

**DeepMarket Corp.**

**Consolidated Financial Statements  
As at and for the year ended June 30, 2023  
(In Canadian dollars)**



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## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of DeepMarket Corp.**

### ***Opinion***

We have audited the consolidated financial statements of DeepMarket Corp. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at June 30, 2023, the consolidated statements of loss and comprehensive loss, changes in shareholders' (deficit) equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2023, and its consolidated financial performance and its consolidated cash flows for the year 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, and 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.

### ***Emphasis of Matter - Material Uncertainty Related to Going Concern***

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended June 30, 2023 and had a working capital deficit and an accumulated deficit at that date. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### ***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 for the year ended June 30, 2023. 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. In addition to the matter described in the *Emphasis of Matter - Material Uncertainty Related to Going Concern* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

(continues)



**Independent Auditor's Report to the Shareholders of DeepMarkit Corp. (continued)**

**Key Audit Matters (continued)**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Intangible assets impairment assessment</b></p> <p>The Company's impairment assessment for intangible assets required management to make significant assumptions in determining the recoverable amount, such as revenue forecast, discount rate, and terminal growth.</p>	<p>We determined impairment assessment as a key audit matter as it represented an area of significant risk of material misstatement given the magnitude of the intangible assets and the high degree of estimation uncertainty in determining the recoverable amount. In addition, significant auditor judgement and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the Company's determination of recoverable amount to minor changes to significant assumptions.</p> <p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>▪ Evaluated management's process and methodology;</li> <li>▪ Tested the completeness and accuracy of data and, reasonableness of assumptions used in the Company's impairment assessment; and</li> <li>▪ Assessed the overall presentation and disclosure in the consolidated financial statements.</li> </ul>

**Other Matter**

The consolidated financial statements of the Company for the periods ended June 30, 2022 and December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on October 28, 2022.

**Other Information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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.

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**Independent Auditor's Report to the Shareholders of DeepMarkit Corp. (continued)**

***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)***

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 to 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 the 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 judgment 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 risk 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.

*(continues)*



**Independent Auditor's Report to the Shareholders of DeepMarkit Corp. (continued)**

*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 on the audit resulting in this independent auditor's report is Sameer Parekh.

*SRCO Professional Corporation*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Authorized to practice public accounting by the  
Chartered Professional Accountants of Ontario

Richmond Hill, Canada  
October 26, 2023

**DeepMarket Corp.**  
**Consolidated Statements of Financial Position**  
(In Canadian dollars)

As at	Note	June 30 2023	June 30 2022	December 31 2021
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$	<b>88,944</b>	\$ 1,949,104	\$ 501,472
Harmonized tax receivable	13	<b>53,828</b>	169,513	24,473
Prepaid expenses		<b>13,107</b>	534,935	83,350
<b>Total current assets</b>		<b>155,879</b>	2,653,552	609,295
Equipment	5	<b>2,254</b>	4,999	5,881
Intangible assets	6	–	5,335,749	–
Deferred transaction costs	4	–	–	32,824
<b>Total assets</b>		<b>\$ 158,133</b>	\$ 7,994,300	\$ 648,000
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	15	<b>\$ 480,533</b>	\$ 453,134	\$ 336,778
CEBA loan	7	<b>40,000</b>	–	34,783
		<b>520,533</b>	453,134	371,561
CEBA loan	7	–	37,279	–
<b>Total liabilities</b>		<b>520,533</b>	490,413	371,561
<b>Shareholders' (deficit) equity</b>				
Share capital	9	<b>32,799,296</b>	32,799,296	21,567,598
Contributed surplus		<b>5,870,356</b>	4,240,210	2,035,728
Deficit		<b>(39,032,052)</b>	(29,535,619)	(23,326,887)
<b>Total shareholders' (deficit) equity</b>		<b>(362,400)</b>	7,503,887	276,439
<b>Total liabilities and shareholders' (deficit) equity</b>		<b>\$ 158,133</b>	\$ 7,994,300	\$ 648,000

Going concern (Note 1)  
Subsequent event (Note 19)

Approved on behalf of the Board of Directors:

{Signed}

Steve Vanry, Director

{Signed}

Paul McKenzie, Director

**DeepMarkit Corp.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
(In Canadian dollars)

	Note	Year ended June 30 2023	Six months ended June 30 2022	Year ended December 31 2021
<b>Revenue</b>		\$ –	\$ 509	\$ 3,007
<b>Expenses</b>				
Wages and benefits	15	103,702	110,080	175,523
General and administrative	15	1,541,031	1,471,295	85,108
Professional fees	15	316,733	420,221	51,996
Listing and filing fees		82,991	85,591	33,391
Write-off of recycled equipment	5	3,304	–	–
Amortization	5, 6	1,252,798	882	2,520
Impairment of intangible assets	6	4,381,415	2,124,000	–
Impairment of harmonized tax receivable	13	192,377	–	–
Share-based payments	11, 15	1,630,146	1,986,632	–
Net finance (income) expense	12	(4,202)	(57)	236,523
Loss on debt conversion	9	–	–	4,182,044
Foreign exchange (gain) loss		(3,862)	10,597	629
<b>Total expenses</b>		<b>9,496,433</b>	<b>6,209,241</b>	<b>4,767,734</b>
<b>Loss and comprehensive loss</b>		<b>\$ (9,496,433)</b>	<b>\$ (6,208,732)</b>	<b>\$ (4,764,727)</b>
<b>Loss per share</b>				
<b>Basic and diluted</b>	14	\$ (2.24)	\$ (1.71)	\$ (7.43)

The accompanying notes are an integral part of these consolidated financial statements.

**DeepMarkit Corp.**  
**Consolidated Statements of Changes in Shareholders' (Deficit) Equity**  
**(In Canadian dollars)**

	Note	Share Capital	Contributed Surplus	Deficit	Total Shareholders' (Deficit) Equity
Balance, December 31, 2020		\$ 13,926,489	\$ 2,035,728	\$ (18,562,160)	\$ (2,599,943)
Unit private placements, net of issue costs	9	693,403	–	–	693,403
Debt Conversion	9	6,947,706	–	–	6,947,706
Loss for the year		–	–	(4,764,727)	(4,764,727)
Balance, December 31, 2021		21,567,598	2,035,728	(23,326,887)	276,439
Unit private placements, net of issue costs	9	3,731,698	217,850	–	3,949,548
Acquisition of First Carbon Corp.	4	7,500,000	–	–	7,500,000
Share-based payments	11	–	1,986,632	–	1,986,632
Loss for the period		–	–	(6,208,732)	(6,208,732)
Balance, June 30, 2022		32,799,296	4,240,210	(29,535,619)	7,503,887
Share-based payments	11	–	1,630,146	–	1,630,146
Loss for the year		–	–	(9,496,433)	(9,496,433)
Balance, June 30, 2023		\$ 32,799,296	\$ 5,870,356	\$ (39,032,052)	\$ (362,400)

The accompanying notes are an integral part of these consolidated financial statements.

**DeepMarket Corp.**  
**Consolidated Statements of Cash Flows**  
(In Canadian dollars)

	Note	Year ended June 30 2023	Six months ended June 30 2022	Year ended December 31 2021
<b>Operating activities</b>				
Loss for the year/period		\$ (9,496,433)	\$ (6,208,732)	\$ (4,764,727)
Items not affecting cash:				
Write-off of recycled equipment	5	3,304	–	–
Amortization	5, 6	1,252,798	882	2,520
Impairment of intangible assets	6	4,381,415	2,124,000	–
Impairment of harmonized tax receivable	13	192,377	–	–
Share-based payments	11	1,630,146	1,986,632	–
Finance expense (income)	12	2,721	2,496	(25,217)
Loss on debt conversion	9	–	–	4,182,044
Change in non-cash working capital:				
Harmonized sales tax receivable		(76,692)	(135,958)	(17,394)
Prepaid expenses		521,828	(451,585)	(83,350)
Accounts payable and accrued liabilities		27,399	99,135	391,929
Net cash used in operating activities		(1,561,137)	(2,583,130)	(314,195)
<b>Financing activities</b>				
Proceeds from CEBA loan	7	–	–	60,000
Private placement proceeds	9	–	4,250,000	750,000
Share issue costs	9	–	(300,452)	(56,597)
Deferred transaction costs	4	–	–	(32,824)
Net cash provided by financing activities		–	3,949,548	720,579
<b>Investing activities</b>				
Purchase of equipment	5	(1,523)	–	–
Purchase of intangible assets	6	(297,500)	(312,700)	–
Cash acquired	4	–	426,687	–
Acquisition transaction costs	4	–	(32,773)	–
Net cash (used in) provided by investing activities		(299,023)	81,214	–
<b>Change in cash and cash equivalents</b>		(1,860,160)	1,447,632	406,384
Cash and cash equivalents, beginning of year/period		1,949,104	501,472	95,088
<b>Cash and cash equivalents, end of year/period</b>		\$ 88,944	\$ 1,949,104	\$ 501,472
<b>Cash and cash equivalents are comprised of:</b>				
Cash		\$ 68,944	\$ 1,929,104	\$ 481,472
Redeemable term deposit		20,000	20,000	20,000
		\$ 88,944	\$ 1,949,104	\$ 501,472

The accompanying notes are an integral part of these consolidated financial statements.

**DeepMarkit Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the year ended June 30, 2023, the six months ended June 30, 2022 and the year ended**  
**December 31, 2021**  
**(In Canadian dollars)**

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**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 – 15<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada, T2R 0R4.

DeepMarkit changed its financial year-end from December 31 to June 30. The transition period was the six months ended June 30, 2022 with the prior comparative period the year ended December 31, 2021.

The Company acquired First Carbon Corp. on February 18, 2022 (Note 4).

On January 17, 2023, the Company incorporated a wholly owned subsidiary, DeepMarkit AI Corp., with a focus on exploring, developing and partnering or investing in innovative and value-added Artificial Intelligence (“AI”)-based technologies.

On June 8, 2023, the Company’s shareholders approved the consolidation of the Company’s shares on the basis of one post-consolidation common share for every 40 pre-consolidation common shares issued and outstanding. The share consolidation has been retroactively applied throughout these consolidated financial statements.

These 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 June 30, 2023, the Company had an accumulated deficit of \$39,032,052 (June 30, 2022 – \$29,535,619; December 31, 2021 – \$23,326,887) and working capital deficit of \$364,654 (June 30, 2022 – \$2,200,418 working capital surplus; December 31, 2021 – \$237,734 working capital surplus). 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 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 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 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.

**DeepMarkit Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the year ended June 30, 2023, the six months ended June 30, 2022 and the year ended**  
**December 31, 2021**  
**(In Canadian dollars)**

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**2. BASIS OF PRESENTATION**

(a) Statement of compliance

The consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee in effect as of July 1, 2022.

These consolidated financial statements were authorized for issue by the Board of Directors on October 26, 2023.

(b) Basis of consolidation

These 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 as at June 30, 2023 and 2022 and December 31, 2021
First Carbon Corp. (“First Carbon”)	Canada	100% owned subsidiary of DeepMarkit as at June 30, 2023 and 2022 (Note 4)
DeepMarkit AI Corp.	Canada	100% owned subsidiary of DeepMarkit as at June 30, 2023

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

(c) Basis of measurement

The consolidated financial statements have been prepared in accordance with IFRS on a historical cost basis except for financial instruments which are measured at fair value as explained in the accounting policies.

(d) Functional and presentation currency

The functional currency of DeepMarkit and its wholly owned subsidiaries is the Canadian dollar (“CAD”). The presentation currency of the Company is CAD.

(e) Use of judgments and estimates

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

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

**DeepMarkit Corp.**  
**Notes to the Consolidated Financial Statements**  
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**December 31, 2021**  
**(In Canadian dollars)**

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Significant estimates and underlying assumptions about the future made by management that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) Going concern

The going concern assessment requires management's judgment on the ability of the Company to achieve positive cash flow from operating activities and/or obtain necessary equity or other financing to execute the Company's business plan.

(ii) Business combinations

The assessment of a business combination to determine if the transaction meets the recognition criteria of a business combination or an asset acquisition. This assessment requires management to make judgements about whether the assets acquired constitute a business or are an asset or group of assets that represent a single identifiable asset. In an asset acquisition, the consideration paid, which includes associated transaction costs, is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. Such a transaction does not give rise to goodwill.

(iii) Impairment of non-financial assets

Long-lived assets or finite life intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable at the end of each reporting period. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is estimated using the higher of the fair value less costs to sell and value-in-use approaches as determined through the use of various valuation methods, which include cash flow projections, income approach and enterprise valuation models. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior periods. In the process of measuring recoverable amounts, management makes assumptions about future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets in subsequent financial years.

(iv) Stock options and warrants

The fair value of stock options granted is recognized using the Black-Scholes pricing model. The fair value of common share warrants is measured on the date of issuance using a pricing model, such as Black-Scholes, that takes into account the terms and conditions upon which the warrants were issued. Measurement inputs include the Company's share price on the measurement date, the exercise price of the stock options/warrants, the expected volatility of the Company's shares, the expected life of the stock options/warrants and the risk-free rate of return. The Company estimates volatility based on historical volatilities of publicly traded peer companies. The expected life of stock options/warrants is based on historical experience and estimates of the holder's behavior. Dividends are not factored in as the Company does not expect to pay dividends in the foreseeable future. For the fair value of stock options, management also makes an estimate of the number of stock options that may be forfeited, and the rate is adjusted to reflect the actual number of stock options that actually vest.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

(a) Non-monetary transactions

Non-monetary transactions are valued at the fair value of the asset or liability acquired. If the fair value of the asset or liability acquired cannot be accurately measured, the fair value of the asset or liability given up is used.

(b) Business combination

The acquisition of a subsidiary or assets that meet the definition of a business under IFRS 3 Business Combinations ("IFRS 3") is accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The identifiable assets acquired and liabilities and contingent liabilities assumed that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for, deferred income taxes, employee benefit arrangements, share-based compensation, and assets held for sale, which are measured in accordance with their applicable IFRS. Any excess consideration over the fair value of the identifiable net assets is recognized as goodwill. Acquisition-related costs, other than those associated with the issuance of debt or equity, are recognized in profit or loss as incurred.

An acquisition of a subsidiary or assets that do not meet the definition of a business under IFRS 3 or which meet the optional test to identify a concentration of fair value is accounted for as an asset acquisition.

(c) Cash and cash equivalents

Cash and cash equivalents include cash and redeemable term deposits at banking institutions with original maturities of less than three months.

(d) Equipment

Equipment is stated in the consolidated statements of financial position at cost less accumulated amortization and impairment losses. Amortization is charged so as to write-off the cost of equipment, over their estimated useful lives, using the declining balance method at a rate of 30% per year. Amortization is charged once an asset is determined to be available for use. The estimated useful lives, residual values and amortization method are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(e) Intangible assets

Intangible assets consist of acquired development intellectual property. Intangible assets are accounted for at cost less accumulated amortization and impairment losses. Intellectual property has a finite useful life and is carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized on straight-line basis over the estimated useful life commencing in the period the Company completes development and puts the related asset to use.

Amortization is calculated on a straight-line basis over three years and commenced in November 2022.

(f) Research and development costs

The Company incurs costs on activities that relate to research and development. Research and development costs are expensed, except where development costs meet certain identifiable criteria for capitalization, including technical and economic feasibility. Development costs are capitalized only if the expenditures can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Deferred development costs are amortized over the life the estimated useful life.

**DeepMarkit Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the year ended June 30, 2023, the six months ended June 30, 2022 and the year ended**  
**December 31, 2021**  
**(In Canadian dollars)**

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(g) Impairment of non-financial assets

The Company reviews the carrying amounts of its non-financial assets, when events or changes in circumstances indicate the assets may not be recoverable at the end of each reporting period. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit (“CGU”) to which the asset belongs. Assets carried at fair value are excluded from impairment analysis.

The recoverable amount is the higher of fair value, less costs of disposal and the value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of the asset or CGU are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the amount obtainable from the sale of an asset or CGU in an arm’s length transaction between knowledgeable, willing parties, less the cost of disposal. When a binding sale agreement is not available, fair value less costs of disposal is estimated using a discounted cash flow approach with inputs and assumptions consistent with those of a market participant.

If the recoverable amount of an asset or CGU is estimated to be less than their carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in net income. Any impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU. Impairments of goodwill cannot be reversed. Impairments of other assets recognized in prior periods are assessed at the end of each reporting period to determine if the indicators of impairment have reversed or no longer exist. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

(h) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. The amount of a provision is the best estimate of the consideration at the end of the reporting period. Provisions measured using estimated cash flows required to settle the obligation are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company did not recognize any provisions as at or for the year ended June 30, 2023, the six months ended June 30, 2022 and year ended December 31, 2021.

(i) Share capital

Common shares are classified as equity. The Company may issue common share warrants as part of a unit issuance comprised of a common share and common share warrant or as broker compensation warrants, which are treated as a share issue cost. Warrants are classified as equity instruments. Consideration received on the sale of a unit is allocated, within equity, to the respective instruments based on fair values using the residual value method whereby fair value is assigned to the more readily determinable instrument, being the common share, with the remaining allocated to the warrant. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

(j) Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants, options and restricted share units (“RSUs”) outstanding that may add to the total number of common shares to the extent that that are not antidilutive.

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(k) Share-based payments

Share-based payments are comprised of stock option and RSU awards granted to employees, directors and others which are equity-settled share-based payments.

These stock option share-based payments are measured at the fair value of the stock options on the grant date and are recognized as an expense with the offsetting credit as an increase to contributed surplus.

Upon exercise of the stock option, the Company issues new shares. The associated fair value amount is reclassified from the contributed surplus to share capital. The proceeds received, net of any directly attributable transaction costs, are credited to share capital when the options are exercised. Where equity instruments are granted to non-employees they are recorded at the fair value of the goods or services received. Where the fair value of goods or services received cannot be reliably measured it is measured based on the fair value of the equity instrument granted.

RSUs granted by the Company may be settled by issuing one common share for each RSU or in cash, or some combination thereof, at the Company's option as determined at the time of grant. 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.

(l) Financial instruments

The Company measures its financial assets and liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification, which in the case of financial assets, is determined by the context of the Company's business model and contractual cash flow characteristic of the financial asset.

Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit or loss ("FVTPL").

Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL, or designated as FVTPL, where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI").

The Company classifies its cash and cash equivalents at FVTPL. The Company classifies its accounts payable and accrued liabilities and CEBA loan at amortized cost. The contractual cash flows received from the financial assets are solely the payment of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method. The carrying value of the Company's cash and cash equivalents and accounts payable and accrued liabilities approximate their fair values due to their short term of maturity.

The Company does not currently have any risk management contracts. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with changes in fair value charged immediately to the consolidated statement of loss and comprehensive loss.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to those assets are transferred.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash

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flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statement of loss and comprehensive loss.

(m) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for objective evidence of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of financial asset have been affected. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Losses are recognized in profit or loss and reflected as an allowance against the related financial instrument. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(n) Taxes

Tax expense or recovery on the income or loss for the period is comprised of current and deferred tax. Taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is recognized using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for goodwill, not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable income. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

(o) Revenue recognition

The Company generates revenues from monthly subscriptions for game-based marketing software. Revenue associated with these subscriptions is measured based on the consideration specified in contracts with customers. Revenue is recognized when control is transferred from the Company to its customers. The transfer of control of software usage coincides with the right-to-use passing to the customer. The Company has no further performance obligations with respect to the revenue recognized during the period. All of the Company's revenues have been generated through sales channels.

(p) Finance income and expenses

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Finance expenses comprise interest expense on debentures, the benefit of the CEBA loan and accretion of the CEBA loan.

(q) Government assistance

The Company may receive compensation from government-funded assistance. When the assistance relates to an expense item, it is recognized as other income over the period necessary to match the amount to the costs that it is intended to compensate. When the assistance relates to an amount to be repaid, it is

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recognized as debt in accordance with the terms of the assistance. Amounts are recognized when the grant is received, or when there is reasonable assurance that the Company has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

(r) Foreign currencies

Transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in the consolidated statement of loss and comprehensive loss in the period in which they arise.

The financial results of operations that have a functional currency different from the presentation currency are translated into the presentation currency. Income and expenditures of operations are translated at the average rate of the exchange for the period. All assets and liabilities are translated at the rate of exchange at the reporting date. Differences arising on translation are recognized as other comprehensive income (loss).

(s) Transaction costs

Transaction costs incurred are deferred until such time as the transaction is completed or abandoned and subsequently recognized in profit or loss in the period such determination is made.

(t) Amendments to standards not yet adopted

The Company has reviewed new and amended accounting pronouncements that have been issued but are not yet effective and determined that the following amendments are applicable to the Company but are not expected to have a material impact:

*Amendments to IAS 1 Presentation of Financial Statements*

Effective for the Company on July 1, 2023, amendments to IAS 1 require that companies disclose their material accounting policies rather than its significant accounting policies and explain how a company can identify material accounting policies.

Effective for the Company on July 1, 2024, amendments to IAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability as current or non-current.

*Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

Effective for the Company on July 1, 2023, amendments to IAS 8 replace the definition of a change in accounting estimate with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify that a change in an accounting estimate that results from new information or new developments is not the correction of an error.

*Amendments to IAS 12 Income Taxes*

Effective for the Company on July 1, 2023, amendments to IAS 12 relate to deferred tax assets and liabilities arising from a single transaction and clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

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**4. ACQUISITION OF FIRST CARBON CORP.**

On February 18, 2022, the Company acquired all of the issued and outstanding common shares of First Carbon (the "Acquisition") in exchange for 1,500,000 (60,000,000 pre-consolidation) common shares of the Company issued to First Carbon shareholders. The implied fair value the Company's common shares on February 18, 2022 was \$5.00 (\$0.125 pre-consolidation) per common share based on the unit private placement completed on the same day, resulting in a value of consideration of \$7,500,000.

The Company met the optional concentration of fair value test under IFRS 3 Business Combinations as substantially all of the fair value of the gross assets acquired (excluding cash and cash equivalents) is concentrated in an intellectual property intangible asset.

As a result, the Company accounted for the Acquisition as an asset acquisition as summarized below:

**Consideration:**

Value of common shares	\$	7,500,000
Acquisition transaction costs		65,597
	\$	7,565,597

**Value of net assets:**

Cash	\$	426,687
Harmonized sales tax recoverable		9,082
Intangible assets		7,147,049
Accounts payable and accrued liabilities		(17,221)
	\$	7,565,597

First Carbon shareholders holding 292,491 (11,699,620 pre-consolidation) common shares of the Company issued in connection with the Acquisition delivered lock-up agreements to the Company in which they agreed not to trade such shares prior to October 15, 2022. All of the common shares issued in connection with the Acquisition were subject to a four-month hold period, now expired, required under applicable securities laws and the policies of the TSX Venture Exchange.

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**5. EQUIPMENT**

<b>Cost</b>	
Balance, December 31, 2020 and 2021 and June 30, 2022	\$ 47,858
Additions	1,523
Write-off recycled equipment	(30,803)
Balance, June 30, 2023	18,578
<b>Accumulated amortization</b>	
Balance, December 31, 2020	\$ 39,457
Amortization	2,520
Balance, December 31, 2021	41,977
Amortization	882
Balance, June 30, 2022	\$ 42,859
Amortization	964
Write-off recycled equipment	(27,499)
Balance, June 30, 2023	16,324
<b>Net carrying amount</b>	
As at December 31, 2021	\$ 5,881
As at June 30, 2022	\$ 4,999
As at June 30, 2023	\$ 2,254

During the year ended June 30, 2023, the Company wrote-off obsolete equipment that was recycled.

**6. INTANGIBLE ASSETS**

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.

<b>Cost</b>	
Balance, December 31, 2020 and 2021	\$ —
Acquired (Note 4)	7,147,049
Additions	312,700
Balance, June 30, 2022	7,459,749
Additions	297,500
Balance, June 30, 2023	\$ 7,757,249
<b>Accumulated amortization and impairment</b>	
Balance, December 31, 2020 and 2021	\$ —
Impairment	2,124,000
Balance, June 30, 2022	2,124,000
Amortization	1,251,834
Impairment	4,381,415
Balance, June 30, 2023	\$ 7,757,249
<b>Net carrying amount</b>	
As at December 31, 2021	\$ —
As at June 30, 2022	\$ 5,335,749
As at June 30, 2023	\$ —

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Impairment

On June 30, 2023 and June 30, 2022, the Company identified indicators of impairment in relation to intangible assets, such as a decrease in the Company's enterprise value and unfavourable changes in the crypto and carbon credit markets, and performed an impairment test. At June 30, 2023, management estimated the recoverable amount of intangible assets to be \$nil based on estimated future cash flows (June 30, 2022 – \$5,335,749 based on the Company's enterprise value), representing an estimate of fair value less costs to sell.

As at June 30, 2023, the carrying amount was determined to be higher than the recoverable amount resulting in the recognition of \$4,381,415 (June 30, 2022 – \$2,124,000) of impairment.

Enterprise value is computed as the market capitalization of the Company (number of common shares outstanding multiplied by the market price of the Company's shares on the measurement dates) plus total liabilities less cash and cash equivalents. The market price of the Company's shares was \$0.15 (\$0.004 pre-consolidation) per common share on June 30, 2023 and \$1.60 (\$0.04 pre-consolidation) per common share on June 30, 2022.

**7. CEBA LOAN**

The Company received a \$60,000 Canadian Emergency Business Account ("CEBA") loan from the Canadian federal government in 2021 as a business support measure for COVID-19. The CEBA loan may be repaid at any time without notice or the payment of any penalty. In January 2022, the Canadian federal government extended the loan forgiveness deadline from December 31, 2022 to December 31, 2023. In September 2023, the Canadian federal government announced a further extension to January 18, 2024. If \$40,000 of the CEBA loan is repaid on or before January 18, 2024, the remaining \$20,000 of the CEBA loan will be forgiven.

Amortized cost, December 31, 2020	\$	–
Proceeds		60,000
Forgivable portion		(20,000)
Interest-free discount		(9,615)
Accretion		4,398
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Amortized cost, December 31, 2021		34,783
Accretion		2,496
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Amortized cost, June 30, 2022		37,279
Accretion		2,721
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Amortized cost, June 30, 2023	\$	40,000

**8. DEBENTURES**

Debentures in the principal amount of \$2,000,000 (the "Debentures") were originally issued by the Company in 2016 and bore both basic and participating interest. Basic interest on the Debentures accrued at the rate of 12% per annum calculated and paid quarterly. Participation interest was to be calculated on the basis of 12% of gross promotion campaign sales, if any, and paid quarterly, one quarter in arrears. The Debentures had a term of four years and matured in July 2020.

The Debentures were secured by a fixed and floating first charge on all of the assets of the Company. As additional security, debenture holders were granted a nonexclusive, unrestricted license to use the promotion platform software in the event of a default in payment of any amounts due under the Debentures or in the event that the Company ceases, for any reason, to diligently pursue the promotion campaigns. The license, if granted, terminated on payment of all amounts owing under the Debentures, in accordance with the provisions thereof. In the event of default of any amounts, including accrued interest and principal, or violation of any covenants under the debenture agreements, such as dissolution, liquidation or bankruptcy proceedings by the Company, the debenture holders were able to effect an accelerated maturity

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of the instruments whereby any and all amounts owing become due on demand. The Company was in default when it did not pay basic interest that became due beginning on June 28, 2019 and was unable to repay the \$2,000,000 principal amount and \$726,672 of accrued interest.

On September 14, 2021, 1323552 B.C. Ltd., a private company controlled by Ranjeet Sundher, a director and founder of the Company, acquired all of the Debentures from another director of the Company and his family and other holders, at par value.

On November 8, 2021, the Company completed a debt conversion (Note 9(b)) which included the issuance of 1,317,074 (52,682,924 pre-consolidation) common shares upon the conversion of the \$2,000,000 principal amount of Debentures plus \$700,000 of accrued interest. In connection with the debt conversion, \$26,672 of accrued interest was forgiven.

## 9. SHARE CAPITAL

Authorized: Unlimited number of common shares with no par value  
 Unlimited number of preferred shares, issuable in series with no par value

Issued: Common shares (presented on a post-consolidation basis)

	Number of common shares		Amount
Balance, December 31, 2020	354,919	\$	13,926,489
Unit private placements (a)	365,854		750,000
Share issue costs (a)	–		(56,597)
Debt conversion (b)	1,336,098		6,947,706
Balance, December 31, 2021	2,056,871	\$	21,567,598
Acquisition of First Carbon (Note 4)	1,500,000		7,500,000
Unit private placements (c) (d)	678,500		4,250,000
Compensation shares (e)	11,200		56,000
Share issue costs (e)	–		(574,302)
Balance, June 30, 2022 and June 30, 2023	4,246,571	\$	32,799,296

(a) On September 29, 2021, the Company closed the first tranche of a private placement of 341,464 (13,658,540 pre-consolidation) units at a price of \$2.05 (\$0.05 pre-consolidation) per unit for gross proceeds of \$700,000 and on October 18, 2021, the Company closed the second tranche of a private placement of 24,390 (975,608 pre-consolidation) units at a price of \$2.05 (\$0.05 pre-consolidation) per unit for gross proceeds of \$50,000.

Each unit is comprised of consists of one common share and one common share purchase warrant exercisable at a price of \$7.50 (\$0.19 pre-consolidation) per share for a period of two years from the date of issuance. Using the residual value method, gross proceeds were allocated to the common share with no residual allocation to the common share purchase warrants.

In connection with the private placements, the Company paid cash commissions to qualified non-related parties in the aggregate amount of \$56,597.

(b) On November 8, 2021, issued an aggregate of 1,336,098 (53,433,896 pre-consolidation) common shares pursuant to the conversion of debt and accrued interest (the “Debt Conversion”) in the aggregate amount of \$2,739,000 at an issue price of \$2.05 (\$0.05 pre-consolidation) per share.

The Debt Conversion comprised two components:

- conversion of the Company's Debentures in the principal amount of \$2,000,000 plus \$700,000 of accrued interest due to into 1,317,074 (52,682,924 pre-consolidation) common shares issued to 1323552 B.C. Ltd. (Note 8); and
- conversion of \$39,000 of accrued and unpaid management fees into 19,024 (760,972 pre-consolidation) common shares issued to Ranjeet Sundher, a director and founder of the Company.

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The conversion occurred on November 8, 2021 when the market price of the Company's shares was \$5.20 (\$0.13 pre-consolidation) per common share which resulted in a loss on debt conversion of \$4,182,044, net of the forgiveness of \$26,672 of accrued interest.

The Company obtained disinterested shareholder approval for the Debt Conversion at its annual and general meeting of shareholders held on October 29, 2021, including approval for the Debt Conversion as a related party transaction pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101") and Policy 5.9 of the TSX Venture Exchange (the "Exchange"), approval of 1323552 B.C. Ltd. as a Control Person of the Company (as defined in the policies of the Exchange), and approval to convert the full amount of the management fees owing to Mr. Sundher, as required under Exchange policies.

On February 18, 2022, the Company completed the private placement of 433,500 (17,340,000 pre-consolidation) units at a price of \$5.00 (\$0.13 pre-consolidation) per unit for gross proceeds of \$2,167,500. Each unit is comprised of one common share and one common share purchase warrant exercisable at a price of \$12.50 (\$0.31 pre-consolidation) per share for a period of three years from the date of issuance. Using the residual value method, gross proceeds were allocated to the common share with no residual allocation to the common share purchase warrants.

On March 14, 2022, the Company completed the private placement of 245,000 (9,800,000 pre-consolidation) units at a price of \$8.50 (\$0.21 pre-consolidation) per unit for gross proceeds of \$2,082,500. Each unit is comprised of one common share and one common share purchase warrant exercisable at a price of \$15.00 (\$0.38 pre-consolidation) per share for a period of two years from the date of issuance. Using the residual value method, gross proceeds were allocated to the common share with no residual allocation to the common share purchase warrants.

- (c) In connection with the private placements, the Company paid cash commissions to qualified non-related parties in the aggregate amount of \$200,025, issued 11,200 (448,000 pre-consolidation) compensation common shares, issued 25,025 (1,001,000 pre-consolidation) compensation warrants exercisable at a price of \$5.00 (\$0.13 pre-consolidation) per share for a period of three years from the date of issuance, issued 17,150 (686,000 pre-consolidation) compensation warrants exercisable at a price of \$8.50 (\$0.21 pre-consolidation) per share for a period of two years from the date of issuance and incurred \$100,427 of other cash issuance costs.

The issue date fair value of the compensation common shares was estimated to be \$56,000 based on the \$5.00 (\$0.13 pre-consolidation) (Note 9(c)) unit private placement price. The aggregate issue date fair value of the compensation warrants was estimated to be \$217,850 using the Black-Scholes pricing model based on the following assumptions:

Expected volatility <sup>(1)</sup>	135%	Expected dividend yield	0%
Expected life	2 – 3 years	Risk-free interest rate	1.57% – 1.77%

<sup>(1)</sup> Expected volatility is based on historical volatilities of publicly traded peer companies.

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**10. WARRANTS**

Presented on a post-consolidation basis

	Number of warrants	Weighted average exercise price	Weighted average life remaining (years) at June 30, 2023
Balance, December 31, 2020	–	\$ –	–
Issued (Note 9(a))	365,854	7.50	0.25
Balance, December 31, 2021	365,854	7.50	0.25
Issued (Note 9(c))	433,500	12.50	1.64
Issued (Note 9(e))	25,025	5.00	1.64
Issued (Note 9(d))	245,000	15.00	0.71
Issued (Note 9(e))	17,150	8.50	0.71
Balance, June 30, 2022 and 2023	1,086,529	\$ 11.14	0.95

**11. STOCK OPTIONS AND RESTRICTED SHARE UNITS**

(a) Stock options

Presented on a post-consolidation basis

	Number of stock options	Weighted average exercise price	Weighted average life remaining (years) at June 30, 2023
Balance, December 31, 2020 and 2021	–	\$ –	
Granted (i)	400,000	8.50	
Balance, June 30, 2022	400,000	8.50	
Cancelled (ii)	(25,500)	(8.50)	
Balance, June 30, 2023	374,500	\$ 6.00 (iii)	0.7
Exercisable, June 30, 2023	374,500	\$ 6.00	0.7

- (i) In March 2022, the Company granted 400,000 (16,000,000 pre-consolidation) stock options exercisable at \$8.50 (\$0.21 pre-consolidation) per share for a period of two years from the date of grant, of which 350,000 (14,000,000 pre-consolidation) stock options vested on the grant date and 50,000 (2,000,000 pre-consolidation) stock options vested 25% every three months from the grant date.

The grant date fair value of the stock options was estimated to be \$2,095,000 using the Black-Scholes pricing model based on the following assumptions:

Expected volatility <sup>(1)</sup>	135%	Expected dividend yield	0%
Expected life	2 years	Risk-free interest rate	1.46% – 2.31%
Estimated forfeiture rate	7%		

<sup>(1)</sup> Expected volatility is based on historical volatilities of publicly traded peer companies.

- (ii) On August 19, 2022, the Company cancelled 25,500 (1,020,000 pre-consolidation) stock options exercisable at \$8.50 (\$0.21 pre-consolidation) per common share.
- (iii) On October 4, 2022, the Company amended the exercise price of 374,500 (14,980,000 pre-consolidation) stock options expiring on March 8, 2024 from \$8.50 (\$0.21 pre-consolidation) per common share to \$6.00 (\$0.15 pre-consolidation) per common share. The re-pricing is considered a modification of the stock option terms, resulting in a \$21,860 increase to their estimated fair value, of which \$18,140 was expensed on the modification date and \$3,720 was amortized to share-based payments expense over the remaining vesting period.

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The impact of the modification was measured using the Black-Scholes pricing model based on expected volatility of 115%, a risk-free rate of 3.74% and a remaining life of 1.4 years.

(b) Restricted share units (“RSUs”)

On August 19, 2022, the Company granted an aggregate of 395,000 (15,800,000 pre-consolidation) 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. 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. Upon exercise, the Company will issue one common share for each RSU.

The grant date fair value of these RSUs was determined to be \$1,738,000 based on the \$4.40 (\$0.11 pre-consolidation) market price of the Company's common shares on the grant date.

(c) Share-based payments

	Year ended June 30 2023	Six months ended June 30 2022	Year ended December 31 2021
In respect of:			
Stock options	\$ 130,228	\$ 1,986,632	\$ –
RSUs	1,499,918	–	–
	\$ 1,630,146	\$ 1,986,632	\$ –

The remaining unrecognized fair value at June 30, 2023 is \$nil for stock options and \$238,082 for RSUs.

**12. NET FINANCE (INCOME) EXPENSE**

	Year ended June 30 2023	Six months ended June 30 2022	Year ended December 31 2021
Benefit of CEBA loan (Note 7)	\$ –	\$ –	\$ (29,615)
Accretion of CEBA loan (Note 7)	2,721	2,496	4,398
Interest on debentures (Note 8)	–	–	262,166
Interest income	(6,923)	(2,553)	(426)
	\$ (4,202)	\$ (57)	\$ 236,523

During the year ended June 30, 2023, the Company paid \$nil (six months ended June 30, 2022 – \$nil; year ended December 31, 2021 – \$nil) of interest.

**13. IMPAIRMENT OF HARMONIZED TAX RECEIVABLE**

During the year ended June 30, 2023, the Company received an unfavorable reassessment of its HST filings for the period October 1, 2021 to December 31, 2022 from the Canada Revenue Agency resulting in the denial of certain input tax credits. As a result, the Company recognized \$192,377 of impairment of the harmonized tax receivable in the year ended June 30, 2023 (six months ended June 30, 2022 – \$nil; year ended December 31, 2021 – \$nil).

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**14. LOSS PER SHARE**

	Year ended June 30 2023	Six months ended June 30 2022	Year ended December 31 2021
Loss for the period	\$ (9,496,433)	\$ (6,208,732)	\$ (4,764,727)
Basic and diluted <sup>(1)</sup> weighted average number of shares (post-consolidation)	4,246,571	3,621,294	640,879
	\$ (2.24)	\$ (1.71)	\$ (7.43)

(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.

**15. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION**

	Year ended June 30 2023	Six months ended June 30 2022	Year ended December 31 2021
<b>Charged/earned by officers and directors of the Company (a)</b>			
Wages and benefits	\$ –	\$ 50,000	\$ 100,000
Consulting fees (included in general and administrative expenses)	234,000	70,000	20,000
Professional fees	43,735	20,046	20,004
Share-based payments	341,753	262,137	–
	619,488	402,183	140,004
<b>Charged by a company owned by a former director of the Company (b)</b>			
Rent (included in general and administrative expenses)	\$ 2,000	\$ 12,000	\$ 25,500
<b>\$2,000,000 of debentures held by 1323552 B.C. Ltd. (Note 8)</b>			
Interest expense	\$ –	\$ –	\$ 262,166

(a) The Company considers its key management personnel to consist of its officers and directors. The Company's directors and officers participate in the Company's equity compensation plans. As at June 30, 2023, key management personnel included 6 individuals (June 30, 2022 – 7 individuals; December 31, 2021 – 6 individuals). As at June 30, 2023, accounts payable and accrued liabilities included \$49,000 (June 30, 2022 – \$10,500; December 31, 2021 – \$nil) in respect of key management compensation and \$305,834 (June 30, 2022 – \$305,834; December 31, 2021 – \$255,834) in respect of key management compensation owing to a former director of the Company.

(b) As at June 30, 2023, accounts payable and accrued liabilities included \$nil (June 30, 2022 – \$nil; December 31, 2021 – \$15,000) due to this related party who ceased to be a director of the Company in August 2022.

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**16. TAXES**

The following table reconciles the expected tax recovery at the statutory tax rate to the expense in the statement of loss and comprehensive loss:

	Year ended June 30 2023	Six months ended June 30 2022	Year ended December 31 2021
Loss before taxes	\$ (9,496,433)	\$ (6,208,732)	\$ (4,764,727)
Statutory tax rate	23%	23%	23%
Expected tax recovery	(2,184,000)	(1,428,000)	(1,096,000)
Non-deductible items	1,531,000	904,000	–
Non-taxable component of capital loss	–	–	348,000
Change in enacted tax rates	–	–	149,000
Other	–	(372,000)	–
Tax benefit not recognized	653,000	896,000	599,000
Tax expense	\$ –	\$ –	\$ –

Details of deferred tax assets (liabilities) are as follows:

	June 30 2023	June 30 2022	December 31 2021
As at			
Non-capital and capital tax loss carryforwards	\$ 5,548,000	\$ 4,953,000	\$ 4,059,000
Equipment and intangible assets	32,000	(37,000)	38,000
Reserves	81,000	70,000	59,000
Share issue costs	61,000	83,000	17,000
	5,722,000	5,069,000	4,173,000
Accumulated tax benefits not recognized	(5,722,000)	(5,069,000)	(4,173,000)
	\$ –	\$ –	\$ –

Details of unrecognized deductible temporary differences are as follows:

	June 30 2023	June 30 2022	December 31 2021
As at			
Equipment and intangible assets	\$ 141,000	\$ 153,000	\$ 161,000
Share issue costs	263,000	361,000	73,000
Reserves	356,000	356,000	256,000
Capital losses	6,998,000	6,998,000	6,998,000
Non-capital losses	20,623,000	17,671,000	14,899,000
	\$ 28,381,000	\$ 25,539,000	\$ 22,387,000

As at June 30, 2023, the Company has approximately \$20,623,000 of non-capital losses available for carry-forward against taxable income which will begin to expire in 2028 and \$6,998,000 of capital losses available for carry-forward against capital gains which do not expire.

During the year ended June 30, 2023, the Company paid \$nil (six months ended June 30, 2022 – \$nil; year ended December 31, 2021 – \$nil) of taxes.

## **17. FINANCIAL INSTRUMENTS AND RISK FACTORS**

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities and the CEBA loan. Accounts payable and accrued liabilities and the CEBA loan are reported at amortized cost. The fair values of the Company's financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

### *Fair value hierarchy*

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities. Cash and cash equivalents are Level 1 financial instruments.
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The CEBA loan is a Level 2 financial instrument.
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company is exposed to the following risks as at June 30, 2023:

### *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents.

All the Company's cash and cash equivalents are held at a financial institution which is a Canadian Chartered Bank. Management believes that the risk of loss is minimal, but the Company is subject to concentration of credit risk.

### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company does not hold any cash in fixed rate or variable rate term deposits. The Company is not exposed to any interest rate risk on its accounts payable and accrued liabilities. There is currently no interest rate risk on the CEBA loan as it is interest free until January 18, 2024.

### *Currency risk*

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company minimizes its currency risk by maintaining the majority of its liquid assets in stable currencies, including Canadian and US currencies. The Company holds United States dollars ("USD"); a 10% change in the exchange rate between CAD and USD would result in the Company incurring a foreign currency gain or loss at June 30, 2023 of approximately \$1,900 (June 30, 2022 – \$32,500; December 31, 2021 – nominal amount).

### *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 June 30, 2023, the Company's financial liabilities consist of accounts payable and accrued liabilities and the CEBA loan, a portion of which can be settled through the cash and cash equivalents balance of \$88,944. 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.

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The timing of cash outflows relating to the Company's financial liabilities as at June 30, 2023 are as follows:

	Carrying amount	Contractual cash flows	Due within 1 year
	\$	\$	\$
Accounts payable and accrued liabilities	480,533	480,533	480,533
CEBA loan, due on or before January 18, 2024	40,000	40,000	40,000
	520,533	520,533	520,533

## 18. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern.
- To maintain appropriate cash reserves on hand to meet ongoing development and operating costs.
- To invest cash on hand in highly liquid and highly rated financial instruments.

In the management of capital, the Company includes the CEBA loan and shareholders' (deficit) equity in the definition of capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company (upon approval from its Board of Directors, as required) may issue additional capital primarily through equity financing. The Company has no externally imposed capital requirements.

## 19. SUBSEQUENT EVENT

On October 26, 2023, the Company completed a non-brokered private placement of 950,000 units (the "Units") at a price of \$0.10 per Unit for aggregate gross proceeds of \$95,000 (the "Offering"). The Company intends to use the net proceeds of the Offering for general working capital purposes.

The Units are comprised of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share at a price of \$0.20 per common share for a period of 12 months from the date of issuance.

The common shares and warrants issued will be subject to a four-month hold period from the date of the closing of the Offering. The Company did not pay any finder's fee or commissions with respect to the closing of the Offering.