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**AI/ML INNOVATIONS INC. (FORMERLY AIML  
RESOURCES INC. AND FIREBIRD RESOURCES LTD.)  
CONDENSED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS  
THREE AND NINE MONTHS ENDED  
JANUARY 31, 2021  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)**

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**Notice To Reader**

The accompanying unaudited condensed interim consolidated financial statements of AI/ML INNOVATIONS INC. (formerly AIML Resources Inc. and Firebird Resources Ltd.) (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

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# AI/ML INNOVATIONS INC. (formerly AIML Resources Inc. and Firebird Resources Ltd.)

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

	As at January 31, 2021	As at April 30, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 2,729,629	\$ 137,750
Marketable securities (note 4)	93,167	39,417
Amounts receivable (note 15)	1,160,189	1,941
Prepaid expenses	13,652	-
Inventory	1,750	-
<b>Total current assets</b>	<b>3,998,387</b>	<b>179,108</b>
<b>Non-current assets</b>		
Equipment (note 5)	10,899	-
Exploration and evaluation asset (note 6)	168,415	140,759
<b>Total assets</b>	<b>\$ 4,177,701</b>	<b>\$ 319,867</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	\$ 270,057	\$ 938,583
Notes payable (note 8)	-	422,000
Due to a related party (note 10)	71,090	780,820
Demand loan	177,458	-
<b>Total current liabilities</b>	<b>518,605</b>	<b>2,141,403</b>
<b>Non-current liabilities</b>		
Due to a related party (note 10)	724,065	-
Notes payable (note 8)	321,800	-
<b>Total liabilities</b>	<b>1,564,470</b>	<b>2,141,403</b>
<b>Shareholders' equity / (deficit)</b>		
Share capital (note 11)	23,141,120	19,710,010
Shares to be issued	114,985	-
Reserve (notes 12 and 13)	8,004,356	3,038,063
Equity portion of convertible debt	231,092	231,092
Deficit	(30,051,840)	(24,800,701)
<b>Equity attributable to the shareholders of the Company</b>	<b>1,439,713</b>	<b>(1,821,536)</b>
Non-controlling interest	1,173,518	-
<b>Total equity / (deficit)</b>	<b>2,613,231</b>	<b>(1,821,536)</b>
<b>Total shareholders' equity and liabilities</b>	<b>\$ 4,177,701</b>	<b>\$ 319,867</b>

Nature of operations and going concern (note 1)

Subsequent event (note 15)

**Approved on behalf of the Board:**

(Signed) "Tim Daniels" Director

(Signed) "John Cook" Director

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

# AI/ML INNOVATIONS INC. (formerly AIML Resources Inc. and Firebird Resources Ltd.)

## Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended January 31, 2021	Three Months Ended January 31, 2020	Nine Months Ended January 31, 2021	Nine Months Ended January 31, 2020
<b>Operating expenses</b>				
General and administrative (note 10)	\$ 130,169	\$ 9,644	\$ 156,069	\$ 17,943
Consulting	60,543	-	60,543	-
Salaries and benefits	-	-	19,232	-
Management fees (note 10)	23,050	18,000	60,100	54,000
Professional fees	33,009	4,108	62,091	9,123
Research and development	17,792	-	17,792	-
Share-based compensation	527,400	-	527,400	-
Total operating expenses	791,963	31,752	903,227	81,066
<b>Loss before other income (expense)</b>	\$ (791,963)	\$ (31,752)	\$ (903,227)	\$ (81,066)
<b>Other income (expense)</b>				
Interest expense (net)	(8,915)	(9,931)	(27,665)	(28,375)
Other income	11,639	-	11,639	-
Unrealized gain on marketable securities (note 4)	21,500	7,167	53,750	14,333
Foreign exchange	(5,961)	(607)	(10,159)	(18,075)
Transaction cost	(4,393,087)	-	(4,393,087)	-
Total other income (expense)	(4,374,824)	(3,371)	(4,365,522)	(32,117)
<b>Net loss and comprehensive loss for the period</b>	\$ (5,166,787)	\$ (35,123)	\$ (5,268,749)	\$ (113,183)
<b>Total loss and comprehensive loss for the period attributed to:</b>				
Shareholders of the Company	\$ (4,980,502)	\$ (35,123)	\$ (5,251,139)	\$ (113,183)
Non-controlling interest	(17,610)	-	(17,610)	-
	(4,998,112)	(35,123)	(5,268,749)	(113,183)
<b>Basic and diluted net loss per share (note 14)</b>	\$ (0.32)	\$ (0.00)	\$ (0.44)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>	15,748,211	8,101,026	11,802,704	8,101,026

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

## AI/ML INNOVATIONS INC. (formerly AIML Resources Inc. and Firebird Resources Ltd.)

Condensed Interim Consolidated Statements of Changes in Equity (Deficit)

(Expressed in Canadian Dollars)

Unaudited

	Share capital	Shares to be issued	Reserve	Equity component of convertible debt	Deficit	Total attributed to shareholders of Company	Non - controlling interest	Total
<b>Balance, April 30, 2019</b>	<b>19,524,482</b>	<b>\$ -</b>	<b>\$ 2,894,941</b>	<b>\$ 231,092</b>	<b>\$24,585,193)</b>	<b>\$(1,934,678)</b>	<b>\$ -</b>	<b>\$(1,934,678)</b>
Net loss for the period	-	-	-	-	(113,183)	(113,183)	-	(113,183)
<b>Balance, January 31, 2020</b>	<b>19,524,482</b>	<b>\$ -</b>	<b>\$ 2,894,941</b>	<b>\$ 231,092</b>	<b>\$24,698,376)</b>	<b>\$(2,047,861)</b>	<b>\$ -</b>	<b>\$(2,047,861)</b>
<b>Balance, April 30, 2020</b>	<b>19,710,010</b>	<b>\$ -</b>	<b>\$ 3,038,063</b>	<b>\$ 231,092</b>	<b>\$24,800,701)</b>	<b>\$(1,821,536)</b>	<b>\$ -</b>	<b>\$(1,821,536)</b>
Shares issued for debt	571,080	-	428,920	-	-	1,000,000	-	1,000,000
Shares issued for Salu	750,000	-	2,029,300	-	-	2,779,300	1,191,128	3,970,428
Shares issued in private placements	1,941,750	-	2,058,250	-	-	4,000,000	-	4,000,000
Stock options exercised	-	114,985	(64,985)	-	-	50,000	-	50,000
Share issue cost	(87,362)	-	37,100	-	-	(50,262)	-	(50,262)
Warrants exercised	255,642	-	(49,692)	-	-	205,950	-	205,950
Share-based payments	-	-	527,400	-	-	527,400	-	527,400
Net loss for the period	-	-	-	-	(5,251,139)	(5,251,139)	(17,610)	(5,268,749)
<b>Balance, January 31, 2021</b>	<b>23,141,120</b>	<b>\$ 114,985</b>	<b>\$ 8,004,356</b>	<b>\$ 231,092</b>	<b>\$30,051,840)</b>	<b>\$ 1,439,713</b>	<b>\$ 1,173,518</b>	<b>\$ 2,613,231</b>

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

# AI/ML INNOVATIONS INC. (formerly AIML Resources Inc. and Firebird Resources Ltd.)

## Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

	Nine Months Ended January 31, 2021	Nine Months Ended January 31, 2020
<b>Operating activities</b>		
Net loss for the period	\$ (5,268,749)	\$ (113,183)
Items not involving cash:		
Unrealized gain on marketable securities	(53,750)	(14,333)
Share-based payments	527,400	-
Depreciation	383	-
Transaction cost	4,353,087	-
Changes in non-cash working capital items:		
Amounts receivable	(17,342)	(2,314)
Prepaid expenses	(13,652)	-
Amounts payable and other liabilities	58,386	54,119
Due to related parties	(46,084)	66,500
<b>Net cash used in operating activities</b>	<b>(460,321)</b>	<b>(9,211)</b>
<b>Investing activities</b>		
Exploration and evaluation expenditure	(27,656)	(27,802)
Equipment purchases	(1,200)	-
Cash received in transaction	16,274	-
<b>Net cash used in investing activities</b>	<b>(12,582)</b>	<b>(27,802)</b>
<b>Financing activities</b>		
Proceeds from loans	-	34,496
Proceeds from subscription funds received	2,808,832	-
Proceeds from exercise of warrants	205,950	-
Proceeds from exercise of options	50,000	-
<b>Net cash provided by financing activities</b>	<b>3,064,782</b>	<b>34,496</b>
<b>Net change in cash</b>	<b>2,591,879</b>	<b>(2,517)</b>
<b>Cash, beginning of period</b>	<b>137,750</b>	<b>3,815</b>
<b>Cash, end of period</b>	<b>\$ 2,729,629</b>	<b>\$ 1,298</b>

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

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# **AI/ML INNOVATIONS INC. (formerly AIML Resources Inc. and Firebird Resources Ltd.)**

**Notes to Condensed Interim Consolidated Financial Statements**

**Three and Nine Months Ended January 31, 2021**

**(Expressed in Canadian Dollars)**

**Unaudited**

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## **1. Nature of operations and going concern**

AI/ML Innovations Inc. (formerly AIML Resources Inc. formerly Firebird Resources Inc.) (the “Company”) was incorporated under the British Columbia Business Corporations Act and having its registered office at Suite 1000, 925 West Georgia Street, Vancouver, BC V6C 3L2.

In December 2020, the Company completed the share purchase agreement with Salu Design Group Inc. (“Salu”), which is a private technology company based in Edmonton, Alberta. Salu holds the rights to intellectual property in the area of wearable technologies, and the application and methods associated with the applied AI/ML (artificial intelligence/machine learning) software using accelerometers, ECG (electrocardiogram), PPG (photoplethysmogram – used to measure blood volume changes in tissue), and other forms of physiological sensors to measure heart rate, heart rate variability, pulse oximetry, pulse wave velocity, pulse transit time, blood pressure, and activity. Health Gauge’s intellectual property also includes proprietary methods and IP relating to behavioural tagging for the purposes of psychometric analysis.

On March 11, 2020, the World Health Organization declared coronavirus COVID19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at January 31, 2021, the Company has not generated any revenues from operations, has an accumulated deficit of \$30,051,840 and has a working capital of \$3,479,782. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that it has sufficient working capital to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing may be required but will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. These unaudited condensed interim consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

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# **AI/ML INNOVATIONS INC. (formerly AIML Resources Inc. and Firebird Resources Ltd.)**

**Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended January 31, 2021  
(Expressed in Canadian Dollars)  
Unaudited**

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## **2. Significant accounting policies**

### **Statement of compliance and basis of presentation**

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

These unaudited condensed interim consolidated financial statements were prepared using the the same accounting policies and methods as those used in the annual consolidated financial statements for the year ended April 30, 2020. These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on April 1, 2021.

The unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company's functional currency.

### **Use of estimates and judgments**

The preparation of these condensed unaudited condensed interim consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the collectability of loan receivable, impairment of marketable securities, recoverability of exploration and evaluation assets, fair value of share-based payments, and the measurement of unrecognized deferred income tax assets.

Judgments made by management include the factors used to determine the collectability of the loan receivable and the assessment of whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

### **New accounting standards and interpretations not adopted yet**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 31, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations. following have not yet been adopted and are being evaluated to determine their impact on the Company.

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# AI/ML INNOVATIONS INC. (formerly AIML Resources Inc. and Firebird Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended January 31, 2021  
(Expressed in Canadian Dollars)  
Unaudited

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### 3. Arrangement agreement

On August 18, 2020, the Company entered into a share exchange agreement (the "Agreement") with Salu Design Group Inc. ("Salu"), which is a private technology company based in Edmonton, Alberta to acquire 70% of the issued and outstanding common shares of Salu. In December 2020, under the terms of the Agreement, the Company acquired 70% of the issued and outstanding common shares of Salu in exchange for 3,000,000 common shares of the Company and 7,000,000 performance warrants which are exercisable into 7,000,000 common shares, free of cost, subject to the following performance conditions being met by Health Gauge: a) 2,000,000 common shares upon Health Gauge generating aggregate sales revenue within any six consecutive month period of \$600,000, within 2 years of December 15, 2020, and b) 5,000,000 common shares upon Health Gauge generating aggregate sales revenue within any six consecutive month period of \$1,200,000, within 3 years of December 15, 2020.

The Company also has the option to purchase the remaining 30% of issued and outstanding common shares of the Company over a three-year period in exchange for 10,000,000 common shares of the Company and an additional 5,000,000 performance warrants of the Company.

In accordance with IFRS 3, Business Combinations, the purchase agreement was deemed a business combination for accounting purposes. Assets acquired and liabilities assumed are reported at their fair values as at the closing date.

IFRS 2, Share-based Payment, applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. Because the Company issued shares with a value in excess of the assets received, the difference is recognized in profit or loss as a transaction cost. The amount assigned to the transaction cost of \$4,393,087 is the difference between the fair value of the consideration and the net identifiable assets of Salu.

The fair value of the 3,000,000 shares were based on the fair value of \$0.25 per share of the equity transactions in December 2020. The fair value of the performance warrants was estimated using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 144% - 153%; risk-free interest rates of 0.20%; and expected live of 2 and 3 years.

The purchase price is recorded as the cost to acquire the share capital at the fair value at the time of the transaction. The excess of the amount paid over the fair value of the net liabilities acquired is charged to profit or loss as a transaction cost. Accordingly, equity increased by \$2,779,300, being the fair value of the common shares issued for the acquisition.

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Consideration - Shares:	\$	750,000
Consideration - performance warrants		2,029,300
<b>Total consideration</b>	<b>\$</b>	<b>2,779,300</b>
<b>Identifiable liabilities acquired</b>		
Cash	\$	16,274
Inventory		1,750
Equipment		10,082
Accounts payable and accrued liabilities		(102,863)
Amounts due to related parties and loans payable		(347,902)
Non-controlling interest		(1,191,128)
<b>Net liabilities acquired</b>	<b>\$</b>	<b>(1,613,787)</b>
<b>Transaction cost</b>	<b>\$</b>	<b>4,393,087</b>

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# AI/ML INNOVATIONS INC. (formerly AIML Resources Inc. and Firebird Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements  
 Three and Nine Months Ended January 31, 2021  
 (Expressed in Canadian Dollars)  
 Unaudited

## 4. Marketable securities

On May 20, 2016, the Company received 716,667 common shares of Pancontinental Gold Corporation with a fair value of \$53,750 as part of the consideration for the sale of the Jefferson Property. The common shares are held-for-trading and as of January 31, 2021, the fair value of the common shares was \$93,167 (April 30, 2020 - \$39,417). During the nine months ended January 31, 2021, the Company recorded an unrealized gain of \$53,750 (nine months ended January 31, 2020 – \$14,333) which has been recorded in the unaudited condensed interim consolidated statements of operations.

## 5. Equipment

<b>Cost</b>	<b>Office equipment</b>	<b>Computer equipment</b>	<b>Total</b>
Balance, April 30, 2020	\$ -	\$ -	\$ -
Additions from Salu Additions	5,406	23,413	28,819
	-	1,200	1,200
Balance, January 31, 2021	\$ 5,406	\$ 24,613	\$ 30,019

<b>Accumulated Depreciation</b>	<b>Office equipment</b>	<b>Computer equipment</b>	<b>Total</b>
Balance, April 30, 2020	\$ -	\$ -	\$ -
Additions from Salu	2,438	16,299	18,737
Depreciation for the period	51	332	383
Balance, January 31, 2021	\$ 2,489	\$ 16,631	\$ 19,120

<b>Carrying Value</b>	<b>Office equipment</b>	<b>Computer equipment</b>	<b>Total</b>
Balance, April 30, 2020	\$ -	\$ -	\$ -
Balance, January 31, 2021	\$ 2,917	\$ 7,982	\$ 10,899

# AI/ML INNOVATIONS INC. (formerly AIML Resources Inc. and Firebird Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements  
 Three and Nine Months Ended January 31, 2021  
 (Expressed in Canadian Dollars)  
 Unaudited

## 6. Exploration and evaluation assets

The Company's exploration and evaluation assets consist of the following:

	Mountain of Gold Property	Buzzard Property	Total
<u>Acquisition Costs</u>			
Balance, April 30, 2019	\$ 800	\$ 72,366	\$ 73,166
Advance royalty payments	-	19,802	19,802
Balance, January 31, 2020	800	92,168	92,968
<u>Exploration Costs</u>			
Balance, April 30, 2019	\$ 2,224	\$ 40,590	\$ 42,814
Engineering and geological fees	-	8,000	8,000
Balance, January 31, 2020	2,224	48,590	50,814
<b>Balance, January 31, 2020</b>	<b>\$ 3,024</b>	<b>\$ 140,758</b>	<b>\$ 143,782</b>

	Buzzard Property	Total
<u>Acquisition Costs</u>		
Balance, April 30, 2020	\$ 92,169	\$ 92,169
Advance royalty payment	19,746	19,746
Balance, January 31, 2021	111,915	111,915
<u>Exploration Costs</u>		
Balance, April 30, 2020	\$ 48,590	\$ 48,590
Field expenditures	7,910	7,910
Balance, April 30, 2020	56,500	56,500
<b>Balance, January 31, 2021</b>	<b>\$ 168,415</b>	<b>\$ 168,415</b>

### (a) Mountain of Gold Property, Ontario

Pursuant to a mineral property option agreement dated May 4, 2005, the Company was granted an option to acquire a 100% undivided interest in two claims in the Turnbull area of Ontario. In order to keep the option granted to the Company in good standing, the Company was obligated to:

- (i) issue 50,000 common shares on regulatory approval of the agreement;
- (ii) issue 50,000 common shares by May 4, 2006; and
- (iii) issue 100,000 common shares by May 4, 2007.

The Company has earned a 100% interest in the property, subject to retention by the vendor of a 1% net smelter royalty if the Company commences commercial production on the claims. The Company has the option and right to purchase and cancel 100% of the net smelter royalty at any time for \$1,000,000.

During the year ended April 30, 2020, the Company recorded an impairment as it no longer continues to pursue the property.

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# AI/ML INNOVATIONS INC. (formerly AIML Resources Inc. and Firebird Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements  
Three and Nine Months Ended January 31, 2021  
(Expressed in Canadian Dollars)  
Unaudited

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## 6. Exploration and evaluation assets (continued)

(b) *Buzzard Property, South Carolina*

Pursuant to a mineral lease agreement dated September 1, 2008, the Company was granted an exclusive lease of all mineral exploration rights relating to approximately sixty-eight acres located in South Carolina. In order to keep the lease agreement granted to the Company in good standing, the Company is obligated to:

- (i) pay US\$3,000 per year for each of the third and fourth years of the lease (paid);
- (ii) pay US\$4,000 per year for each of the fifth, sixth, and seventh years of the lease (paid);
- (iii) pay US\$5,000 per year for each of the eighth and ninth years of the lease (paid);
- (iv) upon the earlier of commercial production or the tenth year of the lease, a minimum annual advanced royalty of US\$15,000 per year (paid); and
- (v) production royalty of 3.5% of the gross returns on any mining production.

## 7. Accounts payable and accrued liabilities

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	January 31, 2021	April 30, 2020
Trade payables	\$ 258,057	\$ 636,833
Accrued liabilities	12,000	10,450
Interest payable (note 8)	-	291,300
Total accounts payable and accrued liabilities	\$ 270,057	\$ 938,583

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During the nine months ended January 31, 2021, the Company settle some outstanding amounts of trade payables and interest payable with the issuance of shares (note 11).

## 8. Demand loans

- (a) As at January 31, 2021, the Company owes the amount of \$22,975 (April 30, 2020 - \$nil) to an unrelated party, which is non-interest bearing, unsecured, and due on demand.
- (b) As at January 31, 2021, the Company owes the amount of \$154,483 (EUR\$100,000)(April 30, 2020 - \$nil) to an unrelated party, which is non-interest bearing, unsecured, and due on demand.

## 9. Notes payable

- (a) During the nine months ended January 31, 2021, the Company received \$40,000 from the Government of Canada sponsored Canada Emergency Business Account (CEBA) in the form of a line of credit. This loan is a two year, interest free loan, to be repaid by December 31, 2022. If the Company repays the CEBA loan on or before December 31, 2022, the Company is liable to only repay \$30,000 of the principal balance. Any unpaid principal portion of the CEBA loan after December 31, 2022 will be converted into a three-year loan at annual interest rate of 5%.
- (b) As at January 31, 2021, the Company owed \$nil (April 30, 2020 - \$167,000) to an unrelated company, which is unsecured, bears interest at 10% per annum, and due on demand. During the nine months ended January 31, 2021, the Company settle the outstanding amounts with the issuance of shares.

# AI/ML INNOVATIONS INC. (formerly AIML Resources Inc. and Firebird Resources Ltd.)

## Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended January 31, 2021

(Expressed in Canadian Dollars)

Unaudited

### 8. Notes payable (continued)

- (c) On December 10, 2009, the Company completed a convertible debenture financing for proceeds of \$255,000. The convertible debenture is unsecured, bears interest at 10% per annum, and matured on December 11, 2014. The debenture is convertible into common shares of the Company at \$0.10 per common share at the option of the holder for the duration of the term. The convertible feature expired on December 11, 2014 and convertible debenture was reallocated to notes payable. In addition, the debenture holder was issued 2,550,000 detachable common share purchase warrants exercisable at \$0.10 per share for a period of five years. In connection with this financing, the Company issued 255,000 units with a fair value of \$16,575 as finder's fees. Each unit consisted of one common share and one common share purchase warrant exercisable at \$0.10 per share for a period of five years. The warrants expired on December 31, 2014.

The Company split the proceeds of the convertible debenture between debt and equity, based on the relative fair values of the debt, conversion option, and warrants. The amount attributable to the debt was \$23,908 and the amount attributable to the conversion option and warrants was \$231,092. This amount represented a deemed discount on the debt issuance, which is being accreted in the statement of operations using the effective interest rate method over the five year term of the debt. During the nine months ended January 31, 2021, the Company entered into a postponement agreement that until December 31, 2022, with an interest in the amount of 5% per annum.

### 10. Related party transactions

- (a) The Company entered into the following transactions with related parties:

- i) During the three and nine months ended January 31, 2021, the Company incurred management fees of \$12,000 and \$48,000, respectively, (three and nine months ended January 31, 2020 - \$18,000 and \$54,000, respectively), and rent of \$1,000 and \$4,000, respectively, (three and nine months ended January 31, 2020 - \$1,500 and \$3,000, respectively), to a company controlled by a director of the Company.
- ii) For the three and nine months ended January 31, 2021, the Company expensed \$3,311 and \$8,623, respectively (three and nine months ended January 31, 2020 - \$814 and \$5,488, respectively) to Marrelli Support for the services of Vic Hugo to act as Chief Financial Officer of the Company. In addition, Marrelli Support also provides bookkeeping services to the Company. Vic Hugo is an employee of Marrelli Support. As at January 31, 2021, Marrelli Support was owed \$454 (April 30, 2020 - \$455) and this amount was included in accounts payable and accrued liabilities.

- (b) Remuneration of directors and key management personnel, other than fees as disclosed above, of the Company was as follows:

	Three Months Ended		Nine Months Ended	
	Ended	Ended	Ended	Ended
	January 31,	January 31,	January 31,	January 31,
	2021	2020	2021	2020
Salaries and benefits	\$ 12,724	\$ -	\$ 12,724	\$ -
Management fees	10,000	-	10,000	-
Stock-based compensation	281,600	-	281,600	-
	\$ 304,324	\$ -	\$ 304,324	\$ -

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## 10. Related party transactions (continued)

### (c) Related party balances

- i) As at January 31, 2021, the Company owed \$7,500 (April 30, 2020 - \$780,820) to a company controlled by a director of the Company for management fees and expenses. The amount owing was unsecured, non-interest bearing, and due on demand. During the nine months ended January 31, 2021, the Company agreed the amount of \$751,150 to be repaid at December 31, 2022 and bears interest at 5% from November 1, 2020. For the three and nine months ended January 31, 2021, the Company expensed interest of \$8,915 (three and nine months ended January 31, 2020 - \$nil), and as at January 31, 2021 the amount of \$724,065 is outstanding.
- ii) As at January 31, 2021, the Company owed \$51,195 (April 30, 2020 - \$nil) to the Chief Executive Officer and director of the Company, which is unsecured, non-interest bearing, and due on demand.
- iii) As at January 31, 2021, the Company owed \$2,225 (April 30, 2020 - \$nil) to the Chief Technology Officer and director of the Company, which is unsecured, non-interest bearing, and due on demand.

## 11. Share capital

### a) Authorized share capital

The authorized share capital consisted of unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

### b) Common shares issued

	Number of common shares	Amount
<b>Balance, April 30, 2019 and January 31, 2020</b>	<b>8,101,026</b>	<b>\$ 19,524,482</b>
<b>Balance, April 30, 2020</b>	<b>11,101,026</b>	<b>\$ 19,710,010</b>
Private placement (ii) (iii)	8,000,000	4,000,000
Shares for debt (i)	4,000,000	1,000,000
Warrants issued (i) (ii) (iii)	-	(2,487,170)
Share issue cost	-	(87,362)
Shares issued for Salu (note 3)	3,000,000	750,000
Warrants exercised	1,373,000	255,642
<b>Balance, January 31, 2021</b>	<b>27,474,026</b>	<b>\$ 23,141,120</b>

- i) On December 30, 2020, the Company entered into a number of settlement agreements with creditors and debt holders to convert \$1,000,000 into 4,000,000 equity units, each unit consisting of one common share and one warrant entitling the holder to subscribe for one additional common share for \$0.50 for a period of 2 years. The proportionate fair value of the share purchase warrants issued was \$428,920, and was calculated using the Black-Scholes option pricing model assuming an expected life of 2 years, volatility of 154% based on historical 2 years trends, risk free rate of 0.20%, and no expected dividends or forfeitures.

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### **11. Share capital (continued)**

#### b) Common shares issued (continued)

- ii) On December 30, 2020, the Company issued 4,000,000 units at \$0.25 per unit for proceeds of \$1,000,000. Each unit consisting of one common share and one warrant. Two warrants entitle the holder to subscribe for one additional common share at \$0.50 for a period of one year, subject to the right of the Company to accelerate expiry if the common shares trade at or above \$0.60 for a period of 10 days. The proportionate fair value of the share purchase warrants issued was \$391,650, and was calculated using the Black-Scholes option pricing model assuming an expected life of 1 year, volatility of 149% based on historical 1 year trends, risk free rate of 0.20%, and no expected dividends or forfeitures. As part of the private placement, the paid issuance costs of \$16,213 and issued 68,250 finder's warrants with a fair value of \$8,300. Each finder's warrant entitles the finder to purchase one unit at \$0.50 per Unit and each Unit is comprised of one common share and one common share purchase warrant, with two warrants entitling the holder to acquire one common share of the Issuer at a price of \$0.50 per share for a period of 1 year and was calculated using the Black-Scholes option pricing model.
- iii) On January 25, 2021, the Company issued 4,000,000 units at \$0.75 per unit for proceeds of \$3,000,000. Each unit consisting of one common share and one warrant. Each unit is comprised of one common share and one share purchase warrant, with each warrant having an exercise price of \$1.00 and an expiration date of 18 months, subject to the Company's option to accelerate expiry if its shares trade at \$1.25 or more for 10 consecutive trading days. The proportionate fair value of the share purchase warrants issued was \$1,666,600, and was calculated using the Black-Scholes option pricing model assuming an expected life of 1.50 years, volatility of 169% based on historical 1.50 years trends, risk free rate of 0.17%, and no expected dividends or forfeitures. As part of the private placement, the paid issuance costs of \$34,050 and issued 45,600 finder's warrants with a fair value of \$28,800. Each finder's warrant entitles the holder to subscribe for one additional common share for \$1.00 for a period of six months and was calculated using the Black-Scholes option pricing model.

#### c) Reserves

The Company has adopted the relative fair value method with respect to the measurement of common shares and warrants issued as equity units. The relative fair value method requires an allocation of the net proceeds received based on the pro rata relative fair value of the components. If and when the warrants are ultimately exercised, the applicable amounts are transferred from reserve for warrants to share capital.

### **12. Stock options**

The Company has adopted a stock option plan pursuant to which options may be granted to directors, officers, employees, and consultants of the Company to a maximum of 10% of the issued and outstanding common shares, and not exceeding 5% granted to any individual. The stock options have a maximum term of five years and cannot be assigned or transferred.

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## 12. Stock options (continued)

As at January 31, 2020 and April 30, 2020 the Company does not have any issued and outstanding stock options.

	Number of stock options	Weighted average exercise price
Balance, April 30, 2020	-	\$ -
Issued <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>	2,550,000	0.36
Exercised	(300,000)	0.25
<b>Balance, January 31, 2021</b>	<b>2,250,000</b>	<b>\$ 0.37</b>

The weighted average grant date fair value of options granted during the nine months ended January 31, 2021 was \$0.21 (January 31, 2020 - \$nil).

- (1) On December 31, 2020, the Company granted an aggregate of 1,300,000 stock options to directors and officers of the Company at an exercise price of \$0.25 per share, exercisable for a period of 2 years. The options vested immediately. The estimated fair value of these options at the grant date was \$281,600 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: expected dividend yield of 0%; share price of \$0.29; expected volatility of 154% based on historical 2 year trends; risk-free interest rate of 0.20%; and an expected average life of 2 years. During the three and nine months ended January 31, 2021, \$281,600 was expensed (three and nine months ended January 31, 2020 - \$nil).
- (2) On January 11, 2021, the Company granted an aggregate of 900,000 stock options to consultants of the Company at an exercise price of \$0.40 per share, exercisable for a period of 0.72 years. The options vested immediately. The estimated fair value of these options at the grant date was \$144,500 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: expected dividend yield of 0%; share price of \$0.35; expected volatility of 111% based on historical 0.72 year trends; risk-free interest rate of 0.10%; and an expected average life of 0.72 years. During the three and nine months ended January 31, 2021, \$144,500 was expensed (three and nine months ended January 31, 2020 - \$nil).
- (3) On January 14, 2021, the Company granted an aggregate of 350,000 stock options to a consultant of the Company at an exercise price of \$0.65 per share, exercisable for a period of 1 year. The options vested immediately. The estimated fair value of these options at the grant date was \$144,500 using the Black-Scholes valuation model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: expected dividend yield of 0%; share price of \$0.67; expected volatility of 171% based on historical 1 year trends; risk-free interest rate of 0.16%; and an expected average life of 1 year. During the three and nine months ended January 31, 2021 \$144,500 was expensed (three and nine months ended January 31, 2020 - \$nil).

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## 12. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of January 31, 2021:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
September 30, 2021	0.40	0.66	900,000	900,000
January 14, 2022	0.65	0.95	350,000	350,000
December 31, 2022	0.25	1.92	1,000,000	1,000,000
	<b>0.37</b>	<b>1.26</b>	<b>2,250,000</b>	<b>2,250,000</b>

## 13. Warrants

	Number of warrants	Weighted average exercise price (\$)
<b>Balance, April 30, 2019 and January 31, 2020</b>	-	\$ -
<b>Balance, April 30, 2020</b>	<b>3,135,000</b>	<b>\$ 0.16</b>
Issued (note 11(b))	12,113,850	0.58
Expired	(135,000)	(0.35)
Exercised	(1,373,000)	(0.15)
Issued (note 3)	7,000,000	-
<b>Balance, January 31, 2021</b>	<b>20,740,850</b>	<b>\$ 0.35</b>

The following table reflects the actual warrants issued as of January 31, 2021:

Number of warrants outstanding	Grant date fair value (\$)	Exercise price (\$)	Expiry date	Remaining contract life (years)
45,600	28,800	1.00	July 25, 2021	0.48
4,000,000	391,650	0.25	December 30, 2021 <sup>(2)</sup>	0.91
68,250	8,300	0.25	December 30, 2021 <sup>(3)</sup>	0.91
1,627,000	112,531	0.15	February 14, 2022 <sup>(1)</sup>	1.05
4,000,000	1,666,600	1.00	July 25, 2022 <sup>(4)</sup>	1.48
2,000,000	579,800		December 15, 2022 <sup>(5)</sup>	1.87
4,000,000	428,920	0.50	December 30, 2022	1.91
5,000,000	1,449,500		December 15, 2023 <sup>(5)</sup>	2.87
<b>20,740,850</b>	<b>4,666,101</b>	<b>0.35</b>		<b>1.79</b>

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# **AI/ML INNOVATIONS INC. (formerly AIML Resources Inc. and Firebird Resources Ltd.)**

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### **13. Warrants (continued)**

- (1) Exercisable into one common share at \$0.15 until February 18, 2021 and thereafter at \$0.20 until February 18, 2022.
- (2) Each two warrants entitles the holder to subscribe for one additional share at \$0.50 per share for a period of one year from the date of closing provided however that if the closing price of the common shares is at a price equal to or greater than \$0.60 for a period of 10 consecutive trading days, the Corporation will have the right to accelerate the expiry date of the Warrants to expire on the date that is 30 days after the issuance of the news release.
- (3) Each Unit is comprised of one common share and one common share purchase warrant, with two warrants entitling the holder to acquire one common share of the Issuer at a price of \$0.50 per share for a period of 12 months from closing.
- (4) Each warrant having an exercise price of \$1.00 and an expiration date of 18 months from the date of issuance, subject to the Company's option to accelerate expiry if its shares trade at \$1.25 or more for 10 consecutive trading days.
- (5) See note 3

### **14. Loss per share**

For the three and nine months ended January 31, 2021, basic and diluted loss and income per share has been calculated based on the loss attributable to common shareholders of \$4,980,502 and \$5,251,139, respectively (three and nine months ended January 31, 2020 - \$35,123 and \$113,183, respectively) and the weighted average number of common shares outstanding of 15,748,211 and 11,802,704, respectively (three and nine months ended January 31, 2020 - 8,101,026 and 8,101,026, respectively). Diluted loss per share did not include the effect of options and warrants as they are anti-dilutive.

### **15. Subsequent event**

- a) Subsequent to the period ended January 31, 2021, the Company received \$1,022,870 of share subscriptions that were receivable as at January 31, 2021.
- b) On February 2, 2021, the Company announced that it has engaged Toronto-based marketing firm North Equities Corp. ("North Equities") and will issue 80,645 common shares at a deemed price of \$1.24 per share to North Equities.