

## **Datametrex AI Limited**

### **Interim Condensed Consolidated Financial Statements September 30, 2020 and 2019 (Canadian dollars, unaudited)**

#### **Interim Condensed Consolidated Financial Statements**

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**Notice to Reader**

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

# Datametrex AI Limited

## Interim Condensed Consolidated Statements of Financial Position (Canadian dollars, unaudited)

|   | September 30,<br>2020<br>\$ | December 31,<br>2019<br>\$ |
|---|-----------------------------|----------------------------|
| <b>Assets</b>   |                             |                            |
| <b>Current assets</b>   |                             |                            |
| Cash and cash equivalents                                     | 1,413,374                   | 119,675                    |
| Trade and other receivables                                   | 1,989,390                   | 820,599                    |
| Loan receivables (note 12)                                    | 291,251                     | 250,044                    |
| Prepaid expenses and other assets                             | 219,734                     | 58,649                     |
| <b>Total current assets</b>                                   | <b>3,913,749</b>            | <b>1,248,967</b>           |
| <b>Right-of-use asset</b> (note 7)                            | -                           | 41,818                     |
| <b>Property and equipment</b> (note 4)                        | 63,996                      | 126,236                    |
| <b>Investment in equity investee</b> (note 9)                 | 517,794                     | 514,764                    |
| <b>Intangible assets</b> (note 5)                             | 2,492,049                   | 3,004,303                  |
| <b>Goodwill</b> (note 5)                                      | 2,972,348                   | 2,972,348                  |
| <b>Total assets</b>   | <b>9,959,936</b>            | <b>7,908,436</b>           |
| <b>Liabilities and shareholders' equity</b>                   |                             |                            |
| <b>Current liabilities</b>                                    |                             |                            |
| Accounts payable and accrued liabilities (notes 5, 12 and 13) | 2,217,986                   | 2,119,843                  |
| Deferred revenue  | 259,859                     | 262,518                    |
| Lease liability (note 7)                                      | -                           | 43,923                     |
| Current portion of long-term debt (note 8)                    | 448,940                     | 385,708                    |
| Accrual for contingent consideration (notes 5 and 13)         | 2,153,923                   | 2,153,923                  |
| <b>Total current liabilities</b>                              | <b>5,080,708</b>            | <b>4,965,915</b>           |
| <b>Long-term debt</b> (note 8)                                | 80,000                      | 20,194                     |
| <b>Deferred income taxes</b>                                  | -                           | 16,207                     |
| <b>Total liabilities</b>                                      | <b>5,160,708</b>            | <b>5,002,316</b>           |
| <b>Shareholders' equity</b>                                   |                             |                            |
| Share capital (note 10)                                       | 30,509,292                  | 27,688,542                 |
| Contributed surplus (note 10)                                 | 4,018,967                   | 2,907,495                  |
| Accumulated other comprehensive loss                          | (12,459)                    | (14,937)                   |
| Deficit   | (29,716,572)                | (27,674,980)               |
| <b>Total shareholders' equity</b>                             | <b>4,799,228</b>            | <b>2,906,120</b>           |
| <b>Total liabilities and shareholders' equity</b>             | <b>9,959,936</b>            | <b>7,908,436</b>           |

Going concern (note 2)

Subsequent event (note 16)

Signed "Paul Haber" Director

Signed "Andrew Ryu" Director

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

# Datametrex AI Limited

## Interim Condensed Consolidated Statements of Comprehensive Loss (Canadian dollars, unaudited)

|  | Three months<br>ended<br>September 30,<br>2020<br>\$ | Three months<br>ended<br>September 30,<br>2019<br>\$ | Nine months<br>ended<br>September 30,<br>2020<br>\$ | Nine months<br>ended<br>September 30,<br>2019<br>\$ |
|--|--|--|---|---|
| <b>Revenue</b>   |  |  |   |   |
| AI and Technology  | 2,526,686  | 1,682,316  | 3,915,411   | 2,529,208   |
| COVID-19 Test kits (note 12)                                 | 2,324,206  | -  | 3,699,277   | -   |
| Other  | 11,433   | 1,669  | 11,433  | 29,860  |
|  | <u>4,862,325</u>                                     | <u>1,683,985</u>                                     | <u>7,626,121</u>                                    | <u>2,559,068</u>                                    |
| <b>Direct Cost</b>   | <u>3,701,843</u>                                     | <u>1,461,233</u>                                     | <u>5,281,632</u>                                    | <u>1,597,527</u>                                    |
| <b>Gross Profit</b>  | <u>1,160,482</u>                                     | <u>222,752</u>                                       | <u>2,344,489</u>                                    | <u>961,541</u>                                      |
| <b>Expenses</b>  |  |  |   |   |
| Salaries, benefits and consulting fees                       | 662,152  | 347,203  | 1,409,099   | 1,607,249   |
| Office and General   | 18,741   | 99,941   | 273,105   | 408,276   |
| (Gain) loss on extinguishment of accounts payable            | (11,469)   | -  | (11,469)  | (5,455)   |
| Other operating expenses                                     | 105,319  | 544,445  | 637,870   | 1,465,405   |
| Gain on remeasurement of contingent consideration            | -  | (161,786)  | -   | (161,786)   |
| Share based compensation – stock options (note 10)           | 607,997  | -  | 1,452,247   | -   |
| Depreciation and amortization                                | 194,517  | 204,268  | 574,494   | 611,954   |
|  | <u>1,577,257</u>                                     | <u>1,034,071</u>                                     | <u>4,335,346</u>                                    | <u>3,925,643</u>                                    |
| <b>Loss before undernoted items</b>                          | <u>(416,775)</u>                                     | <u>(811,319)</u>                                     | <u>(1,990,857)</u>                                  | <u>(2,964,102)</u>                                  |
| Management fees (note 12)                                    | -  | (60,000)   | -   | (270,000)   |
| Share of loss from equity investee (note 9)                  | 8,293  | 63,559   | 63,414  | 643,120   |
| Gain on dilution of investment in equity investee (note 9)   | -  | (10,447)   | (66,444)  | (14,777)  |
| Gain on litigation settlement                                | -  | -  | -   | (545,000)   |
| Interest and accretion                                       | 10,898   | (2,332)  | 39,688  | 43,478  |
| Loss on disposal of fixed assets (note 4)                    | -  | -  | 2,507   | -   |
| Foreign exchange loss  | 15,387   | (61,047)   | 27,777  | (63,619)  |
| <b>Loss before income taxes</b>                              | <u>(451,353)</u>                                     | <u>(741,052)</u>                                     | <u>(2,057,799)</u>                                  | <u>(2,748,304)</u>                                  |
| <b>Income tax benefit</b>                                    |  |  |   |   |
| Deferred   | -  | (45,249)   | (16,207)  | (135,747)   |
| <b>Net loss</b>  | <u>(451,353)</u>                                     | <u>(695,803)</u>                                     | <u>(2,041,592)</u>                                  | <u>(2,612,557)</u>                                  |
| <b>Weighted average number of common shares</b><br>(note 11) | <u>263,559,851</u>                                   | <u>226,081,561</u>                                   | <u>249,352,780</u>                                  | <u>223,442,651</u>                                  |
| <b>Basic and diluted loss per share</b> (note 11)            | <u>(0.002)</u>                                       | <u>(0.003)</u>                                       | <u>(0.008)</u>                                      | <u>(0.012)</u>                                      |
| <b>Other comprehensive income (loss), net</b>                |  |  |   |   |
| Foreign exchange translation adjustment                      | (18,736)   | 487  | 2,478   | (18,836)  |
| <b>Comprehensive loss</b>                                    | <u>(470,089)</u>                                     | <u>(695,316)</u>                                     | <u>(2,039,114)</u>                                  | <u>(2,631,393)</u>                                  |

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

# Datametrex AI Limited

## Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Canadian dollars, except number of common shares, unaudited)

|  | <u>Common Shares</u> |                   |                        |                     | Accumulated<br>other<br>comprehensive<br>loss |                  |
|--|----------------------|-------------------|------------------------|---------------------|---|------------------|
|  | Number               | Amount            | Contributed<br>surplus | Deficit             |   | Total            |
|  |                      | \$                | \$                     | \$                  | \$  | \$               |
| <b>Balance – January 1, 2019</b>         | 201,673,925          | 26,491,411        | 2,765,646              | (24,891,917)        | 4,116   | 4,369,256        |
| Net loss for the period                  | -                    | -                 | -                      | (2,612,557)         | -   | (2,612,557)      |
| Shares issued under private placement    | 22,044,000           | 950,185           | -                      | -                   | -   | 950,185          |
| Shares issued to settle accounts payable | 363,636              | 14,546            | -                      | -                   | -   | 14,546           |
| Shares issued for litigation settlement  | 2,000,000            | 80,000            | -                      | -                   | -   | 80,000           |
| Foreign exchange translation             | -                    | -                 | -                      | -                   | (18,836)                                      | (18,836)         |
| Warrants issued during the period        | -                    | -                 | 123,775                | -                   | -   | 123,775          |
| <b>Balance – September 30, 2019</b>      | <b>224,081,561</b>   | <b>27,536,142</b> | <b>2,889,421</b>       | <b>(27,504,474)</b> | <b>(14,720)</b>                               | <b>2,906,369</b> |
| <b>Balance – January 1, 2020</b>         | <b>233,701,561</b>   | <b>27,688,542</b> | <b>2,907,495</b>       | <b>(27,674,980)</b> | <b>(14,937)</b>                               | <b>2,906,120</b> |
| Net loss for the period                  | -                    | -                 | -                      | (2,041,592)         | -   | (2,041,592)      |
| Shares issued from exercise of options   | 8,750,000            | 710,500           | (217,000)              | -                   | -   | 493,500          |
| Shares issued from exercise of warrants  | 22,608,800           | 1,932,479         | (123,775)              | -                   | -   | 1,808,704        |
| Shares issued to settle accounts payable | 1,146,909            | 177,771           | -                      | -                   | -   | 177,771          |
| Foreign exchange translation - gain      | -                    | -                 | -                      | -                   | 2,478   | 2,478            |
| Share based compensation (note 10)       | -                    | -                 | 1,452,247              | -                   | -   | 1,452,247        |
| <b>Balance – September 30, 2020</b>      | <b>266,207,270</b>   | <b>30,509,292</b> | <b>4,018,967</b>       | <b>(29,716,572)</b> | <b>(12,459)</b>                               | <b>4,799,228</b> |

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

# Datametrex AI Limited

## Interim Condensed Consolidated Statements of Cash Flows (Canadian dollars, unaudited)

|  | Nine months<br>ended<br>September 30,<br>2020<br>\$ | Nine months<br>ended<br>September 30,<br>2019<br>\$ |
|--|---|---|
| <b>Cash flows from (used in) operating activities</b>        |   |   |
| Net loss   | (2,041,592)   | (2,612,557)   |
| Adjustments to reconcile net loss to operating cash flow     |   |   |
| Depreciation of property and equipment (note 4)              | 49,400  | 57,882  |
| Amortization of intangible assets (note 5)                   | 512,254   | 512,253   |
| Amortization of debt discount                                | 5,468   | 8,523   |
| Amortization of right-of use asset (note 7)                  | 7,372   | 41,818  |
| Accretion on lease liability (note 7)                        | 698   | 6,057   |
| Gain on remeasurement of contingent consideration            | -   | (161,786)   |
| Gain on dilution of investment in equity investee (note 9)   | (66,444)  | (14,777)  |
| (Gain) Loss on extinguishment of accounts payable            | (11,469)  | 14,546  |
| Share of loss (gain) from equity investee (note 9)           | 63,414  | 634,120   |
| Share based compensation – stock options (note 10)           | 1,452,247   | -   |
| Shares issued for litigation settlement                      | -   | 80,000  |
| Loss on disposal of fixed assets (note 4)                    | 2,507   | -   |
| Deferred income taxes  | (16,207)  | (135,747)   |
| Net change in operating assets and liabilities (note 6)      | (1,045,152)   | 958,661   |
|  | <u>(1,087,504)</u>                                  | <u>(611,007)</u>                                    |
| <b>Cash flows used in investing activities</b>               |   |   |
| Purchase of property and equipment (note 4)                  | (12,352)  | (18,601)  |
| Proceeds from disposal of fixed assets                       | 1,475   | -   |
| Issuance of loan receivables (note 12)                       | (41,207)  | (263,525)   |
|  | <u>(52,084)</u>                                     | <u>(282,126)</u>                                    |
| <b>Cash flows from (used in) financing activities</b>        |   |   |
| Repayment of debt obligations                                | -   | (47,099)  |
| Proceeds from loan payable (note 8)                          | 117,570   | 112,000   |
| Principal payments of lease liability (note 7)               | (10,175)  | (45,787)  |
| Proceeds from exercise of share options                      | 493,500   | -   |
| Proceeds from exercise of share warrants                     | 1,808,704   | -   |
| Proceeds from issuance of share warrants                     | -   | 123,775   |
| Net proceeds from issuance of private placement              | -   | 950,185   |
|  | <u>2,409,599</u>                                    | <u>1,093,074</u>                                    |
| Effect of exchange rate changes on cash and cash equivalents | <u>23,688</u>                                       | <u>(41,717)</u>                                     |
| <b>Increase (decrease) in cash and cash equivalents</b>      | <b>1,293,699</b>                                    | <b>158,224</b>                                      |
| <b>Cash and cash equivalents, beginning of period</b>        | <b>119,675</b>                                      | <b>654,628</b>                                      |
| <b>Cash and cash equivalents, end of period</b>              | <b><u>1,413,374</u></b>                             | <b><u>812,852</u></b>                               |
| <b>Supplementary information</b>                             |   |   |
| Share consideration issued to settle accounts payable        | 177,771   | 14,546  |
| Interest paid, net   | 7,098   | 7,291   |

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

# Datametrex AI Limited

## Notes to Interim Condensed Consolidated Financial Statements

(Canadian dollars, except share and unit information, unaudited)

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### 1 Description of business and organization

Datametrex AI Limited (the “Company” or “Datametrex AI”) is a technology company focused primarily on collecting, analyzing and presenting structured and unstructured data using machine learning and artificial intelligence, and selling of COVID-19 Test kits. The Company also has exposure to blockchain technology currently in development for the collection, storage, transfer, analysis and presentation of big data through its associate company, Graph Blockchain Inc. (“Graph”).

The Company is a publicly traded corporation, incorporated in the province of Ontario and its head office is located at 4711 Yonge Street, Suite 1000, Toronto, Ontario, M2N 6K8, Canada. The Company’s common shares are listed on the TSX Venture Exchange (“TSXV”) under the trading symbol “DM” and on the Frankfurt Stock Exchange under the trading symbol “D4G”.

### 2 Significant accounting policies and going concern

#### Basis of presentation and statement of compliance

These unaudited interim condensed consolidated financial statements (“interim financial statements”) were prepared using the same accounting policies and methods as those used in the Company’s consolidated financial statements for the year ended December 31, 2019 (the “2019 Consolidated Financial Statements”). These interim financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 2 to the Company’s 2019 Consolidated Financial Statements. These interim financial statements should be read in conjunction with the Company’s 2019 Consolidated Financial Statements.

The interim financial statements were approved and authorized for issuance by the Company’s Board of Directors on November 24, 2020. The interim financial statements are presented in Canadian dollars which is also the Company’s functional currency. The accounting policies have been applied consistently in these interim financial statements, unless otherwise indicated.

#### Going concern

These interim consolidated financial statements were prepared on a going concern basis under the historical cost basis of accounting. As at September 30, 2020, the Company has an accumulated deficit of \$29,716,572 (December 31, 2019 - \$27,674,980) and a working capital deficiency of \$1,166,959 (December 31, 2019 - \$3,716,948). For the nine months ended September 30, 2020, the Company recognized a net loss of \$1,590,239 (2019 - \$1,916,754) and had net cash outflows from operating activities of \$2,041,592 (2019 - \$2,612,557). The Company’s ability to continue as a going concern is dependent upon the ability of the Company to generate sufficient revenues and positive cash flows from its operating activities and/or obtain sufficient additional financing to settle its obligations and fund its planned operations. At September 30, 2020, the Company believes that it has sufficient cash to fund its planned operations for the next twelve months.

# Datametrex AI Limited

## Notes to Interim Condensed Consolidated Financial Statements

(Canadian dollars, except share and unit information, unaudited)

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These interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from operations or financing activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to these financial statements should such events impair the Company's ability to continue as a going concern.

### Basis of consolidation

The consolidated financial statements include the accounts of all entities controlled by the Company, which are referred to as subsidiaries, and references to the Company include references to such subsidiaries. The financial statements of the subsidiaries are included in these consolidated financial statements from the date on which control commences until the date on which control ceases. The Company's wholly owned operating subsidiaries include Datametrex Limited and 9172-8766 Quebec Inc. ("Nexalogy"), as well as Datametrex Korea Limited ("Datametrex Korea"), which was incorporated in 2018 with the Korean Won as its functional currency.

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

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses arising from transaction with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee, but only to the extent that there is no evidence of impairment.

### 3 Segment information

For the three and nine months ended September 30, 2020, the Company has one operating and reportable segments.

Geographical information is summarized as follows:

|   | <b>Canada</b><br>\$ | <b>Korea</b><br>\$ | <b>Total</b><br>\$ |
|---|---------------------|--------------------|--------------------|
| <b>For the nine months ended September 30, 2020</b> |                     |                    |                    |
| <b>Revenue from external customers</b>              | <b>4,442,107</b>    | <b>3,184,014</b>   | <b>7,626,121</b>   |
| <b>Non-current assets</b>                           | <b>6,034,104</b>    | <b>12,083</b>      | <b>6,046,187</b>   |
|   | <b>Canada</b><br>\$ | <b>Korea</b><br>\$ | <b>Total</b><br>\$ |
| <b>For the nine months ended September 30, 2019</b> |                     |                    |                    |
| <b>Revenue from external customers</b>              | 751,135             | 1,807,934          | 2,559,068          |
| <b>Non-current assets</b>                           | 6,743,342           | -                  | 6,743,342          |



# Datametrex AI Limited

## Notes to Interim Condensed Consolidated Financial Statements

(Canadian dollars, except share and unit information, unaudited)

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### 4 Property and equipment

During the three and nine months ended September 30, 2020, the Company had property and equipment additions of \$Nil and \$12,352 (three and nine months ended September 30, 2019 - \$1,634 and \$18,601) and recorded a loss on disposal of property and equipment of \$Nil and \$2,507 (three and nine months ended September 30, 2019 - \$Nil).

### 5 Goodwill and other intangible assets

During the three and nine months ended September 30, 2020, the Company had intangible additions of \$Nil (three and nine months ended September 30, 2019 - \$Nil).

### Ronin

As stated in the Company's consolidated financial statements for the year ended December 31, 2019, the Company issued a statement of claim in the Ontario Superior Court of Justice against various vendors in connection to the Ronin Blockchain Corp. Transaction ("Ronin Vendors"). Some of the defendants have counterclaimed for shares of the Company allegedly owing under the share purchase agreement as well as damages. The action and counterclaim have not proceeded beyond the close of pleadings. At this early stage, the Company is not able to assess the likely outcome of the dispute. As at September 30, 2020, the balance of \$1,875,000 worth of common shares payable to certain Ronin Vendors was included in "Accrual for contingent consideration."

### 6 Net change in operating assets and liabilities

|   | <b>Nine months<br/>ended<br/>September 30,<br/>2020<br/>\$</b> | <b>Nine months<br/>ended<br/>September 30,<br/>2019<br/>\$</b> |
|---|--|--|
| <b>Cash flows provided by (used in)</b>   |  |  |
| Trade and other receivables   | (1,168,791)  | (240,861)  |
| Prepaid expenses and other assets   | (161,085)  | (66,419)   |
| Accounts payable and accrued liabilities and accrual for contingent consideration | 287,383  | 1,165,278  |
| Deferred management fees  | -  | (207,780)  |
| Deferred revenue  | (2,659)  | 285,562  |
| Effect of exchange rate changes   | -  | 22,881   |
|   | <b>(1,045,152)</b>   | <b>958,661</b>   |

# Datametrex AI Limited

## Notes to Interim Condensed Consolidated Financial Statements

(Canadian dollars, except share and unit information, unaudited)

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### 7 Lease

The Company's lease is related to the lease of building space. During the nine months ended September 30, 2020, the Company terminated the lease agreement.

#### Right-of-use assets

|                                      |               |
|--------------------------------------|---------------|
|                                      | \$            |
| <b>Balance at January 1, 2020</b>    | <b>41,818</b> |
| Additions                            | -             |
| Depreciation charge for the period   | (7,372)       |
| Termination                          | (34,446)      |
| <b>Balance at September 30, 2020</b> | <b>-</b>      |

#### Lease liability

|                                      |               |
|--------------------------------------|---------------|
|                                      | \$            |
| <b>Balance at January 1, 2020</b>    | <b>43,923</b> |
| Accretion on lease liability         | 698           |
| Lease payments                       | (10,175)      |
| Termination                          | (34,446)      |
| <b>Balance at September 30, 2020</b> | <b>-</b>      |

When measuring lease liability, the Company discounted lease payments using its incremental borrowing rate of 10%.

During the nine months ended September 30, 2020, expense relating to short term lease that was not included into IFRS 16 lease accounting is \$29,599 (nine months ended September 30, 2019 - \$47,175).

# Datametrex AI Limited

## Notes to Interim Condensed Consolidated Financial Statements

(Canadian dollars, except share and unit information, unaudited)

### 8 Debt

|  | September 30,<br>2020<br>\$ | December 31,<br>2019<br>\$ |
|--|-----------------------------|----------------------------|
| Unsecured loan payable issued February 2020 by Industrial Bank of Korea to Datametrex Korea, variable interest rate of 3 months KORIBOR plus 4.531% per annum, payment due after one year.   | 57,200                      | -                          |
| Unsecured Canada Emergency Business Account funded by the Government of Canada.  | 80,000                      | -                          |
| Unsecured loan payable, accruing 11% per annum, repayable in monthly instalments of \$4,000 and due on demand. The Company assumed this debt on November 20, 2017 as part of the Nexalogy Acquisition.   | 194,669                     | 194,669                    |
| Canada Economic Development loan issued March 2013, non-interest bearing unsecured loan with proceeds of \$199,750. In accordance with IFRS, the proceeds from this financial instrument with a non-market rate of interest was discounted using a rate of 13%, the prevailing market rate of interest for a similar instrument with a similar credit rating. The loan was amended in October of 2016 and based on the amended terms, the loan is repayable in equal monthly instalments in the amount of \$4,161 commencing on June 1, 2017 and maturing in May 2021. The Company assumed this debt on November 20, 2017 as part of the Nexalogy Acquisition. | 67,572                      | 82,104                     |
| Unsecured loan payable, accruing 11% per annum, repayable in monthly instalments of \$2,000 and due on demand. The Company assumed this debt on November 20, 2017 as part of the Nexalogy Acquisition.   | 66,749                      | 66,749                     |
| Tax credit loan payable bearing interest at 13% per annum, collateralized by a first rank security interest on the R&D tax credits claimed by Nexalogy and is due upon receipt of the tax credits recoverable by Nexalogy. The Company assumed this debt on November 20, 2017 as part of the Nexalogy Acquisition.   | 57,750                      | 57,380                     |
| Unsecured demand loan, non-interest bearing and has no specific terms of repayment. The Company assumed this debt on November 20, 2017 as part of the Nexalogy Acquisition.  | 5,000                       | 5,000                      |
|  | <b>528,940</b>              | 405,902                    |
| Less: Current portion of long-term debt  | <b>(448,940)</b>            | (385,708)                  |
|  | <b>80,000</b>               | 20,194                     |

During the year ended December 31, 2019, the Company received requests from lenders demanding full payment of the loans with outstanding principal balance of \$194,669, \$66,749 and \$57,380 which came with acquisition of Nexalogy. The Company is negotiating with the lenders.

# Datametrex AI Limited

## Notes to Interim Condensed Consolidated Financial Statements

(Canadian dollars, except share and unit information, unaudited)

### 9 Equity accounted investee

During the three and nine months ended September 30, 2020, the Company recognized a gain on the dilution of its investment in Graph in the amount of \$Nil and \$66,444 (three and nine months ended September 30, 2019 - \$10,447 and \$14,777), which was the result of Graph issuing additional shares during the three and nine months ended September 30, 2019.

The Company's share of loss from Graph is \$8,293 and \$63,414 for the three and nine months ended September 30, 2020 (three and nine months ended September 30, 2019 - \$64,559 and \$643,120). As at September 30, 2020, the Company had a 23.42% ownership interest in Graph, compared to 26.33% as at December 31, 2019.

### 10 Share capital and Contributed surplus

#### a) Common shares

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

Issuances of common shares are recorded in "Share capital" in the consolidated statements of financial position.

The following summarizes transactions involving the common shares of the Company:

|  | Number             | Amount<br>\$      |
|--|--------------------|-------------------|
| Shares issued and outstanding at January 1, 2020           | 233,701,561        | 27,688,542        |
| Shares issued from exercise of options during the period   | 8,750,000          | 710,500           |
| Shares issued from exercise of warrants during the period  | 22,608,800         | 1,932,479         |
| Shares issued to settle accounts payable                   | 1,146,909          | 177,771           |
| <b>Shares issued and outstanding at September 30, 2020</b> | <b>266,207,270</b> | <b>30,509,292</b> |

#### b) Warrants

Issuances of warrants are recorded in "Contributed surplus" in the consolidated statements of financial position. The following summarizes transactions involving warrants issued by the Company:

|   | Number       | Weighted<br>average<br>remaining life<br>(years) | Weighted<br>average<br>exercise price<br>\$ |
|---|--------------|--|---|
| Warrants outstanding at January 31, 2020          | 22,608,800   | 0.57   | 0.08  |
| Warrants exercised during the period              | (22,608,800) | -  | 0.08  |
| <b>Warrants outstanding at September 30, 2020</b> | <b>-</b>     | <b>-</b>   | <b>-</b>                                    |

During the three and nine months ended September 30, 2020, 22,608,800 of warrants were exercised (three and nine months ended September 30, 2019 - no warrants were exercised).

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### c) Share options

The Company recorded share based compensation of \$607,997 and \$1,452,247 during the three and nine months ended September 30, 2020 (nine months ended September 30, 2019 - \$Nil).

Share options granted by the Company are recorded in “Contributed surplus” in the interim condensed consolidated statement of financial position as they vest. The following summarizes transactions involving share options issued by the Company:

|  | <b>Number</b>      | <b>Weighted<br/>average<br/>remaining life<br/>(years)</b> | <b>Weighted<br/>average<br/>exercise price<br/>\$</b> |
|--|--------------------|--|---|
| Options outstanding at January 1, 2020           | <b>8,550,000</b>   | <b>0.13</b>  | <b>0.08</b>   |
| Options granted during the period                | <b>31,800,000</b>  | <b>2.25</b>  | <b>0.11</b>   |
| Options expired or forfeited during the period   | <b>(4,700,000)</b> | -  | -   |
| Options exercised during the period              | <b>(8,750,000)</b> | -  | <b>0.06</b>   |
| <b>Options outstanding at September 30, 2020</b> | <b>26,900,000</b>  | <b>1.78</b>  | <b>0.13</b>   |

On January 7, 2020, the Company granted an aggregate of 13,550,000 incentive share options under the Company’s share option plan to certain directors, officers, employees, and consultants of the Company. The options are exercisable at \$0.05 per share, are not subject to vesting conditions, and shall be exercisable for a term of three years, in accordance with the Company’s share option plan. The value of these options in amount of \$271,000 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 3 years; (ii) risk free rate of 1.66%; (iii) dividend yield of nil; (iv) expected volatility of 172.3%; and (v) share price of \$0.025 at the time of grant for a valuation of \$0.02 per option.

On May 10, 2020, the Company granted an aggregate of 16,250,000 incentive share options under the Company’s share option plan to certain directors, officers, employees, and consultants of the Company. The options are exercisable at \$0.17 per share for a term of two years, in accordance with the Company’s share option plan. All options will be subject to a vesting schedule, with 25% immediately vesting and 25% vesting on the three, six and nine month anniversaries of the grant date. The value of these options vested during the period in amount of \$1,091,750 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 2 years; (ii) risk free rate of 0.26%; (iii) dividend yield of nil; (iv) expected volatility of 198.7%; and (v) share price of \$0.16 at the time of grant for a valuation of \$0.136 per option.

On June 25, 2020, the Company granted an aggregate of 1,000,000 incentive share options under the Company’s share option plan to a director of the Company. The options are exercisable at \$0.10 per share for a term of two years, in accordance with the Company’s share option plan. All options will be subject to a vesting schedule, with 25% immediately vesting and 25% vesting on the three, six and nine month anniversaries of the grant date. The value of these options vested during the period in amount of \$41,500 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 2 years; (ii) risk free rate of 0.30%; (iii) dividend yield of nil; (iv) expected volatility of 195.7%; and (v) share price of \$0.10 at the time of grant for a valuation of \$0.083 per option.

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On July 26, 2020, the Company granted 1,000,000 incentive share options under the Company's share option plan to certain director of the Company. These stock options have an exercise price of \$0.10 and expire on July 26, 2022. All options will be subject to a vesting schedule, with 25% immediately vesting and 25% vesting on the three, six and nine month anniversaries of the grant date. The value of these options vested during the period in amount of \$47,997 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 2 years; (ii) risk free rate of 0.24%; (iii) dividend yield of nil; (iv) expected volatility of 216.24%; and (v) share price of \$0.095 at the time of grant for a valuation of \$0.0827 per option.

### 11 Loss per share

#### For the three months ended September 30, 2020

|   |                   |
|---|-------------------|
| Net loss                                      | \$ (451,353)      |
| Weighted average number of shares outstanding | 263,559,851       |
| Basic and diluted loss per share              | <u>\$ (0.002)</u> |

#### For the three months ended September 30, 2019

|   |                   |
|---|-------------------|
| Net loss                                      | \$ (695,803)      |
| Weighted average number of shares outstanding | 226,081,561       |
| Basic and diluted loss per share              | <u>\$ (0.003)</u> |

#### For the nine months ended September 30, 2020

|   |                   |
|---|-------------------|
| Net loss                                      | \$ (2,041,592)    |
| Weighted average number of shares outstanding | 249,352,780       |
| Basic and diluted loss per share              | <u>\$ (0.008)</u> |

#### For the nine months ended September 30, 2019

|   |                   |
|---|-------------------|
| Net loss                                      | \$ (2,612,557)    |
| Weighted average number of shares outstanding | 223,442,651       |
| Basic and diluted loss per share              | <u>\$ (0.012)</u> |

Basic loss per share is calculated by dividing the total loss by the weighted average number of shares outstanding during the period. Outstanding warrants and options as at September 30, 2020 of 26,900,000 (September 30, 2019 – 31,870,992) have not been factored into the calculation as they are considered anti-dilutive.

The following table presents the maximum number of shares that would be outstanding if all dilutive and potentially dilutive instruments as described in note 10 were exercised or converted as at September 30, 2020:

|  | Number             |
|--|--------------------|
| Common shares outstanding              | 266,207,270        |
| Share options and warrants outstanding | <u>26,900,000</u>  |
|  | <u>293,107,270</u> |

# Datametrex AI Limited

## Notes to Interim Condensed Consolidated Financial Statements

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### 12 Related party transactions and balances

#### a) Accounts payable and accrued liabilities

As at September 30, 2020, an amount of \$2,000 (June 30, 2019 - \$41,399) included in accounts payable and accrued liabilities is due to officers of the Company. During the nine months ended September 30, 2020, the Company paid interest charges in the amount of \$2,000 to a director of the Company for advance of fund (nine month ended September 30, 2019 - \$Nil).

#### b) Loan receivables

As at September 30, 2020, the Company has loan receivable from Graph in an amount of \$65,700 (December 31, 2019 - \$64,990). The loan is unsecured, non-interest bearing and repayable on demand. Datametrex Korea also has loan receivable from Korea segment of Graph in an amount of \$196,531 (December 31, 2019 - \$185,054). The loan is unsecured, bears interest at 5.0% per annum (interest charged up to the end of February 2020, thereafter non-interest bearing) and is repayable on demand.

#### c) Management fee from related party

During the three and nine months ended September 30, 2020, the Company charged its associate company, Graph, a total management fee in the amount \$Nil (three and nine months ended September 30, 2019 - \$60,000 and \$270,000).

#### d) Revenue from related party

During the three and nine months ended September 30, 2020, revenue from selling of COVID-19 Test kits to its associate company, Graph, was recorded in the amount of \$145,675 (three and nine months ended September 30, 2019 - \$Nil).

#### e) Compensation of key management personnel

Key management includes members of the Board and executive officers of the Company. Compensation awarded to key management is listed below:

|  | Three Months Ended<br>September 30, 2020 |                   | Three Months Ended<br>September 30, 2019 |                   |
|--|--|-------------------|--|-------------------|
|  | Amount<br>\$                             | Options<br>vested | Amount<br>\$                             | Options<br>vested |
| Cash based compensation                | 73,000                                   | -                 | (41,250)                                 | -                 |
| Stock options (based on Black-Scholes) | 365,705                                  | 2,062,500         | -  | -                 |
|  | <u>438,705</u>                           | <u>2,062,500</u>  | <u>(41,250)</u>                          | <u>-</u>          |
|  | Nine Months Ended<br>September 30, 2020  |                   | Nine Months Ended<br>September 30, 2019  |                   |
|  | Amount<br>\$                             | Options<br>vested | Amount<br>\$                             | Options<br>vested |
| Cash based compensation                | 280,500                                  | -                 | 317,250                                  | -                 |
| Stock options (based on Black-Scholes) | 930,955                                  | 16,125,000        | -  | -                 |
|  | <u>1,211,455</u>                         | <u>16,125,000</u> | <u>317,250</u>                           | <u>-</u>          |

# Datametrex AI Limited

## Notes to Interim Condensed Consolidated Financial Statements

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### 13 Fair values of financial instruments

IFRS 7 - Financial Instruments: Disclosures requires disclosure of a three-level hierarchy ("FV hierarchy") that reflects the significance of the inputs used in making fair value measurements and disclosures. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include those whose valuations are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are those based on inputs that are unobservable and significant to the overall fair value measurement.

Cash and cash equivalents, trade and other receivables, loan receivables, accounts payable and accrued liabilities, and the current portion of long-term debt have relatively short periods to maturity and the carrying values contained in the consolidated statements of financial position approximate their estimated fair value. The carrying values of the long-term debt obligations contained in the consolidated statements of financial position also approximate their estimated fair values.

Financial instruments measured at fair value include the accrual for contingent consideration included in Level 3 of the FV hierarchy.

The terms of the Nexalogy Contingent Consideration are as follows: (a) baseline of \$200,000 in cash on the first anniversary of the date of closing (November 20, 2018); (b) \$200,000 in cash on the second anniversary of the date of closing (November 20, 2019); (c) \$200,000 in cash on the third anniversary of the date of closing (November 20, 2020), each such payment being conditional on Nexalogy achieving certain revenue targets with a minimum of \$100,000 to a maximum of \$240,000 per anniversary date payment. The fair value measurement of the Nexalogy Contingent Consideration has been categorized as a Level 3 fair value based on the discounted cash flows valuation method used and the following assumptions: (i) payments of \$200,000 at each of the three anniversary dates based on expected revenue projections; and (ii) a discount rate of 19.80%. The undiscounted range of aggregate payments for the Nexalogy Contingent Consideration over the three anniversary dates is between \$300,000 to \$720,000 depending on the achievement of certain revenue targets.

The fair value measurement is impacted by two significant inputs: the discount rate used and the expected payment amounts. A movement by a factor of 10% in the discount rate and expected payment amounts would result in an approximately 3% and 10% change in the fair value measurement of the contingent consideration contained in the consolidated statements of financial position, respectively. During the year ended December 31, 2018, the Company revised its estimate of certain revenue targets and recognized a gain on remeasurement of the contingent consideration in the amount of \$202,081, along with accretion which has been recorded to reflect the passage of time as disclosed in the consolidated statements of cash flows.

During the year ended December 31, 2019, the Company paid \$56,374 for the first anniversary of the closing date and issued a notice of indemnity claim to Nexalogy vendors for breach of terms on the share purchase agreement. As at September 30, 2020, \$278,923 was included in "Accrual for contingent consideration".

### 14 Contingencies

During the year ended December 31, 2019, a constructive dismissal claim was filed against the Company by the former president of Nexalogy. The Company believes the dismissal claim is without merit and that the ultimate disposition of the proceedings will not have a material effect on its consolidated results of operation, cash flows, or financial position. No provision for any liability has been made.



# **Datametrex AI Limited**

## **Notes to Interim Condensed Consolidated Financial Statements**

(Canadian dollars, except share and unit information, unaudited)

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In October 29, 2019, the Company sent a notice of indemnity claim to the seller group of Nexalogy including the plaintiff (“the indemnifying parties”) in connection with alleged breaches of certain representations and warranties of the indemnifying parties in favour of the Company in the share purchase agreement to acquire Nexalogy. At this stage, the Company is not able to assess the likely outcome of the claim.

### **15 Comparative figures**

Certain comparative figures have been reclassified to conform with current year presentation.

### **16 Subsequent event**

#### **Exercise of Share Options**

Subsequent to the period end, the Company has received \$91,000 from the exercise of stock options at \$0.07 per share and issued 1,300,000 common shares.