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**AI/ML INNOVATIONS INC.  
CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**SIX MONTHS ENDED  
OCTOBER 31, 2022 AND 2021**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED – PREPARED BY MANAGEMENT)**

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**Notice to Reader**

The accompanying unaudited condensed interim consolidated financial statements of AI/ML INNOVATIONS INC. (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.

## Condensed Interim Consolidated Statements of Financial Position (Expressed in Canadian Dollars) (Unaudited – Prepared by Management)

	As at October 31, 2022	As at April 30, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 29,482	\$ 475,071
Subscriptions receivable (Note 12)	-	10,000
Marketable securities (Note 5)	10,750	50,167
Accounts receivable	33,471	24,784
Prepaid expenses (Note 6)	82,139	330,504
Inventory	3,389	4,685
<b>Total current assets</b>	<b>159,231</b>	<b>895,211</b>
<b>Non-current assets</b>		
Right of use assets (Note 9)	63,078	84,104
Investment in associate (Note 4)	1,240,166	1,060,497
<b>Total assets</b>	<b>\$ 1,462,475</b>	<b>\$ 2,039,812</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 652,823	\$ 483,200
Notes payable (Note 10)	117,000	117,000
Due to related parties (Note 11)	874,723	806,477
Loans payable (Note 8)	12,220	12,220
Lease liabilities – current (Note 9)	45,833	41,506
<b>Total current liabilities</b>	<b>1,702,599</b>	<b>1,460,403</b>
<b>Non-current liabilities</b>		
Notes payable (Note 10)	40,000	40,000
Lease liabilities (Note 9)	26,560	50,612
<b>Total liabilities</b>	<b>1,769,159</b>	<b>1,551,015</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 12)	25,357,931	25,278,619
Subscriptions receivable (Note 12)	(25,000)	(25,000)
Reserves (Notes 12, 13 and 14)	6,545,268	6,530,131
Deficit	(31,545,204)	(30,699,872)
<b>Equity attributable to the shareholders of the Company</b>	<b>332,995</b>	<b>1,083,878</b>
Non-controlling interest (Note 3)	(639,679)	(595,081)
<b>Total equity</b>	<b>(306,684)</b>	<b>488,797</b>
<b>Total shareholders' equity and liabilities</b>	<b>\$ 1,462,475</b>	<b>\$ 2,039,812</b>

Nature of operations and going concern (Note 1)

Subsequent events (Note 19)

Approved on behalf of the Board on December 29, 2022:

(Signed) "Tim Daniels" Director

(Signed) "Nick Watters" Director

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

# AI/ML INNOVATIONS INC.

## Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Three Months Ended October 31, 2022	Three Months Ended October 31, 2021	Six Months Ended October 31, 2022	Six Months Ended October 31, 2021
<b>Revenue</b>				
Goods	\$ 43,452	\$ -	\$ 69,782	\$ -
Services	65,109	-	101,859	-
Total revenue	108,561	-	171,641	-
<b>Operating expenses</b>				
Advertising and promotion	24,191	304,435	151,308	654,511
Consulting	127,970	187,000	243,332	253,241
Depreciation (Note 9)	10,513	10,513	21,026	21,026
General and administrative	39,701	67,241	89,906	144,771
Management fees (Note 11)	30,000	30,000	60,000	60,000
Government grants	-	(6,984)	-	(14,821)
Professional and transaction fees (Note 11)	40,408	139,634	98,211	243,036
Research and development	31,157	84,718	76,624	175,613
Salaries and benefits (Note 11)	102,140	145,267	182,102	269,736
Share-based payments (Notes 11 and 13)	6,645	174,330	15,137	337,252
Total operating expenses	(412,725)	(1,136,154)	(937,646)	(2,144,365)
<b>Other income (expense)</b>				
Foreign exchange	(20,598)	(42,868)	(18,003)	(32,509)
Interest expense (Notes 9 and 10)	(14,977)	(16,793)	(30,442)	(33,989)
Share of loss on equity investment (Note 4)	(17,352)	-	(36,063)	-
Unrealized loss on marketable securities (Note 5)	(14,333)	(14,334)	(39,417)	(28,667)
Total other expense	(67,260)	(73,995)	(123,925)	(95,165)
<b>Net loss and comprehensive loss for the period</b>	\$ (371,424)	\$ (1,210,149)	\$ (889,930)	\$ (2,239,530)
<b>Net loss and comprehensive loss for the period attributed to:</b>				
Shareholders of the Company	\$ (352,923)	\$ (1,106,264)	\$ (845,332)	\$ (2,044,484)
Non-controlling interest	(18,501)	(103,885)	(44,598)	(195,046)
	\$ (371,424)	\$ (1,210,149)	\$ (889,930)	\$ (2,239,530)
<b>Basic and diluted net loss per share</b>	\$ (0.01)	\$ (0.04)	\$ (0.03)	\$ (0.07)
<b>Weighted average number of common shares outstanding</b>	36,692,770	29,897,325	34,987,743	29,514,794

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

# AI/ML INNOVATIONS INC.

## Condensed Interim Consolidated Statements of Changes in Equity (Deficit)

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

Share capital										
	Number of shares	Amount	Shares to be issued	Subscriptions receivable	Reserves	Deficit	Total attributed to shareholders of Company	Non-controlling interest	Total	
<b>Balance, April 30, 2021</b>	<b>29,081,671</b>	<b>\$ 23,741,075</b>	<b>\$ 45,200</b>	<b>\$ (172,000)</b>	<b>\$ 6,219,087</b>	<b>\$ (27,526,586)</b>	<b>\$ 2,306,776</b>	<b>\$ (218,239)</b>	<b>\$ 2,088,537</b>	
Subscriptions received	-	-	-	187,000	-	-	187,000	-	187,000	
Warrants exercised	1,136,800	687,016	-	(15,000)	(148,616)	-	523,400	-	523,400	
Stock options exercised	350,000	179,394	-	-	(39,394)	-	140,000	-	140,000	
Shares issued – to be returned	50,000	50,000	-	-	-	-	50,000	-	50,000	
Shares issuance costs	-	(11,850)	-	-	-	-	(11,850)	-	(11,850)	
Shares issued for services	100,000	64,000	-	-	-	-	64,000	-	64,000	
Shares to be issued for services	-	-	35,043	-	-	-	35,043	-	35,043	
Share-based payments	-	-	-	-	337,252	-	337,252	-	337,252	
Net loss and comprehensive loss	-	-	-	-	-	(2,044,484)	(2,044,484)	(195,046)	(2,239,530)	
<b>Balance, October 31, 2021</b>	<b>30,718,471</b>	<b>24,709,635</b>	<b>80,243</b>	<b>-</b>	<b>6,368,329</b>	<b>(29,571,070)</b>	<b>1,587,137</b>	<b>(413,285)</b>	<b>1,173,852</b>	
Private placement units	4,000,000	439,400	-	-	160,600	-	600,000	-	600,000	
Share issuance costs	-	(24,416)	-	-	-	-	(24,416)	-	(24,416)	
Subscriptions received	-	-	-	-	-	-	-	-	-	
Warrants exercised	-	-	-	(25,000)	-	-	(25,000)	-	(25,000)	
Stock options exercised	-	-	-	-	-	-	-	-	-	
Shares issued for services	211,799	154,000	(80,243)	-	-	-	73,757	-	73,757	
Share-based payments	-	-	-	-	1,202	-	1,202	-	1,202	
Net loss and comprehensive loss	-	-	-	-	-	(1,128,802)	(1,128,802)	(181,796)	(1,310,598)	
<b>Balance, April 30, 2022</b>	<b>34,930,270</b>	<b>25,278,619</b>	<b>-</b>	<b>(25,000)</b>	<b>6,530,131</b>	<b>(30,699,872)</b>	<b>1,083,878</b>	<b>(595,081)</b>	<b>488,797</b>	
Shares issued for investment in associate	1,762,500	79,312	-	-	-	-	79,312	-	79,312	
Share-based payments	-	-	-	-	15,137	-	15,137	-	15,137	
Net loss and comprehensive loss	-	-	-	-	-	(845,332)	(845,332)	(44,598)	(889,930)	
<b>Balance, October 31, 2022</b>	<b>36,692,770</b>	<b>\$ 25,357,931</b>	<b>\$ -</b>	<b>\$ (25,000)</b>	<b>\$ 6,545,268</b>	<b>\$ (31,545,204)</b>	<b>\$ 332,995</b>	<b>\$ (639,679)</b>	<b>\$ (306,684)</b>	

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

# AI/ML INNOVATIONS INC.

## Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Six Months Ended October 31, 2022	Six Months Ended October 31, 2021
<b>Operating activities</b>		
Net loss for the period	\$ (889,930)	\$ (2,239,530)
Items not involving cash:		
Accrued interest	30,442	28,642
Depreciation	21,026	21,026
Foreign exchange	18,003	3,415
Share of loss on equity investment	36,063	-
Shares for services	-	64,000
Share-based payments	15,137	337,252
Shares to be issued for services	-	35,043
Unrealized loss on marketable securities	39,417	28,667
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	151,620	(9,974)
Due to related parties	46,210	-
ITCs receivables	(8,687)	(30,331)
Inventory	1,296	(1,332)
Prepaid expenses	248,365	(527,951)
<b>Net cash used in operating activities</b>	<b>(291,038)</b>	<b>(2,291,073)</b>
<b>Investing activities</b>		
Investment in Tech2Heal	(136,420)	(1,086,975)
Lease obligations	(28,131)	(28,131)
<b>Net cash used in investing activities</b>	<b>(164,551)</b>	<b>(1,115,106)</b>
<b>Financing activities</b>		
Proceeds from exercise of options	-	140,000
Proceeds from exercise of warrants	-	713,550
Repayment of demand loan	-	(154,482)
Subscription receivable	10,000	-
<b>Net cash provided by financing activities</b>	<b>10,000</b>	<b>699,068</b>
<b>Net change in cash</b>	<b>(445,589)</b>	<b>(2,707,111)</b>
<b>Cash, beginning of period</b>	<b>475,071</b>	<b>3,367,229</b>
<b>Cash, end of period</b>	<b>\$ 29,482</b>	<b>\$ 660,118</b>
<b>Supplemental Information:</b>		
Fair value of options exercised	\$ -	\$ 39,394
Fair value of warrants exercised	-	148,616
Right of use asset	-	126,156
Share issued for investment in associate	79,312	-
Subscriptions receivable	-	35,000

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

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**AI/ML INNOVATIONS INC.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Six Months Ended October 31, 2022 and 2021**  
**(Expressed in Canadian Dollars)**  
**(Unaudited – Prepared by Management)**

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## **1. Nature of Operations and Going Concern**

AI/ML Innovations Inc. (the “Company”) was incorporated under the British Columbia Business Corporations Act and having its registered and records office at 850 – 2<sup>nd</sup> Street SW, 15<sup>th</sup> Floor, Bankers Court, Calgary, Alberta, T2P 0R8 and head office at Suite 203, 645 Fort Street, Victoria, BC, V8W 1G2.

In December 2020, the Company completed the share purchase agreement with Health Gauge Inc. (formerly Salu Design Group Inc.) (“Health Gauge”), which is a private technology company based in Edmonton, Alberta. Health Gauge 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 behavioral 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. The COVID-19 outbreak has had minimal or no impact to the Company’s operations.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Continued operations of the Company are dependent on the Company’s ability to receive financial support, complete additional equity financing, and generate profitable operations in the future. Management believes it will be successful in raising the necessary funding to continue operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all.

The Company incurred a net loss and comprehensive loss of \$889,930 during the period ended October 31, 2022 (2021 - \$2,239,530) and incurred negative operating cash flows of \$445,589 (2021 - \$2,707,111). As at October 31, 2022, the Company had an accumulated deficit of \$31,545,204 (April 30, 2022 - \$30,699,872).

These events and conditions create a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. The condensed interim consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. Such adjustments could be material.

## **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 IFRS Interpretations Committee (“IFRIC”). These 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.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value, and are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

**AI/ML INNOVATIONS INC.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Six Months Ended October 31, 2022 and 2021**  
**(Expressed in Canadian Dollars)**  
**(Unaudited – Prepared by Management)**

**2. Significant Accounting Policies (continued)**

**Basis of Consolidation**

The condensed interim consolidated financial statements include the financial statements of AI/ML Innovations Inc. and its subsidiaries, Health Gauge Inc (formerly Salu Design Group Inc.) and AI RX Inc. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when an entity is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. All significant intercompany balances and transactions have been eliminated.

Name of Subsidiary	Country of Incorporation	Principal Activity	Proportion of Ownership Interest	
			October 31, 2022	April 30, 2022
Health Gauge Inc. (formerly Salu Design Group Inc.)	Canada	Digital health software and wearable technologies	70%	70%
AI RX Inc.	Canada	Holding company	70%	NIL

**Estimates and Judgments**

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes. Although these judgments, estimates and assumptions are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

*Judgments*

- i) Going concern assumption  
The Company's ability to continue as a going concern is dependent on its ability to achieve profitable operations and in the meantime, obtain the necessary financing to meet its obligations and repay its liabilities when they come due. Realization values may be substantially different from carrying values and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.
- ii) Income taxes and recoverability of potential deferred tax assets.  
In assessing the probability of realizing income tax assets recognized, management makes judgments related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized deferred tax assets at each reporting period
- iii) Capitalization of research and development costs  
The Company considers whether the research and development activities have met the criteria that allows capitalization under IFRS.

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**AI/ML INNOVATIONS INC.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Six Months Ended October 31, 2022 and 2021**  
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**2. Significant Accounting Policies (continued)**

**Estimates and Judgments (continued)**

*Judgments (continued)*

- iv) Carrying values for assets and impairment charges  
In the determination of carrying values and impairment charges, management looks at the higher of value in use or fair value less costs of disposal in the case of non-financial assets and at external and internal sources of information that may indicate impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.
- v) Asset acquisition versus business combination  
Management applied judgment with respect to whether the transaction with Health Gauge was considered an asset acquisition or business combination. Management assessed the inputs, processes and outputs of the company acquired at the time of acquisition. Pursuant to the assessment, the transaction was considered to be a business combination (Note 3).
- vi) Call option over non-controlling interests  
The Company has applied judgment in accounting for a call option over the non-controlling interest obtained in a business combination.

*Estimates*

- i) Share-based payments  
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.
- ii) Performance warrants  
The Company recognizes the fair value of performance warrants using the Black-Scholes option pricing model at the date of grant and applies an estimated percentage of the likelihood of the completion of the performance event.

**Cash and Cash Equivalents**

Cash and cash equivalents are comprised of cash on deposit and cash equivalents. Cash equivalents are short-term, highly liquid holdings that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in fair value. No cash equivalents were held as at October 31, 2022 and 2021.

**Foreign Currency Translation**

The functional currency for the Company and each subsidiary is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the period end date exchange rates. Income and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

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**AI/ML INNOVATIONS INC.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Six Months Ended October 31, 2022 and 2021**  
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**2. Significant Accounting Policies (continued)**

**Government Grants**

Government grants are recognized when there is a reasonable assurance that the grant will be received, and all conditions associated with the grant are met.

**Forgivable Loans**

A forgivable loan from the government is treated as government assistance when there is reasonable assurance that the Company will meet the terms for forgiveness of the loan. The government assistance is presented in profit or loss as other income. If there is no reasonable assurance that the Company will meet the terms for forgiveness of the loan, the loan is recognized as a liability in accordance with IFRS 9 Financial Instruments. The liability would become a government grant (forgivable loan) when there is reasonable assurance that the Company will meet the terms for forgiveness. Refer to Note 11.

**Research and Development and Investment Tax Credits**

The Company incurs costs on activities that relate to research and development of new products. Research and development costs are expensed except in cases where development costs meet certain identifiable criteria for deferral. The Company has not capitalized any such development costs to date. Related refundable investment tax credits are recorded as a reduction of the related research and development expense when the Company has reasonable assurance that the credit will be realized.

**Business Combination**

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a business is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree or assumed and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be a liability is recognized either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the fair value of consideration transferred over the fair value of identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

## **2. Significant Accounting Policies (continued)**

### **Call Option over Non-Controlling Interests**

As part of the business acquisition agreement with Health Gauge Inc., the Company has an option to acquire the remaining outstanding shares from non-controlling shareholders. The call option does not give the Company present access to returns associated with the ownership interest in the shares subject to the call. Accordingly, the call option has been accounted for in accordance with IFRS 9. The Company has determined that the call option meets the definition of an equity instrument, and as a result, the initial fair value has been recognized in equity and is not subsequently remeasured. If the call option is exercised, the initial fair value will be included as part of the consideration paid for the acquisition of the non-controlling interest. If the call option lapses, unexercised, there is no adjustment required within equity.

### **Goodwill**

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses and is not subject to amortization. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. Goodwill is allocated to a cash generating unit (“CGU”), or group of CGUs, which is the lowest level within an entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Impairment is tested by comparing the recoverable amount of goodwill assigned to a CGU or group of CGUs to its carrying value.

### **Impairment of Non-Financial Assets**

At the end of each reporting period the carrying amounts of the Company’s long-lived assets, including mineral property interests, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### **Income Taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affects neither accounting nor taxable loss, or differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

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**AI/ML INNOVATIONS INC.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Six Months Ended October 31, 2022 and 2021**  
**(Expressed in Canadian Dollars)**  
**(Unaudited – Prepared by Management)**

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## **2. Significant Accounting Policies (continued)**

### **Financial Instruments**

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flows characteristics of the financial asset.

The Company classifies its financial assets into one of the categories described below, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest.

If the business model is not to hold the debt instrument, it is classified as fair value through profit or loss (“FVTPL”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at fair value through other comprehensive income (“FVTOCI”).

FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the profit or loss in the period in which they arise. Derivatives are categorized as FVTPL unless they are designated as hedges.

FVTOCI - Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of cumulative fair value gains to profit or loss following the derecognition of the investment.

Financial assets at amortized cost - A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest method, less any impairment. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial asset, or where appropriate, a shorter period.

The following table shows the classification and measurement of the Company’s financial instruments:

<u>Financial assets/liabilities</u>	<u>Classification and measurement</u>
Cash	Fair value through profit or loss
Marketable securities	Fair value through profit or loss
Subscriptions receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Notes payable	Amortized cost
Due to a related party	Amortized cost
Loans payable	Amortized cost

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified at FVTPL are treated as part of the carrying value of the asset or liability.

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## **2. Significant Accounting Policies (continued)**

### **Impairment of financial assets at amortized cost**

The Company utilizes the expected credit losses (“ECL”) model on a forward-looking basis on financial assets that are measured at amortized cost, contract assets and debt instruments carried at FVTOCI.

At each reporting date, the Company measures the ECL for the financial asset at an amount equal to the lifetime ECL if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the ECL for the financial asset at an amount equal to the twelve month ECL. The Company applies the simplified method and measures a loss allowance equal to the lifetime ECL for trade receivables.

The Company recognizes in profit or loss, as an impairment gain or loss, the amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. The loss allowance was \$Nil as at October 31, 2022 and 2021.

### **Derecognition of Financial Assets and Financial Liabilities**

A financial asset is derecognized when the contractual right to the asset’s cash flows expire; or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

The Company derecognizes a financial liability when its obligations are discharged, cancelled or expired.

### **Share-Based Payments**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized in share-based payment reserve over the vesting period. Consideration paid for the shares along with the fair value recorded in reserves on the exercise of stock options is credited to share capital. When vested options are cancelled, forfeited, or are not exercised by the expiry date, the amount previously recognized in reserves is reclassified to deficit. The Company estimates a forfeiture rate and adjusts the corresponding expense each period based on an updated forfeiture estimate.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

### **Share Capital and Reserves**

Equity financing transactions may involve the issuance of units. Units comprise common shares and share purchase warrants. The Company accounts for unit offering financing using the relative fair value method. Under this method, the fair values of the shares and share purchase warrants are determined separately and prorated to the actual proceeds received. The fair value of the shares is determined using the quoted share price at the issue date. The fair value of share purchase warrants is measured using the Black-Scholes option pricing model at the issue date.

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**2. Significant Accounting Policies (continued)**

**Loss Per Share**

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute diluted loss per share, whereby the dilutive effect of options, warrants and similar instruments are added to the weighted average number of common shares outstanding during the year. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the current and prior fiscal year this calculation proved to be anti-dilutive.

**Share Issuance Costs**

Share issuance costs are deferred and charged directly to share capital on completion of the related financing. If the financing is not completed, share issuance costs are charged to operations.

**Leases**

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease liabilities are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right of use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures the right of use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right of use assets are depreciated over the shorter of the asset's useful life or the lease term, except where the lease contains a bargain purchase option a right of use asset is depreciated over the asset's useful life.

**New Accounting Standards and Interpretations not adopted yet**

There are new accounting standards, amendments to accounting standards and interpretations that are effective for annual periods beginning on or after January 1, 2022 that have not been applied in preparing the condensed interim consolidated financial statements for the period ended October 31, 2022. These standards and interpretations are not expected to have a material impact on the Company's condensed interim consolidated financial statements.

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**3. Health Gauge Inc. (formerly Salu Design Group Inc.) Acquisition**

On August 16, 2020, the Company entered into a share exchange agreement (the “Agreement”) with Health Gauge Inc. (formerly Salu Design Group Inc.) (“Health Gauge”), which is a private technology company based in Edmonton, Alberta to acquire 70% of the issued and outstanding common shares of Health Gauge. This Agreement was part of the Company’s change of business from mineral exploration to a technology company.

In accordance with IFRS 3, Business Combinations, the purchase agreement was a business combination for accounting purposes with the Company being identified as the acquirer.

In December 2020, under the terms of the Agreement, the Company acquired 70% of the issued and outstanding common shares of Health Gauge for the following consideration:

- i) 3,000,000 common shares of the Company valued at \$450,000.
- ii) 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 performance warrants, valued at \$349,860, are exercisable upon Health Gauge generating aggregate sales revenue within any six consecutive month period of \$600,000, within 2 years of December 15, 2020
  - b) 5,000,000 performance warrants, valued at \$174,930, are exercisable 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 fair value of the performance warrants was estimated using the Black-Scholes option pricing model on the following assumptions: forfeiture rate of 0%, dividend yield of 0%; volatility 144% - 153%; risk-free interest rates of 0.20%; and an expected life of 2 and 3 years.

The Company also has the option to purchase the remaining 30% of issued and outstanding common shares of Health Gauge from the non-controlling shareholders (the “call option”) 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. Fair value of the call option is \$Nil.

The following table summarizes the fair value of consideration paid on the acquisition date and the allocation of the purchase price to the assets and liabilities acquired.

Consideration - shares	\$ 450,000
Consideration - performance warrants	524,790
<b>Total consideration</b>	<b>\$ 974,790</b>
<b>Identifiable assets and liabilities acquired</b>	
Cash	\$ 16,275
Receivables	52,928
Inventory	1,750
Accounts payable and accrued liabilities	(114,036)
Amounts due to related parties and loans payable	(347,903)
Non-controlling interest	117,296
Goodwill	1,248,480
<b>Net assets acquired</b>	<b>\$ 974,790</b>

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**3. Health Gauge Inc. (formerly Salu Design Group Inc.) Acquisition (continued)**

*Goodwill*

Goodwill of \$1,248,480 is primarily related to the assembled workforce of Health Gauge and growth expectations. Goodwill recognized will not be deductible for income tax purposes.

During the year ended April 30, 2021, management completed its annual impairment testing for goodwill. As a result of management's analysis and estimates and the uncertainty of future cash flows, it was determined that goodwill was impaired and an impairment charge of \$1,248,480 was recognized in profit or loss.

*Receivables*

Receivables acquired consist of ITCs and SRED receivable. Fair value of these receivables is \$52,928. SRED refund of \$46,763 was collected during the year ended April 30, 2021.

*Non-controlling interest*

The non-controlling interest was measured at the date of acquisition at their proportionate share in the recognized amounts of the identifiable net assets.

Health Gauge's net loss and comprehensive loss for the period ended October 31, 2022 was \$148,660 (2021 - \$336,477), of which \$44,598 (2021 - \$195,046) was allocated to non-controlling interests.

**4. Investment in Associate – Tech2Heal SAS**

On September 22, 2021, the Company entered into a share purchase agreement with Tech2Heal SAS ("Tech2Heal"), an arms length, private company based in Paris, France, to acquire a 22.22% interest in Tech2Heal's common shares equity in consideration of €2,000,000 as follows:

	<b>Percentage Interest (%)</b>
€750,000 (\$1,086,975) upon closing of the transaction (paid)	8.333% (acquired)
€250,000 (\$136,420) on or before March 23, 2022 (paid)	2.778% (partially paid, not yet earned)
€500,000 on or before September 23, 2022	5.555%
€500,000 on or before March 23, 2023	5.555%
<b>€2,000,000</b>	<b>22.22%</b>

During the year ended April 30, 2022, the Company acquired an 8.333% interest in Tech2Heal. As a result of a common director the Company exercises significant influence over Tech2Heal and has accounted for its investment in Tech2Heal using the equity method.

	<b>Investment in associate</b>	
Balance at April 30, 2020 and April 30, 2021	\$	-
Acquisition of 8.333% interest		1,086,975
Share of loss on equity investment (\$317,716 net loss)		(26,478)
Balance as at April 30, 2022		1,060,497
Share of loss on equity investment (\$432,776 net loss)		(36,063)
Partial payment towards 2.778% additional interest		136,420
1,762,500 shares for the 100% of the North American rights to AI Rx Inc.		79,312
<b>Balance as at October 31, 2022</b>	<b>\$</b>	<b>1,240,166</b>

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**4. Investment in Associate – Tech2Heal SAS (continued)**

The Company owns a 70% interest in AI Rx Inc, an entity that has been granted the exclusive commercial use of all products, brands, and trademarks of Tech2Heal, in perpetuity. During the period ended October 31, 2022 and year ended April 30, 2022 there was no activity in the subsidiary.

During the period ended October 31, 2022, the Company issued 1,500,000 common shares to Tech2Heal for the grant of 100% of the North American rights (USA, Canada, and Mexico) to that AI Rx Inc. for the exclusive commercial use of all products, brands, and Trademarks of Tech2Heal, in perpetuity. The Company issued 262,500 finders shares (Note 12).

**5. Marketable Securities**

On May 20, 2016, the Company received 716,667 common shares of Pancontinental Gold Corporation, a publicly traded company listed on the TSX Venture Exchange, with a fair value of \$53,750. During the year ended April 30, 2022, the Company recorded an unrealized loss of \$68,083 (2021 – gain of \$78,833) which has been recorded in profit or loss.

The common shares are held-for-trading and as of October 31, 2022, the fair value of the common shares was \$10,750 (April 30, 2022 - \$50,167). During the period ended October 31, 2022, the Company recorded an unrealized loss of \$39,417 (2021 – \$28,667) which has been recorded in profit or loss.

**6. Prepaid Expenses**

As at October 31, 2022, prepaid expenses consisted of prepayments of \$69,694 towards future advertising and marketing services, \$2,792 towards future insurance coverage and \$9,653 security deposit for office lease.

**7. Accounts payable and accrued liabilities**

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	October 31, 2022	April 30, 2022
Trade payables	\$ 491,681	\$ 349,877
Accrued liabilities	65,918	44,000
Interest payable	95,224	89,323
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 652,823</b>	<b>\$ 483,200</b>

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During the year ended April 30, 2022, the Company settled outstanding trade payables of \$159,000 with the issuance of shares and recognized \$99,189 gain on settlement of debt in profit or loss (Note 12).

**8. Loans Payable**

As at October 31, 2022, the Company owes the amount of \$12,220 (April 30, 2022 - \$12,220) to an unrelated party, which is non-interest bearing, unsecured, and with no fixed repayment terms.

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**9. Right-of-use Asset and Lease Liabilities**

During the year ended April 30, 2021, the Company entered into an agreement that was a lease as defined under IFRS 16. In analyzing the identified agreement, the Company applied the lessee accounting model pursuant to IFRS 16, and considered all of the facts and circumstances surrounding the inception of the contract. Lease liabilities were calculated with a discount rate of 20%.

Lease Type	Date of Maturity
Edmonton, Alberta office	April 30, 2024

For the period ending October 31, 2022, the depreciation of the right of use assets was \$21,026. The right of use assets are depreciated on a straight-line basis over the term of the lease

Right of use asset	\$	126,156
Depreciation of right of use asset		(42,052)
Right of use asset, April 30, 2022		84,104
Depreciation of right of use asset		(21,026)
Right of use asset, October 31, 2022	\$	63,078

For the period ending October 31, 2022, interest on the lease liabilities was \$8,406, included in accretion interest on right of use asset.

Lease liabilities	\$	126,156
Accretion of interest		22,223
Rent reduction		(1,801)
Payment of lease liabilities		(54,460)
Lease liabilities, April 30, 2022		92,118
Accretion of interest		8,406
Payment of lease liabilities		(28,131)
Lease liabilities, October 31, 2022		72,393
Lease liabilities – current		(45,833)
Lease liabilities – long term	\$	26,560

During year ended April 30, 2022, the Company also received rent reduction of \$1,801 that was recognized as a gain on settlement of debt in profit or loss.

**10. Notes Payable**

- i) During the year ended April 30, 2021, the Company received \$40,000 (2020 - \$Nil) 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, 2023. If the Company repays the CEBA loan on or before December 31, 2023, the Company may repay only \$30,000 of the principal balance. Any unpaid principal portion of the CEBA loan after December 31, 2023 will be converted into a three-year loan with an annual interest rate of 5%.
- ii) As at October 31, 2022, the Company owed \$117,000 (April 30, 2021 - \$117,000) to an unrelated company, which is unsecured, bears simple interest at 10% per annum, and is due on demand. Total interest accrued during the period ended October 31, 2022 was \$5,898 (2021 - \$5,898).

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**11. Related Party Transactions**

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors.

Remuneration of directors and key management personnel of the Company was as follows:

	Six months ended October 31, 2022	Six months ended October 31, 2021
Management fees	\$ 60,000	\$ 60,000
Professional fees	31,752	40,085
Salaries and benefits	49,462	93,160
Share-based payments	15,137	-
	<b>\$ 156,351</b>	<b>\$ 193,245</b>

As at October 31, 2022, the Company owed:

- i) \$773,704 (April 30, 2022 - \$757,569) to a company controlled by a former director of the Company for management fees and expenses. Of the total amount owing, \$705,204 is unsecured, bears interest at 5% per annum and repayable by December 31, 2022. Prior to January 31, 2021, the loan was non-interest bearing. During the period ended October 31, 2022, the Company accrued interest of \$16,135 (2021 - \$16,136).  
  
The remaining amount owing of \$68,500 (April 30, 2022 - \$68,500) is unsecured, non-interest bearing with no fixed terms of repayment.
- ii) \$58,719 (April 30, 2022 - \$46,683) to the Chief Executive Officer and director of the Company, which is unsecured, non-interest bearing, with no fixed terms of repayment.
- iii) \$13,302 (April 30, 2022 - \$2,225) to the Chief Technology Officer and director of the Company, which is unsecured, non-interest bearing, with no fixed terms of repayment.
- iv) \$5,425 (April 30, 2022 - \$Nil) to the Chief Financial Officer and director of the Company, which is unsecured, non-interest bearing, with no fixed terms of repayment.
- v) \$23,573 (April 30, 2022 - \$12,855) to a director of the Company and his spouse, which is unsecured, non-interest bearing, with no fixed terms of repayment.

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**12. 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.

b) Common shares issued

*For the period ended October 31, 2022, the Company:*

- i) issued 1,762,500 common shares with a value of \$79,313 to Tech2Heal for the grant of 100% of the North American rights (USA, Canada, and Mexico) to that AI Rx Inc. for the exclusive commercial use of all products, brands, and trademarks of Tech2Heal, in perpetuity (Note 4).

*During the year ended April 30, 2022, the Company:*

- ii) issued 362,800 common shares pursuant to the exercise of 725,600 half warrants for proceeds of \$176,400 and reallocated \$51,021 from reserves to share capital, of which \$35,000 was recorded as subscriptions receivable.
- iii) issued 824,000 common shares pursuant to the exercise of 1,648,000 half warrants for proceeds of \$412,000 and reallocated \$78,012 from reserves to share capital. This issuance was part of an Early Exercise Warrant Incentive Program and the Company issued 1,648,000 incentive warrants pursuant to this exercise. Two incentive warrants can be exercised for one common share of the Company with an exercise price of \$0.65 and an expiration date of January 11, 2023.
- iv) issued 350,000 common shares pursuant to the exercise of options for proceeds of \$140,000 and reallocated \$39,394 from reserves to share capital.
- v) issued 311,799 common shares with a value of \$218,000 as per agreements for advertising and marketing services.
- vi) issued 4,000,000 units at \$0.15 per unit for gross proceeds of \$600,000. Each unit is comprised of one common share and one share purchase warrant, with each warrant having an exercise price of \$0.20 and an expiration date of 12 months from the date of issuance, subject to the right of the Company to accelerate expiry if the common shares trades at \$0.30 for 10 consecutive trading days. The relative fair value of the share purchase warrants issued was \$160,600 and was calculated using the Black-Scholes option pricing model assuming an expected life of 1 year, volatility of 101%, risk free rate of 2.07%, and no expected dividends or forfeitures. As part of the private placement, the Company paid issuance costs of \$24,416.

**13. 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 then issued and outstanding common shares, and not exceeding 5% granted to any individual. The stock options have a maximum term of ten years and cannot be assigned or transferred.

The following table summarizes the continuity of the Company's stock options:

	Number of stock options	Weighted average exercise price
Balance, April 30, 2021	2,350,000	\$ 0.37
Issued	2,150,000	0.42
Cancelled/Expired	(1,000,000)	0.47
Exercised <sup>(1)</sup>	(350,000)	0.40
Balance, April 30, 2022	3,150,000	0.37
Cancelled/Expired	(450,000)	0.72
Balance, October 31, 2022	2,700,000	\$ 0.31

<sup>(1)</sup> The weighted average trading price on the exercise date was \$0.75.

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### **13. Stock Options (continued)**

The weighted average fair value of options granted during the period ended October 31, 2022 was \$Nil (2021 - \$0.42).

The weighted average remaining life of the options outstanding as at October 31, 2022 was 1.57 years.

*For the period ended October 31, 2022, the Company didn't grant any stock options.*

*For the year ended April 30, 2022*

- i) On July 15, 2021, the Company granted an aggregate of 100,000 stock options to consultants of the Company at an exercise price of \$0.80 per share, exercisable for a period of 2 years, of which 50,000 stock options are evenly vested over a one year period. The estimated fair value of these options at the grant date was \$53,000 using the Black-Scholes option pricing model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes option pricing model are as follows: expected dividend yield of 0%; share price of \$0.75; expected volatility of 152% based on historical 2 year trends; risk-free interest rate of 0.43%; and an expected average life of 2 years. During the year ended April 30, 2022, \$53,000 was expensed.
- ii) On July 15, 2021, the Company granted an aggregate of 100,000 stock options to a consultant of the Company at an exercise price of \$0.80 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 \$34,000 using the Black-Scholes option pricing model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes option pricing model are as follows: expected dividend yield of 0%; share price of \$0.75; expected volatility of 125% based on a historical 1 year trend; risk-free interest rate of 0.43%; and an expected average life of 1 years. During the year ended April 30, 2022, \$34,000 was expensed.
- iii) On July 15, 2021, the Company granted an aggregate of 200,000 stock options to a consultant of the Company at an exercise price of \$0.80 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 \$106,400 using the Black-Scholes option pricing model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes option pricing model are as follows: expected dividend yield of 0%; share price of \$0.75; expected volatility of 152% based on historical 2 year trends; risk-free interest rate of 0.43%; and an expected average life of 1 years. During the year ended April 30, 2022, \$106,400 was expensed.
- iv) On October 8, 2021, the Company granted an aggregate of 100,000 stock options to a consultant of the Company at an exercise price of \$0.80 per share, exercisable for a period of 2 year. The options vested immediately. The estimated fair value of these options at the grant date was \$39,400 using the Black-Scholes option pricing model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes option pricing model are as follows: expected dividend yield of 0%; share price of \$0.61; expected volatility of 143% based on historical 2 year trends; risk-free interest rate of 0.51%; and an expected average life of 1 years. During the year ended April 30, 2022, \$39,400 was expensed.
- v) On April 11, 2022, the Company granted an aggregate of 500,000 stock options to a consultant of the Company at an exercise price of \$0.20 per share, exercisable for a period of 1 year. The options Vest over 1 year, 50% every 6 months. The estimated fair value of these options at the grant date was \$22,500 using the Black-Scholes option pricing model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes option pricing model are as follows: expected dividend yield of 0%; share price of \$0.145; expected volatility of 104% based on historical 1 year trends; risk-free interest rate of 2.34%; and an expected average life of 1 years. During the period ended October 31, 2022, \$15,137 (April 30, 2022 - \$1,754) was expensed.
- vi) On April 11, 2022, the Company granted an aggregate of 800,000 stock options to directors and officers of the Company at an exercise price of \$0.20 per share, exercisable for a period of 5 years. The options vested immediately. The estimated fair value of these options at the grant date was \$103,900 using the Black-Scholes option pricing model. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes option pricing model are as follows: expected dividend yield of 0%; share price of \$0.145; expected volatility of 149% based on historical 5 year trends; risk-free interest rate of 2.59%; and an expected average life of 5 years. During the year ended April 30, 2022, \$103,900 was expensed.

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**13. Stock Options (continued)**

As at October 31, 2022, the following stock options were outstanding:

Expiry date	Exercise price	Remaining contractual Life (years)	Number of options outstanding	Exercisable
December 31, 2022	\$0.25	0.42	1,000,000	1,000,000
April 11, 2023	\$0.20	0.70	500,000	250,000
July 5, 2023	\$0.80	0.93	100,000	100,000
July 15, 2023	\$0.80	0.96	200,000	200,000
October 8, 2023	\$0.80	1.19	100,000	100,000
April 30, 2027	\$0.20	4.70	800,000	800,000
		1.83	2,700,000	2,450,000

**14. Warrants**

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of warrants	Weighted average exercise price
Balance, April 30, 2021	19,413,850	\$ 0.37
Issued (Note 12 (b))	5,648,000	0.33
Exercised <sup>(1)</sup>	(2,273,600)	0.25
Expired/cancelled	(2,140,250)	0.27
Balance, April 30, 2022	20,648,000	0.38
Expired/cancelled	(4,000,000)	1.00
Balance, October 31, 2022	16,648,000	\$ 0.23

<sup>(1)</sup>The weighted average trading price on the exercise date was \$0.66.

The weighted average remaining life of the warrants outstanding as at October 31, 2022 was 2.17 years.

As at October 31, 2022, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price (\$)	Expiry date
2,000,000	-	December 15, 2022 <sup>(1)</sup>
4,000,000	0.50	December 30, 2022
1,648,000	0.65	January 11, 2023 <sup>(2)</sup>
4,000,000	0.20	March 24, 2023
5,000,000	-	December 15, 2023 <sup>(1)</sup>
16,648,000	0.23	

1) See Note 3 - Health Gauge Inc. acquisition.

2) The Company initiated an early exercise warrant incentive program where exercise of this warrant series granted holder an additional warrant exercisable at \$0.65 until January 11, 2023. Each two warrants entitles the holder to subscribe for one additional share. All new warrants are subject to the rights of the Company to accelerate expiry upon 30 days' notice if the shares of the Company trade on the CSE at or above \$0.85 for a period of 10 days. During year ended April 30, 2022, 1,668,000 new warrants were granted.

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## **15. Capital Management**

The Company's policy is to maintain a strong capital base as to maintain investor and creditor confidence, safeguard the Company's ability to support the development of its projects and to sustain future development of the business. The capital structure of the Company consists of shareholders' equity of \$332,995 (April 30, 2022 - \$1,083,878). There are no external restrictions on the Company's capital. There were no changes in the Company's approach to capital management during the period.

## **16. Financial Instruments and Risk Management**

### *Fair value*

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 - Fair value measurements are derived from quoted prices in active markets or identical assets or liabilities;

Level 2 - Fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of the Company's accounts payable and accrued liabilities, notes payable, due to related parties and loans payable approximate their carrying value, due to their short-term maturities. The Company's cash and marketable securities are measured at fair value in accordance with level 1 of the fair value hierarchy.

### *Risks*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's management team approves and monitors the risk management processes, with guidance from the Audit Committee under policies approved by the Board of Directors. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is maintained at a major financial institution with reputable credit and therefore management believes credit risk to be minimal.

#### b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 15. Historically, the Company's sources of funding have been the issuance of debt and equity securities for cash. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities, notes payable, due to related parties, and loans payable. As at October 31, 2022, the Company had a cash balance of \$29,482 (April 30, 2022 - \$475,071) to settle current liabilities of \$1,702,599 (April 30, 2022 - \$1,460,403). As at October 31, 2022, the Company had negative working capital, please see going concern (Note 1).

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**16. Financial Instruments and Risk Management (continued)**

*Risks (continued)*

The following is an analysis of the contractual maturities of the Company financial liabilities as at October 31, 2022:

	Within one year		Between one and five years	
Accounts payable and accrued liabilities	\$	652,823	\$	-
Notes payable		117,000		40,000
Due to related parties		874,723		-
Loans payable		12,220		-
Lease liability		45,833		26,560
	\$	1,702,599	\$	66,560

c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i) Interest rate risk

Interest rate risk consists of two components; to the extent that payments are made or received on the Company's monetary assets or liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that the prevailing market interest rates differ from the interest rate on the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

As of October 31, 2022, the Company had notes payable of \$117,000 and an amount due to a related party of \$874,723 that bear interest at fixed rates. Management considers this risk to be immaterial.

ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. At October 31, 2022 and 2021, the Company's major purchases are transacted in Canadian dollars.

The Company has cash and accounts payable and accrued liabilities denominated in US dollars (USD). The carrying value of these items may change due to fluctuations in foreign exchange rates. As at October 31, 2022, cash includes USD 347 (April 30, 2022 - USD 17,715) and accounts payable and accrued liabilities includes EURO 400 (April 30, 2022 - 200) and USD 91,997 (April 30, 2022 - USD 53,621). Management estimates that the effect of a 10% change in the US dollar against the Canadian dollar would impact net profit or loss by approximately \$9,205 (April 30, 2022 - \$3,610).

iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. There is price risk associated with the Company's marketable securities. A 10% change in the market price of the Company's marketable securities would have a \$1,075 impact on net profit or loss.

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**17. Research and Development**

	For the period ended October 31, 2022		For the period ended October 31, 2021	
Consultants/developers/other	\$	76,624	\$	175,613
Total	\$	76,624	\$	175,613

**18. Segmented Reporting**

The Company operates in one reportable segment being the research and development of health and wearable technologies in Canada,

**19. Subsequent Events**

Subsequent to period ended October 31, 2022, the Company:

- i) entered into an agreement to purchase shares with Health Gauge Inc. Pursuant to the Agreement, the Company will acquire the remaining 30% of HGI's common shares in exchange for 1,800,000 Incentive Warrant Bs (each of which is exchangeable for no further consideration into one common share of the Company, upon completion of certain revenue performance conditions by HGI as outlined in the Agreement). The Company previously acquired 70% of HGI's shares in August 2020. Upon completion of this transaction, AIML will hold 100% of HGI's outstanding shares. Completion of this transaction is subject to a number of conditions, including, but not limited to, Exchange acceptance.
- ii) closed a warrant exercise incentive program (the "Program") intended to encourage the exercise of up to 5,648,000 unlisted common share purchase warrants which were issued as part of the Company's private placements which closed on September 28, 2021 and March 24, 2022. Each warrant is currently exercisable for one common share of the Company at a price of \$0.075 per common share. The September 28, 2021 warrants expire on January 11, 2023 and the March 24, 2022 warrants expire on March 24, 2023.

Each Incentive Warrant entitles the warrant holder to purchase one additional common share until 5:00 p.m. (Vancouver time) on January 9, 2024 at a price of \$0.10 per common share. The repricing will only apply to the term of the Program. Once the Program is complete, the original exercise prices of the warrants will apply.