

Datametrex AI Limited

Condensed Consolidated Interim Financial Statements
March 31, 2021
(Unaudited)
(Canadian dollars)

Notice to Reader

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

Datametrex AI Limited

Consolidated Statements of Financial Position (Canadian dollars)

	March 31, 2021	December 31, 2020
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	4,619,908	1,971,987
Trade and other receivables	9,375,195	1,666,026
Marketable securities (note 8)	4,973,924	-
Loan receivables (note 11)	1,215	1,215
Prepaid expenses and other assets	54,079	234,338
Total current assets	19,024,321	3,873,566
Right-of-use asset (note 6)	41,806	49,605
Property and equipment (note 3)	87,739	91,587
Investment in equity investee (note 8)	-	689,926
Intangible assets (note 4)	2,150,545	2,321,297
Goodwill (notes 4 and 13)	3,722,348	2,972,348
Total assets	25,026,759	9,998,329
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (notes 4, 11 and 12)	3,935,736	3,426,567
Deferred revenue	30,742	34,397
Lease liability (note 6)	25,371	26,291
Current portion of long-term debt (note 7)	322,168	412,489
Accrual for contingent liabilities and contingent consideration (notes 4 and 12)	2,153,923	2,153,923
Total current liabilities	6,467,940	6,053,667
Long-term lease liability (note 6)	16,435	19,798
Long-term debt (note 7)	60,000	60,000
Deferred income taxes	618,507	618,507
Total liabilities	7,162,882	6,751,972
Shareholders' equity		
Share capital (note 9)	34,036,909	30,695,409
Contributed surplus (note 9)	6,957,401	5,249,497
Accumulated other comprehensive loss	(9,528)	(17,293)
Deficit	(23,120,905)	(32,681,256)
Total shareholders' equity	17,863,877	3,246,357
Total liabilities and shareholders' equity	25,026,759	9,998,329

Subsequent events (note 14)

Signed "Paul Haber" Director

Signed "Andrew Ryu" Director

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

Datametrex AI Limited

Consolidated Statements of Loss and Comprehensive Loss (Canadian dollars, except share and per share amounts)

	Three months ended March 31, 2021 \$	Three months ended March 31, 2020 \$
Revenue		
AI and Technology	388,939	809,402
Health Security	18,561,296	-
Other	95,653	-
	<u>19,045,888</u>	<u>809,402</u>
Direct cost	<u>(8,116,848)</u>	<u>(407,235)</u>
Gross profit	<u>10,929,040</u>	<u>402,167</u>
Expenses		
Salaries, benefits and consulting fees	771,885	365,712
Office and General	549,624	147,198
Gain on extinguishment of accounts payable	(43,076)	-
Other operating expenses (recovery)	(8,142)	183,914
Share based compensation (note 9)	3,268,404	271,000
Depreciation and amortization	190,364	194,899
	<u>4,729,059</u>	<u>1,162,723</u>
Income (loss) before undernoted items	<u>6,199,981</u>	<u>(760,556)</u>
Share of gain (loss) from equity investee (note 8)	(13,142)	14,640
Gain (loss) on dilution of investment in equity investee (note 8)	(52,088)	25,549
Unrealized gain on marketable securities (note 8)	4,349,228	-
Interest and accretion	(10,936)	(14,766)
Government grant	-	(2,507)
Other income	716	-
Foreign exchange gain (loss)	9,195	(328)
Income (loss) before income taxes	<u>10,482,954</u>	<u>(737,968)</u>
Income tax benefit		
Current	(922,603)	-
Deferred	-	(16,207)
Net income (loss)	<u>9,560,351</u>	<u>(721,761)</u>
Weighted average number of common shares - basic	<u>279,355,854</u>	<u>233,701,561</u>
Weighted average number of common shares - diluted	<u>281,912,837</u>	<u>233,701,561</u>
Basic earnings (loss) per share	<u>0.03</u>	<u>(0.003)</u>
Diluted earnings (loss) per share	<u>0.03</u>	<u>(0.003)</u>
Other comprehensive income (loss), net		
Foreign exchange translation adjustment	7,765	18,433
Comprehensive income (loss)	<u>9,568,116</u>	<u>(703,328)</u>

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

Datametrex AI Limited

Consolidated Statements of Changes in Shareholders' Equity (Canadian dollars, except for number of shares)

	<u>Common Shares</u>				Accumulated other comprehensive loss	Total
	Number	Amount \$	Contributed surplus \$	Deficit \$		
Balance – January 1, 2020	233,701,561	27,688,542	2,907,495	(27,674,980)	(14,937)	2,906,120
Net loss for the period	-	-	-	(721,761)	-	(721,761)
Foreign exchange translation – gain	-	-	-	-	18,433	18,433
Share based compensation (note 9)	-	-	271,000	-	-	271,000
Balance – March 31, 2020	233,701,561	27,688,542	3,178,495	(28,396,741)	3,496	2,473,792
Balance – January 1, 2021	268,207,270	30,695,409	5,249,497	(32,681,256)	(17,293)	3,246,357
Net income for the period	-	-	-	9,560,351	-	9,560,351
Shares issued from exercise of options (note 9)	11,300,000	1,031,000	-	-	-	1,031,000
Shares issued for business acquisition	4,411,764	750,000	-	-	-	750,000
Foreign exchange translation – gain	-	-	-	-	7,765	7,765
Share based compensation (note 9)	8,850,000	1,560,500	1,707,904	-	-	3,268,404
Balance – March 31, 2021	292,769,034	34,036,909	6,957,401	(23,120,905)	(9,528)	17,863,877

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

Datametrex AI Limited

Consolidated Statements of Cash Flows (Canadian dollars)

	Three months ended March 31, 2021 \$	Three months ended March 31, 2020 \$
Cash flows used in operating activities		
Net income (loss)	9,560,351	(721,761)
Adjustments to reconcile net loss to operating cash flow		
Depreciation of property and equipment (note 3)	11,815	14,856
Amortization of intangible assets (note 4)	170,752	170,751
Amortization of debt discount	-	3,060
Amortization of right-of use asset (note 6)	7,799	7,372
Accretion on lease liability (note 6)	131	698
(Gain) Loss on dilution of investment in equity investee (note 8)	52,088	(25,549)
Gain on extinguishment of accounts payable	(43,076)	-
Loss on disposal of property and equipment (note 3)	-	2,507
Share of loss from equity investee (note 8)	13,142	(14,640)
Share based compensation – options (note 9)	3,268,404	271,000
Unrealized gain on marketable securities (note 8)	(4,349,228)	-
Deferred income taxes	-	(16,207)
Net change in operating assets and liabilities (note 5)	<u>(6,980,320)</u>	<u>163,590</u>
	<u>1,711,858</u>	<u>(144,324)</u>
Cash flows used in investing activities		
Purchase of property and equipment (note 3)	(8,477)	-
Proceeds from disposal of property and equipment	-	1,475
Issuance of loan receivables (note 11)	-	(7,003)
	<u>(8,477)</u>	<u>(5,528)</u>
Cash flows from financing activities		
Proceeds from (repayment of) loan payable (note 7)	(87,571)	58,200
Principal payments of lease liability (note 6)	(4,414)	(10,175)
Proceeds from exercise of share options	1,031,000	-
	<u>939,015</u>	<u>48,025</u>
Effect of exchange rate changes on cash and cash equivalents	<u>5,525</u>	<u>9,100</u>
Increase (decrease) in cash and cash equivalents	2,647,921	(92,727)
Cash and cash equivalents, beginning of period	1,971,987	119,675
Cash and cash equivalents, end of period	4,619,908	26,948
Supplementary information		
Interest paid, net	1,506	698

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

Datametrex AI Limited

Notes to Condensed Consolidated Interim Financial Statements (Canadian dollars)

1 Description of business and organization

Datametrex AI Limited (the “Company”) is a technology company focused on collecting, analyzing and presenting structured and unstructured data using machine learning and artificial intelligence. During the year ended December 31, 2020, the Company started selling COVID-19 Test kits.

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”.

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. As a result, the Company entered into agreements securing the rights to import COVID-19 test kits from manufacturers in South Korea. The Company provides COVID-19 test kits on the Canadian and international market. COVID-19 has had a significant impact on the Company’s financial position, its results of operations and its cash flows for the year ended December 31, 2020 and for the three months ended March 31, 2021. However, the Company is unable to predict how COVID-19 will affect the Company’s ability to generate positive financial results and cash flows and its ability to raise capital in the future.

Basis of presentation and statement of compliance

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

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 2 to the Company’s consolidated financial statements for the year ended December 31, 2020. These interim financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2020. The accounting policies have been applied consistently in these interim financial statements, unless otherwise indicated.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Company’s Board of Directors on May 31, 2021. The consolidated financial statements are presented in Canadian dollars which is also the Company’s functional currency.

Datametrex AI Limited

Notes to Condensed Consolidated Interim Financial Statements (Canadian dollars)

Basis of consolidation

The condensed consolidated interim 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"), Datametrex Korea Limited ("Datametrex Korea"), which was incorporated in 2018 with the Korean Won as its functional currency, and Concierge Medical Consultant Inc., which was acquired in February 2021.

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

2 Segment information.

For the three months ended March 31, 2021, the Company has two operating and reportable segments being the AI and Technology, and COVID-19 Test kits.

	COVID-19 Test kits	AI and Technology	Consolidated totals
	\$	\$	\$
For the three months ended March 31, 2021			
Revenue	18,656,949	388,939	19,045,888
Gross profit	10,719,471	209,569	10,929,040
Segment loss before Income tax	10,748,358	(265,404)	10,482,954
Segment loss	9,825,755	(265,404)	9,560,351
Depreciation and amortization	8,722	181,642	190,364
Interest and accretion	131	10,805	10,936
Income tax	922,603	-	922,603
Loss on dilution of dilution investment in equity investee	-	-	52,088
Share of loss from equity accounted investee	-	-	13,142
Share based compensation	-	-	3,268,404
Unrealized gain on marketable securities	-	-	(4,349,228)
Segment assets	18,360,185	6,666,574	25,026,759
Segment liabilities	5,492,304	1,670,578	7,162,882

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For the three months ended March 31, 2020, the Company had one operating and reportable segment, being the AI and Technology sector.

Geographical information is summarized as follows:

	Canada \$	Korea \$	Total \$
For the three months ended March 31, 2021			
Revenue from external customers	18,694,142	351,746	19,045,888
Non-current assets	5,992,502	9,936	6,002,438
	Canada \$	Korea \$	Total \$
For the three months ended March 31, 2020			
Revenue from external customers	326,241	483,161	809,402
Non-current assets	6,468,251	-	6,468,251

3 Property and equipment

	Computer equipment \$	Office equipment and furniture \$	Total \$
Cost			
Balance at December 31, 2019	966,124	35,966	930,158
Additions	-	16,402	16,402
Disposal	-	(18,766)	(18,766)
Balance at December 31, 2020	966,124	33,602	999,726
Additions	8,477	-	8,477
Balance at March 31, 2021	974,601	33,602	1,008,203
Accumulated depreciation			
Balance at December 31, 2019	853,255	22,599	875,854
Depreciation	40,024	6,964	46,988
Disposal	-	(14,784)	(14,784)
Effect of foreign exchange	-	81	81
Balance at December 31, 2020	893,279	14,860	908,139
Depreciation	10,218	1,597	11,815
Effect of foreign exchange	-	510	-
Balance at March 31, 2021	903,497	16,967	920,464
Carrying amounts			
Balance at December 31, 2020	72,845	18,742	91,587
Balance at March 31, 2021	71,104	16,635	87,739

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Notes to Condensed Consolidated Interim Financial Statements (Canadian dollars)

4 Goodwill and other intangible assets

	Trademark \$	Other intangibles \$	Patents and developed technologies \$	Customer relationships \$	Total intangibles \$
Cost					
Balance at December 31, 2019	400,000	14,530,337	2,501,010	1,262,000	18,693,347
Balance at December 31, 2020	400,000	14,530,337	2,501,010	1,262,000	18,693,347
Balance at March 31, 2021	400,000	14,530,337	2,501,010	1,262,000	18,693,347
Accumulated amortization					
Balance at December 31, 2019	-	14,366,818	1,055,831	266,395	15,689,044
Amortization	-	56,604	500,202	126,200	683,006
Balance at December 31, 2020	-	14,423,422	1,556,033	392,595	16,372,050
Amortization	-	14,151	125,051	31,550	170,752
Balance at March 31, 2021	-	14,437,573	1,681,084	424,145	16,542,802
Carrying amounts					
Balance at December 31, 2020	400,000	106,915	944,977	869,405	2,321,297
Balance at March 31, 2021	400,000	92,764	819,926	837,855	2,150,545

Ronin

In January 2019, the Company issued a statement of claim in the Ontario Superior Court of Justice against various vendors in connection to the Ronin Blockchain Corp. Transaction (“Ronin Vendors”). Some of the defendants have counterclaimed for shares of the Company allegedly owing under the share purchase agreement as well as damages. The action and counterclaim have not proceeded beyond the close of pleadings. On March 12, 2019, the Company entered into a final settlement with one of the Ronin Vendors, and issued 2,000,000 common shares in satisfaction of an aggregate of \$100,000 of indebtedness at a deemed price of \$0.05 per common share. The fair value of the shares issued is in amount of \$80,000 as determined by using the market price of the date of issuance and has been recorded in “share capital” (note 10). The Company originally recorded an obligation for this indebtedness of \$625,000, and hence has recognized a “Gain on litigation settlement” of \$545,000 during the year ended December 31, 2019. As at March 31, 2021 and December 31, 2020, the balance of \$1,875,000 was included in “Accrual for contingent liabilities and contingent consideration.”

Nexalogy

As at March 31, 2021, patents, developed technologies, and non competition agreements included in other intangibles had remaining useful lives of 1.64 years (December 31, 2020 - 1.89 years), and customer relationships had remaining useful lives of 6.64 years (December 31, 2020 - 6.89 years). Trademarks and other intangibles include indefinite life trademarks in the amount of \$400,000 (December 31, 2020 - \$400,000) relating to the Nexalogy brand which the Company intends to continue marketing and strengthening for the foreseeable future.

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Notes to Condensed Consolidated Interim Financial Statements (Canadian dollars)

5 Net change in operating assets and liabilities

	Three months ended March 31, 2021 \$	Three months ended March 31, 2020 \$
Cash flows provided by (used in)		
Trade and other receivables	(7,709,169)	(164,636)
Prepaid expenses and other assets	180,259	18,979
Accounts payable and accrued liabilities and accrual for contingent liabilities and contingent consideration	552,245	235,745
Deferred revenue	(3,655)	73,502
	<u>(6,980,320)</u>	<u>163,590</u>

6 Right-of-use asset and Lease liability

The Company's lease is related to the lease of building space. During the year ended December 31, 2020, the Company terminated a lease contract reached in 2019 and accordingly derecognized the related right-of-use asset and lease liability. During the year ended December 31, 2020, the Company recognized the right-of-use assets according to a new lease contract. The new lease contract contained a non-refundable deposit in the amount of \$4,406, and \$2,203 was applied for the rent of the first month during the lease term.

Right-of-use asset

	\$
Balance at the balance initial recognition	61,416
Amortization charge for the period	(11,811)
Balance at December 31, 2020	49,605
Amortization charge for the period	(7,799)
Balance at March 31, 2021	41,806

Lease liability

	\$
Balance at the balance initial recognition	57,009
Accretion on lease liability	101
Lease payments	(11,021)
Balance at December 31, 2020	46,089
Accretion on lease liability	131
Lease payments	(4,414)
Balance at March 31, 2021	41,806
Classified as short-term	25,371
Classified as long-term	16,435

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

During the year ended December 31, 2020, expense relating to short term lease that was not included into IFRS 16 lease accounting is \$21,315 (2020 - \$15,232).

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Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

7 Debt

	March 31, 2021	December 31, 2020
	\$	\$
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.	55,750	58,500
Unsecured Canada Emergency Business Account funded by the Government of Canada. During the year, the company obtained a \$80,000 loan under the Canada Emergency Business Account Program. If the company repays \$60,000 by December 31, 2022, the \$20,000 balance will be forgiven. Otherwise, an interest rate of 5% will apply to the balance, which will be repayable in 36 monthly blended instalments [December 31, 2025]. Since there is reasonable assurance that the company will repay \$60,000 by December 31, 2022, the company recognized \$20,000 in net income when the loan was granted, which is presented in Other income.	60,000	60,000
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.	-	87,571
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
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
	382,168	472,489
Less: Current portion of long-term debt	(322,168)	(412,489)
	60,000	60,000

During the year ended December 31, 2020, 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 and the Company fully repaid these loans subsequent to March 31, 2021.

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Notes to Condensed Consolidated Interim Financial Statements (Canadian dollars)

8 Marketable Securities

During the three months ended March 31, 2021, the Company recognized a loss on the dilution of its investment in Graph Blockchain Inc. (“Graph”) in the amount of \$52,088 (2020 – gain of \$25,549), which was the result of Graph issuing additional shares during the period.

The Company’s share of loss from Graph is \$13,142 for the three months ended March 31, 2021 (2020 – gain of \$14,640).

On February 18, 2021, the Company’s ownership interest in Graph was reduced to 17.90% and further reduced until March 31, 2021 as a result of Graph issuing additional common shares during the period. As a result, the Company no longer accounts for its investment in Graph using the equity method and has reclassified its investment in Graph as financial asset using fair value through profit or loss.

The unrealized gain of \$12,639,102, calculated as the difference between the fair value of its investment in Graph of \$13,263,797 and the carrying value of \$624,696 on the date the Company discontinued the use of the equity method, was recognized in profit or loss for the period. At March 31, 2021, the fair value of the Company’s investment in Graph was \$4,973,924 resulting in an unrealized loss of \$8,289,873.

	Amount
	\$
Balance, December 31, 2020	-
Reclassified from investment in equity investee at carrying value	624,696
Unrealized gain on the reclassification date	12,639,102
Balance, February 18, 2021 (reclassification date)	<u>13,263,797</u>
Unrealized loss for the period	(8,289,873)
Balance, March 31, 2021	<u>4,973,924</u>

9 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, 2021	268,207,270	30,695,409
Shares issued from exercise of options	11,300,000	1,031,000
Shares issued for business acquisition	4,411,764	750,000
Shares issued for compensation	8,850,000	1,560,500
Shares issued and outstanding at March 31, 2021	<u>292,769,034</u>	<u>34,036,909</u>

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Notes to Condensed Consolidated Interim Financial Statements

(Canadian dollars)

b) Share options

The Company recorded share-based compensation of \$1,707,904 during the three months ended March 31, 2021 (2020 - \$271,000).

Share options granted by the Company are recorded in “Contributed surplus” in the 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, 2021	22,850,000	1.77	0.13
Options granted	8,900,000	1.89	0.18
Options exercised	<u>(20,150,000)</u>	<u>1.72</u>	<u>0.13</u>
Options outstanding at March 31, 2021	<u>11,600,000</u>	<u>1.45</u>	<u>0.17</u>

On May 10, 2020, the Company granted an aggregate of 16,500,000 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 \$65,801 was calculated using the Black-Scholes pricing model.

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 \$4,998 was calculated using the Black-Scholes pricing model.

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 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 \$10,336 was calculated using the Black-Scholes pricing model.

On February 19, 2021, the Company granted 8,900,000 incentive share options under the Company’s share option plan to certain officers, directors and consultants of the Company. These options have an exercise price of \$0.18, are not subject to vesting conditions, and expire on February 19, 2023. The value of these options vested during the period in amount of \$1,626,769 was calculated using the Black-Scholes pricing model with the following assumptions: (i) expected option life of 2.00 years; (ii) risk free rate of 0.23%; (iii) dividend yield of nil; and (iv) expected volatility of 208.47%; for a valuation of \$0.1828 per option.

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Notes to Condensed Consolidated Interim Financial Statements (Canadian dollars)

10 Related party transactions and balances

a) Accounts payable and accrued liabilities

As at March 31, 2021 and December 31, 2020, there were no amounts due to related parties included in accounts payable and accrued liabilities.

b) Loan receivables

As at March 31, 2021, the Company has a loan receivable from Graph in an amount of \$1,215 (December 31, 2020 - \$1,215). The loan is unsecured, non-interest bearing and repayable on demand.

c) Revenue from related parties

During the three months ended March 31, 2021, revenue from selling of COVID-19 Test kits and related products to ScreenPro Security Inc., a company with directors in common, was recorded in the amount of \$4,705,564 (2020 - \$Nil). During the three months ended March 31, 2021, the Company purchased goods and services from ScreenPro Security Inc., a company with directors in common, in the amount of \$6,236,471 (2020 - \$Nil).

The amount due from ScreenPro Security Inc. at March 31, 2021 was \$1,239,870 (December 31, 2020 - \$208,969).

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 March 31, 2021		Three months ended March 31, 2020	
	Amount \$	Options vested	Amount \$	Options vested
Cash based compensation	229,262	-	112,500	-
Share options (based on Black-Scholes)	3,159,913	11,200,000	230,000	11,500,000
	<u>3,389,175</u>	<u>11,200,000</u>	<u>342,500</u>	<u>11,500,000</u>

11 Fair values of financial instruments

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

As at March 31, 2021, the Company's financial instruments are comprised of cash and cash equivalents, trade and other receivables, loan receivables, accounts payable and accrued liabilities, long-term debt and accrual for contingent liabilities and contingent consideration. The amounts reflected in the statement of financial position are carrying amounts and approximate their fair values due to their short-term nature, general objectives, policies and processes.

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

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

Credit risk and economic dependence

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consists primarily of cash and trade and other receivables.

Credit risk associated with cash is minimized by ensuring these financial assets are maintained with financial institutions of reputable credit and may be redeemed upon demand. As at March 31, 2021, the impairment allowance relating to trade and other receivables was \$Nil (December 31, 2020 - \$76,909).

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they become due. The Company's approach is to ensure it will have sufficient liquidity to meet operations, tax, capital and regulatory requirements and obligations, under both normal and stressed circumstances. Cash flow projections are prepared and reviewed by management to ensure a sufficient continuity of funding exists. The Company's financial liabilities are comprised of its accounts payable and accrued liabilities, debt, and accruals for contingent liabilities and contingent consideration. The payments for the Company's accounts payable and accrued liabilities are due in less than a year.

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

	12 months \$	1 to 2 years \$	2 to 5 years \$	Total \$
Accounts payable and accrued liabilities	3,935,736	-	-	3,935,736
Accruals for contingent liabilities and contingent consideration	2,153,923	-	-	2,153,923
Lease liability	25,371	16,435	-	41,806
Long-term debt	322,168	60,000	-	382,168
At March 31, 2021	6,437,198	76,435	-	6,513,633
At December 31, 2020	6,019,270	79,798	-	6,099,068

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's net earnings or the value of financial instruments. The objective of the Company is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

The Company is exposed to market risk from changes in interest rates, in particular the Canadian bank prime rates as certain of the Company's debt instruments have variable interest rates based on the Canadian prime rates, which could affect operating results, financial position and cash flows. The Company manages its exposure to this market risk through its regular operating and financing activities. A 1% change in interest rate would have an immaterial impact on these consolidated financial statements.

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The Company is exposed to market risk from changes in foreign exchange rates, in particular the exchange rate between the Canadian Dollar and the Korean Won as certain transactions are denominated in Korean Won, which could affect operating results, financial position and cash flows. The Company manages its exposure to this market risk through its regular operating and financing activities. A 1% change in the exchange rate between the Korean Won and the Canadian Dollar would have an immaterial impact on these consolidated financial statements.

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, loan payable, 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.

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. Up to December 31, 2019, the fair value measurement of the Nexalogy Contingent Consideration was 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 contingent consideration contained in the consolidated statements of financial position, respectively.

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, 2021 and December 31, 2020, \$278,923 was included in “Accrual for contingent liabilities and contingent consideration”.

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12 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.

13 Business acquisitions

On January 19, 2021, the Company entered into a share exchange agreement with Concierge Medical Consultant Inc. ("Concierge"), an arm's length private telehealth and medical concierge services company, incorporated under the laws of British Columbia, and the shareholders of Concierge to acquire 100% of Concierge's issued and outstanding securities. Pursuant to the Definitive Agreement, the Company acquired all the issued and outstanding securities of Concierge for an aggregate purchase price of \$750,000, which has been recorded as goodwill at March 31, 2021.

The Company issued 4,411,764 common shares in the capital of the Company to the Concierge Shareholders at a price of \$0.17 per Common Share for an aggregate purchase price of \$750,000 on a pro-rata basis to the Concierge Shareholders. No finder's fee is payable in connection with the Transaction.

In March 2021, the Company entered into a Letter of Intent ("New LOI") to acquire 100% of the issued and outstanding share capital of a telemedicine company (the "Target"), an arm's length privately held company, incorporated under the laws of the Province of British Columbia.

Subject to the completion of satisfactory mutual due diligence within thirty (30) days from the date of the New LOI by Datametrex and Target, respectively, pursuant to the terms and conditions of the New LOI, Datametrex and the Target will enter into a Definitive Agreement ("Third Definitive Agreement").

It is anticipated that the Transaction will be structured as a share acquisition. Datametrex will acquire all of the securities of Target. Closing of the Transaction is subject to certain conditions.

14 Subsequent events

The Company's management has evaluated subsequent events up to May 31, 2021, the date the consolidated financial statements were issued, and has determined the following material subsequent events:

- a. Subsequent to March 31, 2021, the Company issued 1,147,000 common shares upon exercise of share options and received proceeds of \$199,990.
- b. The Company paid and eliminated \$278,923 of the accrual for contingent liabilities and contingent consideration.