

**MATERIAL CHANGE REPORT
FORM 51-102F3**

Item 1. Name and Address

AI/ML Innovations Inc. (the “**Company**”)
#203, 645 Fort Street
Victoria, BC
V8W 1G2

Item 2. Date of Material Change

August 21, 2024

Item 3. News Release

The news release describing the material change was disseminated on August 23, 2024, through Accesswire, and filed on SEDAR+.

Item 4. Summary of Material Change

The Company announced that it has closed its previously announced acquisition of technology from Naiad Lab Inc. (the “**Acquisition**”). The Company issued a total of 6,700,000 at a deemed price of \$0.05 per share to Naiad Lab Inc. The Common Shares issued are subject to a four-month hold period.

Item 5. Full Description of Material Change

5.1 *Full Description of Material Change*

The Company announced it has closed its previously announced acquisition of technology from Naiad Lab Inc. (the “**Acquisition**”). The Company issued a total of 6,700,000 at a deemed price of \$0.05 per share to Naiad Lab Inc. The Common Shares issued are subject to a four-month hold period.

As previously announced on May 2, 2024 and June 17, 2024, the acquired technologies include:

A proprietary Long ECG Neural Net (L-ECG NN) for Cardiovascular Insights

This advanced solution provides detailed beat-to-beat labeling for ECGs of any duration, up to and including 48 hours, covering approximately 170,000 labeled heartbeats. This enhanced level of detail enables further neural network processing to uncover critical insights and events related to cardiovascular disease and other ailments.

The Neural Network Store (NNStore)

A subscription-based online neural net store that allows device company developers and researchers to upload files for analysis by various AI systems.

The salient points of the acquisition include:

1. AIML has purchased 100% of Naiad's Long ECG Neural Net, 100% of Naiad's Neural Net Store & NNaaS, and access to certain contracted services to be provided by Naiad's management and technical team on an ongoing basis under separate employment/consulting agreements (collectively, the "Assets").
2. AIML issued 6,700,000 Common Shares from its Treasury to Naiad, (currently valued at \$335,000), as full and final payment for the Assets. The shares will be subject to a 12-month hold period.
3. AIML agrees to pay a streaming royalty (the "Royalty") to Naiad for up to a 20-year period, as per the following terms:
 - i. a 2% Royalty which is payable on gross revenue of not less than \$1,500,000 and not greater than \$5,000,000 inclusive per fiscal year, if and only if such revenue is directly attributable to third-party licensing of the Long ECG Neural Net, AND
 - ii. a 3% Royalty which is payable on all gross revenue above \$5,000,000 per fiscal year, if and only if such revenue is directly attributable to third-party licensing of the Long ECG Neural Net.
 - iii. AIML at its sole discretion may purchase the Royalty from Naiad at any time for \$1,000,000.
4. AIML granted a total of 700,000 stock options for 5 years at a \$0.20 exercise price to management members of Naiad, in accordance with the Corporation's Stock Option Plan.
5. AIML has issued 3,000,000 Contingent Payment Warrants to Naiad Labs for a 12-month period, which are convertible into 3,000,000 Common Shares from Treasury at no cost per share, subject to the following terms:
 - i. the Long ECG Neural Net has formally entered the US FDA approval process; AND,
 - ii. The Long ECG Neural Net generates gross revenue of not less than \$1,000,000.

The Assets purchase was a non-arm's length component to it in that AIML's CPO, Esmat Naikyar, is the CEO and co-Founder of Naiad Lab Inc. Mr. Naikyar was not on the board of directors of AIML, nor was he involved in AIML's approval process for the Acquisition, at the time the agreement was entered into. Subsequently, Mr. Naikyar was appointed to the AIML management.

Insider Participation

Mr. Naikyar is now an insider as he has been appointed to senior management of the AIML. Mr. Naikyar holds or controls 6.36% of the issued and outstanding shares of the Company, 6,700,00 which he acquired in the name of Naiad Lab Inc., a company he owns and controls (the "**Insider**").

The Insider and his Common Share position before and after completion of the closing of the Acquisition are as follows:

<u>Insider</u>	<u>Number of Common Shares Owned Prior to the Acquisition</u>	<u>Number of Common Shares Acquired Under the Acquisition</u>	<u>Number of Common Shares Owned After the Acquisition</u>	<u>Percentage of Common Shares After the Acquisition (¹)</u>	<u>Number of Common Shares Owned if the Contingent Payment Shares are Issued</u>	<u>Percentage of Common Shares After the Contingent Payment Shares are Issued(²)</u>
Naiad Lab Inc.		6,700,000				
Esmat Naikyar	251,779					
Total owned or controlled			6,951,779	6.36%	9,951,779	9.04%

Notes:

- (1) Based on 109,275,864 issued and outstanding Common Shares on an undiluted basis after completion of the Acquisition.
- (2) Based on 112,275,864 issued and outstanding Common Shares taking into account the 3,000,000 Contingent Payment Shares being issued.

Pursuant to MI 61-101, the Company is required to include the following in this Material Change Report:

The purpose and business reasons for the transaction

The acquisition adds significantly to the Company's technology portfolio.

The anticipated effect of the transaction on the Company's business and affairs

The acquisition will provide the Company with additional product lines.

A discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the Company for the transaction, including a discussion of any materially contrary views or abstention by a director and any material disagreement between the board and the special committee

The acquisition was approved by the board of directors of the Company, without the establishment of a special committee. No materially contrary views were expressed. Mr Naivar is not a director of the Company.

A summary, in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction

Not applicable.

Disclosure, in accordance with section 6.8 of MI 61-101, of every prior valuation in respect of the Company that relates to the subject matter of or is otherwise relevant to the transaction (i) that has been made in the 24 months before the date of this Material Change Report, and (ii) the existence of which is known, after reasonable inquiry, to the Company or to any director or senior officer of the Company

Not applicable.

The general nature and material terms of any agreement entered into by the Company, or a related party of the Company, with an interested party or a joint actor with an interested party, in connection with the transaction

Not applicable

Disclosure of the formal valuation and minority approval exemptions, if any, on which the Company is relying under sections 5.5 and 5.7 of MI 61-101, respectively, and the facts supporting reliance on the exemptions

Pursuant to Sections 5.5(b) and 5.7(1)(a) of MI 61-101, the Company relied on exemptions from the formal valuation and minority shareholder requirements, respectively, as neither the fair market value of the assets nor the consideration paid by exceeds 25% of the Company's market capitalization.

5.2 *Disclosure for Restructuring Transactions*

Not applicable.

Item 6. Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7. Omitted Information

No information has been omitted in respect of this material change.

Item 8. Executive Officer

The following executive officer of the Company is knowledgeable about the material change disclosed in this report and may be contacted as follows:

Tim Daniels, Interim Chief Financial Officer
Telephone: 778 405-0882

Item 9. Date of Report

August 30, 2024