30, 2022	14,980,000	\$ 0.2125 ⁽¹⁾	1.4
Exercisable, September 30, 2022	13,980,000		1.4

⁽¹⁾ Repriced to \$0.15 per share on October 4, 2022 (Note 12).

(b) Restricted share units

On August 19, 2022, the Company granted an aggregate of 15,800,000 RSUs to directors, officers, employees and consultants in accordance with the Company's equity compensation incentive plan and as compensation for ongoing services rendered to the Company. Each RSU, once vested, will allow the holder to acquire one common share of the Company. The RSUs vest on August 19, 2023, subject to earlier vesting in the event of a change of control and subject to the policies of the Exchange and expire on August 19, 2027.

The grant date fair value of these RSUs was determined to be \$1,738,000 based on the \$0.11 market price of the Company's common shares on the grant date.

(c) Share-based payments

For the three months ended September 30	2022	2021
In respect of:		
Stock options	\$ 63,601	\$ —
RSUs	199,989	—
	\$ 263,590	\$ —

The remaining unrecognized fair value at September 30, 2022 is \$48,487 for stock options and \$1,538,011 for RSUs.

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8. FINANCE (INCOME) EXPENSE

For the three months ended September 30	2022		2021	
Accretion of CEBA loan	\$	1,336	\$	1,163
Interest on debentures (Note 10)		–		79,892
Interest income		(3,730)		(12)
	\$	(2,394)	\$	81,043

During the three months ended September 30, 2022, the Company paid \$nil (three months ended September 30, 2021 – \$nil) of interest.

9. PER SHARE AMOUNTS

For the three months ended September 30	2022		2021	
Loss for the period	\$	(1,350,820)	\$	(145,182)
Basic and diluted ⁽¹⁾ weighted average number of shares		169,862,816		14,345,234
Loss per share – basic and diluted	\$	(0.01)	\$	(0.01)

⁽¹⁾ All warrants, stock options and RSUs have been excluded from the diluted per share amounts as their effect is anti-dilutive in loss periods.

10. RELATED PARTY TRANSACTIONS

For the three months ended September 30	2022		2021	
Charged by officers and directors of the Company (a)				
Wages and benefits	\$	–	\$	25,000
Consulting fees		14,875		5,001
Professional fees		40,000		–
	\$	54,875		30,001
Charged by a company owned by a director of the Company (b)				
Rent	\$	6,000	\$	6,000
\$2,000,000 of debentures held by 1323552 B.C. Ltd. (c)				
Interest expense	\$	–	\$	79,892

(a) As at September 30, 2022, accounts payable and accrued liabilities included \$305,834 (June 30, 2022 – \$303,734) in respect of these related parties.

(b) As at September 30, 2022, accounts payable and accrued liabilities included \$4,200 (June 30, 2022 – \$nil) due to this related party.

(c) 1323552 B.C. Ltd. is a private company controlled by Ranjeet Sundher, a director and founder of the Company. These debentures bore interest at 12% per annum and were converted to common shares of the Company in November 2021.

11. LIQUIDITY RISK

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with cash. As at September 30, 2022, the Company's financial liabilities consist of accounts payable and accrued liabilities and the CEBA loan

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which can be settled through the cash and cash equivalents balance of \$1,055,083. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. There have been no changes in the Company's strategy with respect to credit/liquidity risk in the period.

The timing of cash outflows relating to the Company's financial liabilities as at September 30, 2022 are as follows:

	Carrying amount	Contractual cash flows	Due within 1 year	Due by December 31, 2023
	\$	\$	\$	\$
Accounts payable and accrued liabilities ⁽¹⁾	429,129	429,129	429,129	–
CEBA loan	38,615	40,000	–	40,000
	467,744	469,129	429,129	40,000

⁽¹⁾ Includes \$310,034 due to related parties (Note 10).

12. SUBSEQUENT EVENT

On October 4, 2022, the Company amended the exercise price of 14,980,000 stock options expiring on March 8, 2024 from \$0.2125 per common share to \$0.15 per common share.