

## **Datametrex AI Limited**

### **Interim Condensed Consolidated Financial Statements** **March 31, 2020** (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)

	March 31, 2020	December 31, 2019
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	26,948	119,675
Trade and other receivables	978,381	820,599
Loan receivables (note 12)	257,047	250,044
Prepaid expenses and other assets	39,211	58,649
<b>Total current assets</b>	<b>1,301,587</b>	<b>1,248,967</b>
<b>Right-of-use asset</b> (note 7)	-	41,818
<b>Property and equipment</b> (note 4)	107,398	126,236
<b>Investment in equity investee</b> (note 9)	554,953	514,764
<b>Intangible assets</b> (note 5)	2,833,552	3,004,303
<b>Goodwill</b> (note 5)	2,972,348	2,972,348
<b>Total assets</b>	<b>7,769,838</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)	2,338,941	2,119,843
Deferred revenue	336,020	262,518
Lease liability (note 7)	-	43,923
Loan payable (note 8)	58,200	-
Current portion of long-term debt (note 8)	397,573	385,708
Accrual for contingent consideration (notes 5 and 13)	2,153,923	2,153,923
<b>Total current liabilities</b>	<b>5,284,657</b>	<b>4,965,915</b>
<b>Long-term debt</b> (note 8)	11,389	20,194
<b>Deferred income taxes</b>	-	16,207
<b>Total liabilities</b>	<b>5,296,046</b>	<b>5,002,316</b>
<b>Shareholders' equity</b>		
Share capital (note 10)	27,688,542	27,688,542
Contributed surplus (note 10)	3,178,495	2,907,495
Accumulated other comprehensive loss	3,496	(14,937)
Deficit	(28,396,741)	(27,674,980)
<b>Total shareholders' equity</b>	<b>2,473,792</b>	<b>2,906,120</b>
<b>Total liabilities and shareholders' equity</b>	<b>7,769,838</b>	<b>7,908,436</b>

Going concern (note 2)

Subsequent events (note 16)

Signed "Paul Haber" Director

Signed "Andrew Ryu" Director

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

# Datametrex AI Limited

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

	Three months ended March 31, 2020 \$	Three months ended March 31, 2019 \$
<b>Revenue</b>		
Service and licensing revenue	326,241	352,928
System integration and hardware revenue	483,161	134,129
Other revenue	-	11,508
	<u>809,402</u>	<u>498,565</u>
<b>Direct Cost</b>	<u>407,235</u>	102,919
<b>Gross Profit</b>	<u>402,167</u>	<u>395,646</u>
<b>Expenses</b>		
Salaries, benefits and consulting fees	365,712	653,272
Office and general	147,198	182,638
Gain on extinguishment of accounts payable	-	(5,455)
Other operating expenses	183,914	647,631
Share based compensation – stock options (note 10)	271,000	11,273
Depreciation and amortization (notes 4, 5 and 7)	194,899	203,599
	<u>1,162,723</u>	<u>1,692,958</u>
<b>Loss before undernoted items</b>	<b>(760,556)</b>	<b>(1,297,312)</b>
Management fees – Graph Blockchain Inc. (note 12)	-	(105,000)
Share of loss (gain) from equity investee – Graph Blockchain Inc. (note 9)	(14,640)	268,232
Gain on dilution of investment in equity investee - Graph Blockchain Inc. (note 9)	(25,549)	(4,330)
Gain on litigation settlement	-	(525,000)
Interest and accretion	14,766	22,913
Loss on disposal of fixed assets (note 4)	2,507	
Foreign exchange loss	328	(4,086)
<b>Loss before income taxes</b>	<b>(737,968)</b>	<b>(950,041)</b>
<b>Income tax benefit</b>		
Deferred	<u>(16,207)</u>	<u>(45,249)</u>
<b>Net loss</b>	<b>(721,761)</b>	<b>(904,792)</b>
<b>Weighted average number of common shares</b> (note 11)	<u>233,701,561</u>	<u>218,039,053</u>
<b>Basic and diluted loss per share</b> (note 11)	<u>(0.003)</u>	<u>(0.004)</u>
<b>Other comprehensive income (loss), net</b>		
Foreign exchange translation adjustment gain (loss)	18,433	(11,870)
<b>Comprehensive loss</b>	<u>(703,328)</u>	<u>(916,662)</u>

The accompanying notes are an integral part of the 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 other comprehensive loss	Total
	Number	Amount	Contributed surplus	Deficit		
		\$	\$	\$		
<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	-	-	-	(904,792)	-	(904,792)
Shares issued under private placement	22,044,000	950,185	-	-	-	950,185
Shares issued to settle accounts payable	363,636	14,546	-	-	-	14,546
Foreign exchange translation	-	-	-	-	(11,870)	(11,870)
Share based compensation	-	-	11,273	-	-	11,273
Warrants issued during the period	-	-	123,775	-	-	123,775
<b>Balance – March 31, 2019</b>	<b>224,081,561</b>	<b>27,456,142</b>	<b>2,900,694</b>	<b>(25,796,709)</b>	<b>(7,754)</b>	<b>4,552,373</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	-	-	-	(721,761)	-	(721,761)
Foreign exchange translation - gain	-	-	-	-	18,433	18,433
Share based compensation (note 10)	-	-	271,000	-	-	271,000
<b>Balance – March 31, 2020</b>	<b>233,701,561</b>	<b>27,688,542</b>	<b>3,178,495</b>	<b>(28,396,741)</b>	<b>3,496</b>	<b>2,473,792</b>

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

# Datametrex AI Limited

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

	Three months ended March 31, 2020 \$	Three months ended March 31, 2019 \$
<b>Cash flows from (used in) operating activities</b>		
Net loss	(721,761)	(904,792)
Adjustments to reconcile net loss to operating cash flow		
Depreciation of property and equipment (note 4)	14,856	18,908
Amortization of intangible assets (note 5)	170,751	170,751
Amortization of debt discount	3,060	3,151
Amortization of right-of use asset (note 7)	7,372	13,939
Accretion on lease liability (note 7)	698	2,350
Accretion on accrual for contingent consideration	-	7,538
Gain on dilution of investment in equity investee (note 9)	(25,549)	(4,330)
Share of loss (gain) from equity investee (note 9)	(14,640)	268,232
(Gain) Loss on extinguishment of accounts payable	-	(5,454)
(Gain) Loss on litigation settlement	-	(525,000)
Share based compensation – stock options (note 10)	271,000	11,273
Loss on disposal of fixed assets (note 4)	2,507	
Deferred income taxes	(16,207)	(45,249)
Net change in operating assets and liabilities (note 6)	<u>163,590</u>	<u>(309,474)</u>
	<u>(144,324)</u>	<u>(1,298,157)</u>
<b>Cash flows used in investing activities</b>		
Purchase of property and equipment (note 4)	-	(5,759)
Proceeds from disposal of fixed assets	1,475	-
Issuance of loan receivables (note 12)	(7,003)	-
	<u>(5,528)</u>	<u>(5,759)</u>
<b>Cash flows from (used in) financing activities</b>		
Repayment of debt obligations	-	(24,442)
Proceeds from loan payable (note 8)	58,200	
Principal payments of lease liability (note 7)	(10,175)	(15,263)
Proceeds from issuance of share warrants	-	123,775
Net proceeds from issuance of private placement	-	950,185
	<u>48,025</u>	<u>1,034,255</u>
Effect of exchange rate changes on cash and cash equivalents	<u>9,100</u>	<u>(6,812)</u>
<b>Decrease in cash and cash equivalents</b>	<b>(92,727)</b>	<b>(276,473)</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>26,948</b>	<b>378,155</b>
<b>Supplementary information</b>		
Share consideration issued to settle accounts payable	-	14,546
Interest paid, net	698	7,291

The accompanying notes are an integral part of the 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. 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 May 26, 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 March 31, 2020, the Company has an accumulated deficit of \$28,396,741 (December 31, 2019 - \$27,674,980) and a working capital deficiency of \$3,983,070 (December 31, 2019 - \$3,716,948). For the three months ended March 31, 2020, the Company recognized a net loss of \$721,761 (2019 - \$904,792) and had net cash outflows from operating activities of \$144,324 (2019 - \$1,298,157). At March 31, 2020, the Company has insufficient cash to fund its planned operations for the next twelve months. 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. Accordingly, the Company

# Datametrex AI Limited

## Notes to Interim Condensed Consolidated Financial Statements

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

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may need further financing in the form of debt, equity or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its projects. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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 months ended March 31, 2020, the Company has one operating and reportable segments as defined in note 2 to these consolidated financial statements.

Geographical information is summarized as follows:

	Canada \$	Korea \$	Total \$
<b>For the three months ended March 31, 2020</b>			
<b>Revenue from external customers</b>	<b>326,241</b>	<b>483,161</b>	<b>809,402</b>
<b>Non-current assets</b>	<b>6,468,251</b>	-	<b>6,468,251</b>

# Datametrex AI Limited

## Notes to Interim Condensed Consolidated Financial Statements (Canadian dollars, except share and unit information, unaudited)

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	Canada \$	Korea \$	Total \$
<b>For the three months ended March 31, 2019</b>			
Revenue from external customers	357,883	140,682	498,565
Non-current assets	7,494,296	-	7,494,296

#### 4 Property and equipment

During the three months ended March 31, 2020, the Company had property and equipment additions of \$nil (three months ended March 31, 2019-\$5,759) and recorded loss on disposal of property and equipment of \$2,507 (three months ended March 31, 2019-\$nil).

#### 5 Goodwill and other intangible assets

During the three months ended March 31, 2020, the Company had intangible additions of \$nil (three months ended March 31, 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 March 31, 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

	Three months ended March 31, 2020 \$	Three months ended March 31, 2019 \$
<b>Cash flows provided by (used in)</b>		
Trade and other receivables	(164,636)	(248,730)
Prepaid expenses and other assets	18,979	(15,815)
Accounts payable and accrued liabilities and accrual for contingent consideration	235,745	38,091
Deferred management fees	-	(102,780)
Deferred revenue	73,502	19,760
	<u>163,590</u>	<u>(309,474)</u>



# 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 three months ended March 31, 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 March 31, 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 March 31, 2020</b>	<b>-</b>

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

During the three months ended March 31, 2020, expense relating to short term lease that was not included into IFRS 16 lease accounting is \$15,232 (three months ended March 31, 2019- \$20,825).

## 8 Debt

	March 31, 2020	December 31, 2019
	\$	\$
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.	<b>58,200</b>	-
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.	<b>194,669</b>	194,669

# Datametrex AI Limited

## Notes to Interim Condensed Consolidated Financial Statements

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

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.	<b>84,794</b>	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.	<b>66,749</b>	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.	<b>57,750</b>	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.	<b>5,000</b>	5,000
	<b>467,162</b>	405,902
Less: Current portion of long-term debt	<b>(455,773)</b>	(385,708)
	<b>11,389</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.

Scheduled repayments of debt are as follows:

	Amount \$
2020	<b>390,746</b>
2021	<b>81,906</b>
Less: Effective interest	<b>(5,490)</b>
	<b>467,162</b>

# Datametrex AI Limited

## Notes to Interim Condensed Consolidated Financial Statements (Canadian dollars, except share and unit information, unaudited)

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### 9 Equity accounted investee

During the three months ended March 31, 2020, the Company recognized a gain on the dilution of its investment in Graph in the amount of \$25,549 (three months ended March 31, 2019 - \$4,330), which was the result of Graph issuing additional shares during the three months ended March 31, 2019.

The Company's share of gain from Graph is \$14,640 for the three months ended March 31, 2020 (three months ended March 31, 2019 – loss of \$268,232). As at March 31, 2020, the Company had a 25.35% ownership interest in Graph (December 31, 2019 – 26.33%).

### 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 \$
Shares issued and outstanding at January 1, 2020	<u>233,701,561</u>	<u>27,688,542</u>
<b>Shares issued and outstanding at March 31, 2020</b>	<u>233,701,561</u>	<u>27,688,542</u>

#### 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 average remaining life (years)	Weighted average exercise price \$
Warrants outstanding at January 31, 2020	<u>22,608,800</u>	<u>0.57</u>	<u>0.08</u>
<b>Warrants outstanding at March 31, 2020</b>	<u>22,608,800</u>	<u>0.32</u>	<u>0.08</u>

During the three months ended March 31, 2020, no warrants were exercised (three months ended March 31, 2019 – no warrants were exercised).

# Datametrex AI Limited

## Notes to Interim Condensed Consolidated Financial Statements

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

### c) Share options

The Company recorded share based compensation of \$271,000 during the three months ended March 31, 2020 (three months ended March 31, 2019 - \$11,273).

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:

	<u>Number</u>	<u>Weighted average remaining life (years)</u>	<u>Weighted average exercise price \$</u>
Options outstanding at January 1, 2020	8,550,000	0.13	0.08
Options granted during the period	13,550,000	3.0	0.05
Options expired or forfeited during the period	<u>(3,950,000)</u>	-	-
<b>Options outstanding at March 31, 2020</b>	<b><u>18,150,000</u></b>	<b><u>2.19</u></b>	<b><u>0.06</u></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..

### 11 Loss per share

#### For the three months ended March 31, 2020

Net loss	\$ (721,761)
Weighted average number of shares outstanding	<u>233,701,561</u>
Basic and diluted loss per share	<u>\$ (0.003)</u>

#### For the three months ended March 31, 2019

Net loss	\$ (904,792)
Weighted average number of shares outstanding	<u>218,039,053</u>
Basic and diluted loss per share	<u>\$ (0.004)</u>

Basic loss per share is calculated by dividing the total loss by the weighted average number of shares outstanding during the year. Outstanding warrants and options as at March 31, 2020 of 40,758,800 (March 31, 2019 – 115,385,719) have not been factored into the calculation as they are considered anti-dilutive.

# Datametrex AI Limited

## Notes to Interim Condensed Consolidated Financial Statements

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

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 March 31, 2020:

	<b>Number</b>
Common shares outstanding	<b>233,701,561</b>
Share options and warrants outstanding	<b>40,758,800</b>
	<b><u>274,460,361</u></b>

### 12 Related party transactions and balances

#### a) Accounts payable and accrued liabilities

As at March 31, 2020, an amount of \$186,772 (March 31, 2019 - \$9,327) included in accounts payable and accrued liabilities is due to officers of the Company.

#### d) Loan receivables

As at March 31, 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 \$191,347 (December 31, 2019 - \$185,054). The loan is unsecured, bears interest at 5.0% per annum and is repayable on demand.

#### e) Management fee from related party

During the three months ended March 31, 2020, the Company charged its associate company, Graph, a total management fee in the amount \$nil (three month ended March 31, 2019-\$105,000).

#### f) 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:

	<b>Three Months Ended March 31, 2020</b>		<b>Three Months Ended March 31, 2019</b>	
	<b>Amount \$</b>	<b>Options awarded</b>	<b>Amount \$</b>	<b>Options awarded</b>
Cash based compensation	<b>112,500</b>	-	183,000	-
Stock options (based on Black-Scholes)	<b>230,000</b>	<b>11,500,000</b>	-	-
	<b><u>342,500</u></b>	<b><u>11,500,000</u></b>	<b><u>183,500</u></b>	<b><u>-</u></b>

# Datametrex AI Limited

## Notes to Interim Condensed Consolidated Financial Statements (Canadian dollars, except share and unit information, unaudited)

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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 March 31, 2020, \$278,923 was included in “Accrual for contingent consideration”.

# Datametrex AI Limited

## Notes to Interim Condensed Consolidated Financial Statements (Canadian dollars, except share and unit information, unaudited)

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### 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.

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 events

#### Issuance of Share Options

In May 2020, the Company granted an aggregate of 16,500,000 incentive share options under the Company’s share option plan to certain directors, employees and consultants of the Company. These stock options have an exercise price of \$0.17 and expire on June 30, 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.

#### Exercise of Share Options and Warrants

Subsequent to the period end, the Company has received \$493,500 from the exercise of share purchase options at \$0.05 and \$0.07 per share and issued 8,750,000 common shares.

Subsequent to the period end, the Company has received \$1,229,184 from the exercise of share purchase warrants at \$0.08 per share and issued 15,364,800 common shares.

#### COVID-19 Test Kits

Beginning in March 2020, the Governments of Canada and the United States, as well as other foreign governments instituted emergency measures as a result of the COVID-19 virus outbreak. The virus has had a major impact on North America and international securities, currency markets and consumer activity which may impact the Company's financial position, its results of future operations and its future cash flows significantly. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of future operations, financial position, and liquidity in fiscal year 2020.

Subsequent to the period end, the Company announced that it had entered into agreements securing the rights to import COVID-19 test kits from manufacturers in South Korea. Two test kits are currently under evaluation by Health Canada for Interim Order Approval under the Expedited Approval Program. The Company has also submitted a Medical Devices Interim Order Request Form for Health Canada for two test kits from South Korea. The company has distribution

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

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agreements for two other test kits, one of which has been approved by Health Canada under the Interim Order, and another which is pending Interim Order approval submitted by the manufacturer. The Company has received the first purchase order for COVID19 test kits from a Canadian based mining company for use in a jurisdiction outside of Canada. Also, the Company signed a Strategic Partnership and Development Agreement (“the Agreement”) with Transpharm Canada Inc (“TCI”). Under the terms of the agreement, TCI will work with the Company on scoping out services and providing access to its testing facility located in Toronto, Ontario, to provide support and testing services for the current and future approved COVID-19 test kits that Datametrex has in its portfolio. The Company will be providing the COVID-19 test kits on the Canadian and international market. In Canada, TCI will be providing all other services including, but not limited to, the collection of specimens, transport of specimens, and processing testing results and provision of results to individuals tested.