
DANAVATION TECHNOLOGIES CORP.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended January 31, 2024 and 2023

(EXPRESSED IN CANADIAN DOLLARS)

Notice To Reader

The accompanying unaudited condensed interim consolidated financial statements of Danavation Technologies Corp. (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.

Danavation Technologies Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at	Jan 31, 2024	Jul 31, 2023
Assets		
Current assets		
Cash	\$ -	\$ 18,522
Amounts receivable (Note 4)	243,808	365,584
Inventory (Note 5)	251,946	254,181
Prepaid expenses and deposits	68,056	53,344
	563,810	691,631
Non-current assets		
Property, plant, and equipment (Note 6)	435,562	507,347
Right-of-use assets (Note 7)	1,481,770	1,611,269
Other long-term assets	13,404	13,404
	1,930,736	2,132,020
Total assets	\$ 2,494,546	\$ 2,823,651
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,370,496	\$ 1,570,894
Deferred revenue	747,275	155,068
Interest payable	110,320	26,429
Due to related parties (Note 15)	808,154	732,198
Short-term debt (Note 9)	248,898	151,911
Current portion of lease liabilities (Note 8)	156,486	166,615
	4,441,629	2,803,115
Non-current liabilities		
Lease liabilities (Note 8)	1,548,029	1,631,053
Convertible debt (Note 10)	3,704,853	3,579,685
	5,252,882	5,210,738
Total liabilities	9,694,511	8,013,853
Shareholders' equity (deficit)		
Share capital (Note 11)	9,480,043	9,480,043
Contributed surplus (Note 11)	3,843,168	3,778,415
Accumulated deficit	(20,523,176)	(18,448,660)
Total shareholders' equity (deficit)	(7,199,965)	(5,190,202)
Total liabilities and shareholders' equity (deficit)	\$ 2,494,546	\$ 2,823,651
Nature of business (Note 1)		
Going concern (Note 2)		
Subsequent events (Note 16)		

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

On behalf of the Board of Directors:

/s/ John Ricci

Director

/s/ Vivek Jain

Director

Danavation Technologies Corp.**Consolidated Statements of Loss and Comprehensive Loss**
(Expressed in Canadian Dollars)(Unaudited)

	Three months ended January 31,		Six months ended January 31,	
	2024	2023	2024	2023
Revenue	\$ 19,005	\$ 586,803	\$ 463,090	\$ 1,015,220
Costs of sales	(14,966)	(380,299)	(261,645)	(641,335)
Gross profit	4,039	206,504	201,445	373,885
Expenses				
Salaries and benefits	312,762	253,404	765,964	567,834
Office and general (Note 12)	354,994	173,653	614,689	766,130
Financing costs (Note 13)	261,754	185,256	480,667	442,313
Depreciation and amortization (Note 6 and 7)	96,859	110,905	201,284	221,713
Advertising and sales promotion	39,965	142,491	148,604	336,416
Stock based compensation (Note 11)	64,753	324,223	64,753	324,223
Total expenses	1,131,087	1,189,932	2,275,961	2,658,629
Net loss and comprehensive loss	\$ (1,127,048)	\$ (983,428)	\$ (2,074,516)	\$ (2,284,744)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding, basic and diluted	120,824,850	114,174,850	120,824,850	112,088,198

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

Danavation Technologies Corp.

Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)(Unaudited)

For the six months ended January 31,	2024	2023
Operating activities		
Net loss for the period	\$ (2,074,516)	\$ (2,284,744)
Stock based compensation (Note 11)	64,753	324,223
Expected credit losses (Note 4)	4,193	(3,841)
Depreciation and amortization (Note 6 and 7)	201,284	221,713
Accretion expense (Note 13)	125,168	107,491
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	117,583	(337,466)
Decrease (increase) in inventory	2,235	(61,046)
Decrease (increase) in prepaid expenses and deposits	(14,712)	(62,085)
Increase (decrease) in accounts payable and accrued liabilities	806,816	378,235
Increase (decrease) in deferred revenue	592,207	127,481
Increase (decrease) in interest payable on debts	103,541	1,188
Cash used in operating activities	\$ (71,448)	\$ (1,588,851)
Investing activities		
Purchases of property, plant and equipment (Note 6)	\$ -	\$ (3,533)
Cash from (used in) investing activities	\$ -	\$ (3,533)
Financing activities		
Proceeds from the issuance of shares (Note 11)	\$ -	\$ 1,551,006
Net advances from related parties (Note 15)	68,742	155,000
Net proceeds from short-term debt (Note 9)	77,337	-
Lease principal repayments (Note 8)	(93,153)	(104,961)
Cash from financing activities	\$ 52,926	\$ 1,601,045
Increase (decrease) in cash	\$ (18,522)	\$ 8,661
Cash, beginning of period	\$ 18,522	\$ 13,861
Cash, end of period	\$ -	\$ 22,522

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

Danavation Technologies Corp.**Consolidated Statements of Changes in Equity (Deficit)**
(Expressed in Canadian Dollars)(Unaudited)

			Contributed surplus				Total
	Number of common shares	Common share capital	Reserves	Warrants	Accumulated deficit		shareholders' deficit
Balance July 31, 2023	120,824,850	\$ 9,480,043	\$ 2,226,120	\$ 1,552,295	\$ (18,448,660)	\$	(5,190,202)
Stock-based compensation	-	-	64,753	-	-		64,753
Net loss for the period	-	-	-	-	(2,074,516)		(2,074,516)
Balance January 31, 2024	120,824,850	\$ 9,480,043	\$ 2,290,873	\$ 1,552,295	\$ (20,523,176)	\$	(7,199,965)

			Contributed surplus				Total
	Number of common shares	Common share capital	Reserves	Warrants	Accumulated deficit	shareholders' deficit	
Balance July 31, 2022	104,282,850	\$ 6,718,019	\$ 1,873,348	\$ 795,813	\$ (13,893,056)	\$ (4,505,876)	
Conversion of short-term debt (Note 9)	3,000,000	608,150	-	141,850	-	750,000	
Issuance of shares (Note 11)	6,892,000	1,251,413	-	299,593	-	1,551,006	
Stock-based compensation	-	-	324,223	-	-	324,223	
Net loss for the period	-	-	-	-	(2,284,744)	(2,284,744)	
Balance January 31, 2023	114,174,850	\$ 8,577,582	\$ 2,197,571	\$ 1,237,256	\$ (16,177,800)	\$ (4,165,391)	

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

Danavation Technologies Corp.
Notes to Consolidated Financial Statements
October 31, 2023, and 2022
(Expressed in Canadian Dollars)(Unaudited)

1. Nature of business

Danavation Technologies Corp. ("Danavation" or the "Company") was incorporated on June 4, 2007, under the Business Corporations Act of British Columbia. On October 20, 2022, the Company moved jurisdictions to Ontario by articles of continuance. The registered office of the Company is located at 21 Roybridge Gate, Woodbridge, Ontario, Canada, L4H 1E6. The Company's principal activity relates to the sale of micro e-paper displays and software to retailers to automate labeling, price, product, and promotions in real-time.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on March 28, 2024.

Danavation's common shares trade on the Canadian Securities Exchange ("**CSE**") under the symbol "DVN" and on the OTCQB Venture Market in the US under the symbol "DVNCF".

2. Going concern

In the preparation of these consolidated financial statements, Danavation's management is required to identify when events or conditions indicate that significant doubt may exist about the Company's ability to continue as a going concern. Significant doubt about the Company's ability to continue as a going concern would exist when relevant conditions and events indicate that the Company will not be able to meet its obligations as they become due for a period of at least, but not limited to, twelve months from the end of the reporting period. When the Company identifies conditions or events that raise potential for significant doubt about its ability to continue as a going concern, the Company considers whether its plans that are intended to mitigate those relevant conditions or events will alleviate the potential significant doubt.

Danavation has incurred a net loss of \$2,074,516 during the six months ended January 31, 2024, and as at that date has an accumulated deficit of \$20,523,176. As a result, there is material uncertainty that may cast significant doubt as to whether the Company will have the ability to continue as a going concern.

Danavation's ability to continue as a going concern is dependent on its ability to successfully generate cash flows from operations or obtain additional funding from external resources to continue operations. The Company has available cash of \$nil as of January 31, 2024, and is currently seeking additional funding through multiple sources. Therefore, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

3. Basis of preparation

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The same accounting policies and methods of computation were followed in the preparation of these financial statements as were followed in the preparation of the annual consolidated financial statements for the year ended July 31, 2023.

Certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted and these financial statements should be read in conjunction with the Company's audited financial statements for the year ended July 31, 2023.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended July 31, 2023.

Basis of measurement

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The accounting

Danavation Technologies Corp.
Notes to Consolidated Financial Statements
October 31, 2023, and 2022
(Expressed in Canadian Dollars)

policies as well as the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended July 31, 2023.

These consolidated financial statements have been prepared in Canadian dollars on a historical cost basis except for certain financial instruments which are measured at fair value. Historical cost is generally based upon the fair value of consideration given in exchange for assets. Fair value is the price that would have been received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes in account the characteristics of the asset or liability that market participants would consider when pricing the asset or liability at the measurement date.

Subsidiaries

These consolidated financial statements include the accounts of Danavation and its subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are considered. All inter-company balances and transactions have been eliminated in preparing consolidated financial statements. The following wholly-owned subsidiaries have been consolidated within the consolidated financial statements:

Entity	Principle activity	Place of business and operations	Equity percentage
Danavation Technologies Inc.	Operating Company	Canada	100%
0890810 BC Ltd.	Operating Company	Canada	100%

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Each entity within the consolidated financial statements determines its own functional currency and items included in the consolidated financial statements of each entity are remeasured using the functional currency. The functional currency of the Company's subsidiaries is the Canadian dollar.

4. Amounts receivable

As at	January 31, 2024	July 31, 2023
Accounts receivable	\$ 227,647	\$ 348,063
Other receivable	58,940	56,107
Expected credit losses	(42,779)	(38,586)
Total amounts receivable	\$ 243,808	\$ 365,584

The movement in the expected credit loss provision can be reconciled as follows:

As at	January 31, 2024	July 31, 2023
Expected credit loss provision, beginning balance	\$ 38,586	\$ 85,170
Expected credit loss movement	4,193	(46,584)
Total expected credit losses	\$ 42,779	\$ 38,586

Danavation Technologies Corp.
Notes to Consolidated Financial Statements
October 31, 2023, and 2022
(Expressed in Canadian Dollars)

5. Inventory

The Company's inventory consists of DSL equipment pending installation and spare equipment for miscellaneous client orders. The Company's inventory is comprised of:

As at	January 31, 2024	July 31, 2023
Finished goods	\$ 251,946	\$ 254,181
Total inventory	\$ 251,946	\$ 254,181

6. Property, plant, and equipment

The Company's property, plant, and equipment consisted of the following:

	Leasehold improvements	Furniture and equipment	Computer equipment	Total
Cost:				
July 31, 2023	\$ 279,712	\$ 406,341	\$ 143,643	\$ 829,696
Additions	-	-	-	-
January 31, 2024	\$ 279,712	\$ 406,341	\$ 143,643	\$ 829,696
Accumulated depreciation:				
July 31, 2023	\$ 62,866	\$ 181,183	\$ 78,300	\$ 322,349
Depreciation	13,986	40,639	17,160	71,785
January 31, 2024	\$ 76,852	\$ 221,822	\$ 95,460	\$ 394,134
Carrying amounts				
January 31, 2024	\$ 202,860	\$ 184,519	\$ 48,183	\$ 435,562

7. Right-of-use assets

Danavation entered lease arrangements for a building, warehouse, office equipment, and other assets as part of its daily operations. Building and warehouse leases include the rental of office space and storage facilities. These leases vary in length and are typically over 5 years and may include several renewal options. Office equipment leases include the rental of machinery and computer hardware. These leases vary in duration and structure and typically do not exceed 10 years.

The following table reconciles changes in right-of-use assets for the six months ended January 31, 2024.

	Right-of-use assets
Balance, July 31, 2023	\$ 1,611,269
Depreciation	(129,499)
Balance, January 31, 2024	\$ 1,481,770

Lease liabilities associated with the Company's right-of-use assets are described in Note 8.

Danavation Technologies Corp.
Notes to Consolidated Financial Statements
October 31, 2023, and 2022
(Expressed in Canadian Dollars)

8. Lease liabilities

Lease liabilities consist of the following:

	Lease liabilities
Balance, July 31, 2023	\$ 1,797,668
Payments during the period	(181,026)
Interest expense during the period	87,873
Balance, January 31, 2024	\$ 1,704,515
Current portion of lease liabilities	\$ 156,486
Long-term lease liabilities	\$ 1,548,029

The Company's future cash outflows may change due to variable lease payments, renewal options, termination options, residual value guarantees, and leases not yet commenced to which the Company is committed that are not reflected in the lease liabilities. The following is a maturity analysis for undiscounted lease payments that are reflected in the lease liabilities as at January 31, 2024:

As at	January 31, 2024
Maturity analysis - contractual undiscounted cash flows	
Less than one year	\$ 320,177
One to five years	1,375,153
Greater than five years	717,500
Total undiscounted lease obligations	\$ 2,412,830

Right-of-use assets associated with the Company's lease liability are described in Note 7.

9. Short-term debt

On March 10, 2023, Danavation issued a promissory note in the amount of \$150,000. The debt bears interest at a rate of 15%, will be repaid in twelve equal monthly payments starting July 31, 2023, and is guaranteed by two directors. As of January 31, 2024, \$100,000 remains outstanding.

On August 25, 2023, Danavation entered into an agreement with a merchant lender to borrow \$80,000. On October 30, 2023, Danavation borrowed an additional \$47,200 and on January 17, 2024, Danavation borrowed an additional \$35,286 from the same lender. The debt is secured by the Company's receivables, has an effective interest rate of 218% and will be repaid in daily payments of \$1,399. As of January 31, 2024, \$86,408 remains outstanding.

On October 3, 2023, Danavation entered into an agreement with a merchant lender to borrow \$74,005. On December 28, 2023, Danavation borrowed an additional \$35,533 from the same lender. The debt is secured by the Company's receivables, has an effective interest rate of 251% and will be repaid in daily payments of \$1,242. As of January 31, 2024, \$62,490 remains outstanding.

10. Convertible debt

Danavation entered into an agreement with Computershare Trust Company of Canada on August 17, 2021, in which the Company issued unsecured convertible subordinated debentures in the aggregate amount of \$3,850,000. The debentures bear interest at 8.00% per annum, payable quarterly, and mature on August 17, 2024.

The principal amount of the debentures is convertible into common shares of the Company at a price of \$0.45 per share, at the option of the holder. However, if the daily volume weighted average price of the common shares on the CSE for 20 consecutive days exceeds \$0.75, the Company may force the conversion of the principal amount of the convertible debentures.

Danavation Technologies Corp.
Notes to Consolidated Financial Statements
October 31, 2023, and 2022
(Expressed in Canadian Dollars)

The remaining convertible debt balance will accrete to the face value of \$3,850,000, with a current balance as follows:

	Convertible debt
Balance, July 31, 2023	\$ 3,579,685
Accretion expense during the period	125,168
Balance, January 31, 2024	\$ 3,704,853

On November 17, 2023, the Company entered into a supplemental indenture agreement with the lenders with the following amendments: (i) extend the maturity date from August 17, 2024 to September 30, 2025; (ii) amend the conversion price from \$0.45 to \$0.20; (iii) reduce the forced conversion price from \$0.75 to \$0.35; and (iv) remove the 2% prepayment penalty.

11. Share capital

a) Authorized

Danavation is authorized to issue an unlimited number of common shares.

b) Stock options

Under Danavation's current Stock Option Plan (the "Plan"), its directors may approve the issuance of stock options to directors, officers, employees and consultants of the Company. The aggregate number of shares reserved for issuance under the Plan is up to 10% of the number of outstanding common shares. As at January 31, 2024, 9,000,000 stock options remained outstanding at exercise prices ranging from \$0.15 to \$0.45 per share. All options vest immediately, generally have a life of five years and have expiry dates ranging from January 2026 to April 2028.

Danavation measures compensation costs associated with stock-based compensation using the fair value method and the cost is recognized when the options vest. Expected volatilities are based on Danavation's historical market data. The fair value of each option was determined at the grant date using the Black-Scholes option valuation model with the following weighted average assumptions:

For the six months ended January 31,	2024	2023
Share price	\$ 0.06	\$ 0.20
Exercise price	\$ 0.15	\$ 0.35
Risk-free annual interest rate	3.97%	3.24%
Expected annual dividend yield	-	-
Expected annualized volatility	100%	86%
Expected life of options	3.00	5.00
Forfeiture rate	-	-

The following table summarizes information about stock options outstanding:

	Weighted average exercise price	Number of options
Outstanding, July 31, 2023	\$ 0.37	8,200,000
Cancelled or forfeited	0.35	(50,000)
Options granted	0.15	2,350,000
Cancelled or forfeited	0.45	(250,000)
Cancelled or forfeited	0.40	(150,000)
Cancelled or forfeited	0.35	(1,100,000)
Outstanding, January 31, 2024	\$ 0.32	9,000,000

All options are exercisable and have a remaining average life of 3.0 years.

Danavation Technologies Corp.
Notes to Consolidated Financial Statements
October 31, 2023, and 2022
(Expressed in Canadian Dollars)

c) Warrants

Each warrant entitles the holder to purchase one common share of the Company. The following table summarizes information about warrants outstanding:

	Weighted average exercise price	Number of warrants
Outstanding, July 31, 2023	\$ 0.32	12,541,011
Expired	0.45	(421,111)
Outstanding, January 31, 2024	\$ 0.32	12,119,900

The warrants have a remaining average life of 0.9 years.

12. Office and general

The following table is a break down of the company's office and general expenses:

For the six months ended January 31,	2024	2023
Office expenses	\$ 279,561	\$ 272,013
Consulting fees	94,742	140,143
Accounting and legal fees	42,881	152,295
Travel expenses	14,504	53,201
Trade show	37,626	73,115
Insurance fees	24,868	49,370
Utilities	13,617	13,754
Vehicle expenses	15,222	13,661
Foreign exchange	(1,693)	2,419
Bad debts expense (recovery)	93,361	(3,841)
Total office and general	\$ 614,689	\$ 766,130

13. Financing costs

The following table is a break down of the company's financing costs:

For the six months ended January 31,	2024	2023
Interest expense	\$ 355,499	\$ 334,822
Accretion expense	125,168	107,491
Total financing costs	\$ 480,667	\$ 442,313

14. Financial instruments

The carrying value of cash, amounts receivable, accounts payable and accrued liabilities, interest payable, short term debt, convertible debt and due to related parties approximate their fair values due to the relatively short-term maturities of these financial instruments.

The Company is exposed to the following risks by virtue of its activities:

Credit risk

Cash is invested with one major bank in Canada. Management believes that the financial institution that holds the Company's cash is financially sound and, accordingly, minimal credit risk exists with respect to this asset. The accounts

Danavation Technologies Corp.
Notes to Consolidated Financial Statements
October 31, 2023, and 2022
(Expressed in Canadian Dollars)

receivable balance is due from a few retailers which have been assessed for expected credit losses and no significant allowance has been determined. The maximum credit risk is the sum of its cash and accounts receivable.

None of the Company's financial assets are secured by collateral or other credit enhancements. The Company determined that there were no financial assets that were impaired.

Liquidity risk

Liquidity risk is the risk that Danavation will not be able to meet its obligations as they fall due (see also Note 2). As at January 31, 2024, the Company has cash of \$nil, current liabilities of \$4,441,629 and a working capital deficit of \$3,877,819.

Market risk*Foreign currency risk*

The parent company's functional currency is the Canadian dollar. At January 31, 2024, the Company has no long-term liabilities that are in US funds. The Company's foreign exchange risk is minimal.

15. Related party balances and transactions**Due to related parties:**

Danavation had the following amounts due to companies controlled by an officer of the Company:

As at	January 31, 2024		July 31, 2023
Dana Industries	\$	591,553	\$ 571,553
K Iccir Holdings Inc.		216,601	160,645
Total due to related parties	\$	808,154	\$ 732,198

Amounts due to Dana Industries are unsecured, non-interest bearing, have no specific terms for repayment and are due on demand. Amounts due to K Iccir Holdings Inc. are unsecured, bear interest at 8%, have no specific terms for repayment and are due on demand.

Key management and director compensation

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company. Key management personnel include members of the Board of Directors and executive officers. Compensation of key management personnel may include short-term and long-term benefits as applicable, including salaries, bonuses, stock options or post-employment benefits. Compensation provided to current and key management are as follows:

For the six months ended January 31,	2024		2023
Short-term benefits	\$	245,755	\$ 217,316
Long-term benefits		23,421	121,955
Total key management and director compensation	\$	269,176	\$ 339,271

16. Subsequent events

There were no additional subsequent events to report.