**COGNETIVITY NEUROSCIENCES LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended January 31, 2023 and 2022**

**(EXPRESSED IN CANADIAN DOLLAR)**

**Management's Responsibility for Financial Reporting**

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are property maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management I the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

June 9, 2023

*"Sina Habbi"*
Director

*"Desmond Balakrishnan"*
Director

# Independent Auditor's Report

To the Board of Cognetivity Neurosciences Ltd.:

## Opinion

We have audited the consolidated financial statements of Cognetivity Neurosciences Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2023 and January 31, 2022, and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 31, 2023 and January 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had an accumulated deficit and working capital deficiency as at January 31, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matters to be communicated in our report.

### *Valuation of redeemable preferred shares*

*Key Audit Matter Description*

We draw attention to Note 3(j), Note 4(a) and Note 9 to the consolidated financial statements. On October 26, 2022, the Company completed a non-brokered private placement of 15,525,786 of convertible Class C preferred shares (the "Preferred Shares") at a price of $0.29 per preferred share for gross proceeds of $4,502,478. Each preferred share is convertible into one common share of the Company without any additional consideration or redeemable at a price of $0.58 per Redeemable Preferred Share in whole or in part at the option of the holders after one year from the date of issuance or accelerated in the event of equity financing as per the terms of the agreement.

The Company determined the preferred shares are compound financial instruments which contain a host liability and an equity component. The fair value of the liability component is determined first by using a present value calculation and the equity component is then measured at the residual amount.

As at January 31, 2023, the Redeemable Preferred Shares payable was $5,186,665.

The valuation of the Redeemable Preferred Shares is considered a key audit matter as the valuation requires significant estimates by management. As a result, significant audit effort and subjectivity were required in evaluating the audit evidence related to management's estimates. Further, professionals with specialized skills and knowledge were required to evaluate a certain significant assumption.

*Audit Response*

We responded to this matter by performing procedures in relation to the valuation of preferred shares. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained and analyzed the agreements related to the issuance of the Preferred Shares;
- Assessed the appropriateness of the underlying data used in the calculation of the fair value of the liability component of the Preferred Shares on initial recognition and involved our internal valuation specialists in assessing the reasonableness of the discount rate applied; and
- Evaluated the sufficiency of the disclosures in the consolidated financial statements.

**Other Information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jenny Lee.

Vancouver, British Columbia

June 9, 2023

MNP LLP
Chartered Professional Accountants

**Cognetivity Neurosciences Ltd.**
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

| As at | Notes | January 31, 2023<br>$ | January 31, 2022<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash | | 2,244,128 | 1,377,039 |
| Receivables | | 140,523 | 210,292 |
| Loan receivable | 5 | 230,329 | 221,476 |
| Prepaids | | 42,271 | 47,303 |
| **Total Current Assets** | | 2,657,251 | 1,856,110 |
| | | | |
| **Equipment** | 6 | 62,258 | 63,395 |
| **Intangible assets** | 7 | 109,909 | 85,325 |
| **TOTAL ASSETS** | | 2,829,418 | 2,004,830 |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Accounts payable and accrued liabilities | 8 | 2,335,041 | 992,134 |
| Wages payable | | 863,156 | 761,659 |
| Deferred revenue | | 41,821 | - |
| Due to related parties | 11 | 519,037 | 2,360,787 |
| Loan facility | 12 | 1,290,707 | 1,294,608 |
| Redeemable preferred shares | 9 | 5,186,665 | - |
| Shares to be issued | 14 | 357,529 | 146,020 |
| | | 10,593,956 | 5,555,208 |
| **Non-Current Liabilities** | | | |
| Due to related parties | 11 | 2,125,000 | 2,125,000 |
| **Total Liabilities** | | **12,718,956** | **7,680,208** |
| | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Common shares | 10 | 15,671,929 | 12,879,760 |
| Reserves | 10 | 5,776,927 | 5,393,046 |
| Deficit | | (31,398,673) | (23,964,858) |
| Accumulated other comprehensive gain | | 60,279 | 16,674 |
| **Total Shareholders' Deficiency** | | (9,889,538) | (5,675,378) |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | 2,829,418 | 2,004,830 |
| | | | |
| Nature of operations and going concern | 1 | | |
| Subsequent events | 21 | | |

Approved on behalf of the Board of Directors on June 9, 2023:

*"Sina Habibi"* Director
Sina Habibi

*"Desmond Balakrishnan"* Director
Desmond Balakrishnan

**Cognetivity Neurosciences Ltd.**
Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended January 31, 2023 and 2022
(Expressed in Canadian dollars)

| | Notes | 2023<br>$ | 2022<br>$ |
|---|---|---|---|
| **Revenue** | | 45,366 | - |
| | | | |
| **Expenses** | | | |
| Accretion expenses | 9 | 940,782 | 12,587 |
| Consulting fees | 11 | 1,809,665 | 3,286,438 |
| Depreciation | 6, 7 | 24,634 | 24,530 |
| Foreign exchange loss | | 93,241 | 19,274 |
| General and administration | | 220,173 | 178,621 |
| Marketing and advertising | | 575,698 | 945,807 |
| Professional fees | | 371,391 | 288,467 |
| Rent | | 72,398 | 70,918 |
| Research and development | | 601,149 | 491,228 |
| Salaries and benefits | 11 | 2,175,234 | 4,019,164 |
| Share-based payment | 10, 11 | 390,042 | 3,678,650 |
| Transfer agent and regulatory | | 75,156 | 53,644 |
| Travel | | 120,227 | 19,997 |
| | | (7,424,424) | (13,089,325) |
| **Other Income (Expense)** | | | |
| Interest expense | 12 | (86,701) | (47,964) |
| Gain (loss) on asset disposal | | 28 | (844) |
| Loss on debt settlement | | - | (10,198) |
| Other income | 13 | 94,006 | 21,004 |
| Write-off of intangible assets | 7 | (16,724) | |
| Net loss before income taxes | | (7,433,815) | (13,127,327) |
| | | | |
| Income tax | 18 | - | - |
| Net Loss | | (7,433,815) | (13,127,327) |
| | | | |
| **Other Comprehensive Income** | | | |
| *Items that will be reclassified subsequently to loss (income)* | | | |
| Unrealized gain on foreign exchange translation | | 43,605 | 46,548 |
| Comprehensive Loss | | (7,390,210) | (13,080,779) |
| | | | |
| Basic and diluted loss per common share | | (0.08) | (0.18) |
| | | | |
| Weighted average number of common shares outstanding – Basic and diluted | | 98,397,675 | 73,057,477 |

Cognetivity Neurosciences Ltd.
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)

| | Common Shares | | Preferred Shares | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of Shares # | $ | Number of Shares # | Equity Portion of Convertible Debentures $ | Reserves $ | AOCI $ | Deficit $ | Shareholders' Deficiency $ |
| Balance – January 31, 2021 | 70,487,707 | 9,873,571 | - | 34,851 | 1,821,894 | (29,874) | (10,837,531) | 862,911 |
| Shares issued from private placement, net of share issuance costs | 2,416,181 | 1,120,697 | - | - | 152,839 | - | - | 1,273,536 |
| Shares issued from warrant exercised | 3,312,523 | 826,510 | - | - | (44,363) | - | - | 782,147 |
| Shares issued from option exercised | 750,000 | 391,988 | - | - | (171,488) | - | - | 220,500 |
| Shares issued for services | 452,632 | 305,898 | - | - | - | - | - | 305,898 |
| Shares issued for conversion debentures | 1,983,513 | 361,096 | - | (34,851) | - | - | - | 326,245 |
| Stock options granted and vested | - | - | - | - | 552,947 | - | - | 552,947 |
| Issuance of restricted share units | - | - | - | - | 3,081,217 | - | - | 3,081,217 |
| Net loss and comprehensive loss for the year | - | - | - | - | - | 46,548 | (13,127,327) | (13,080,779) |
| Balance – January 31, 2022 | 79,402,556 | 12,879,760 | - | - | 5,393,046 | 16,674 | (23,964,858) | (5,675,378) |
| Shares issued from private placement, net of share issuance costs | 4,812,416 | 2,440,890 | - | - | 192,497 | - | - | 2,633,387 |
| Issuance of redeemable preferred shares | - | - | 15,525,786 | - | - | - | - | - |
| Shares issued from debt settlement | 64,550 | 20,576 | - | - | - | - | - | 20,576 |
| Shares issued for services | 469,656 | 168,203 | - | - | - | - | - | 168,203 |
| Stock options granted and vested | - | - | - | - | 380,399 | - | - | 380,399 |
| Conversion of restricted share units to common shares | 300,000 | 162,500 | - | - | (162,500) | - | - | - |
| Issuance of restricted share units | - | - | - | - | (26,515) | - | - | (26,515) |
| Net loss and comprehensive loss for the year | - | - | - | - | - | 43,605 | (7,433,815) | (7,390,210) |
| Balance – January 31, 2023 | 85,049,178 | 15,671,929 | 15,525,786 | - | 5,776,927 | 60,279 | (31,398,673) | (9,889,538) |

Cognetivity Neurosciences Ltd.
Consolidated Statements of Cash Flows
For the Years Ended January 31, 2023 and 2022
(Expressed in Canadian dollars)

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Net loss for the year | (7,433,815) | (13,127,327) |
| | | |
| Non-cash items: | | |
| Accretion expense | 940,782 | 12,587 |
| Depreciation | 24,634 | 24,530 |
| Disposal of equipment | (28) | 844 |
| Loss on Debt Settlement | - | 10,198 |
| Share-based payment | 390,042 | 3,678,650 |
| Shares issued for services | 168,203 | 305,898 |
| Write-off of intangible assets | 16,724 | - |
| Foreign exchange gain or loss | (248,347) | (66,514) |
| | | |
| Changes in non-cash operating working capital: | | |
| Receivable | 61,315 | (148,309) |
| Prepaids | 3,607 | 260,688 |
| Loan receivables | (8,853) | - |
| Accounting payable and accrued liabilities | 1,687,869 | 1,312,277 |
| Deferred revenue | 40,742 | - |
| Due to related parties | (1,629,095) | 4,521,944 |
| Loan facility | 43,868 | - |
| Net cash used in operating activities | (5,942,352) | (3,214,534) |
| | | |
| Cash flows from investing activities | | |
| Acquisition of equipment | (23,481) | (61,054) |
| Acquisition of intangible assets | (46,204) | (38,957) |
| Net cash used in investing activities | (69,685) | (100,011) |
| | | |
| Cash flows from financing activities: | | |
| Proceeds from loan facility | - | 1,274,725 |
| Proceeds from private placement, net issuance costs | 2,633,387 | 1,273,536 |
| Proceeds from warrants exercised | - | 563,530 |
| Proceeds from options exercised | - | 220,500 |
| Proceeds from issuance of redeemable preferred shares, net issuance costs | 4,245,883 | - |
| Net cash provided by financing activities | 6,879,270 | 3,332,291 |
| | | |
| Effect of foreign exchange on cash | (144) | (558) |
| | | |
| Net increase in cash | 867,233 | 17,188 |
| Cash, beginning of year | 1,377,039 | 1,359,851 |
| | | |
| Cash, at end of year | 2,244,128 | 1,377,039 |

Non-cash financing and investing activities (Note 15)

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Cognetivity Neurosciences Ltd. (the "Company") was incorporated on December 11, 2015 under the laws of British Columbia, Canada. Its head office is located at Suite 2250, 1055 West Hastings Street, Vancouver, BC, V6E 2E9, Canada and registered office is located at Suite 1500, 1055 West Georgia Street, Vancouver, BC, V6E 4N7, Canada. The Company is a technology company developing a cognitive testing platform, the Integrated Cognitive Assessment ("ICA"), for use in medical and commercial environments for potentially allowing early diagnosis of dementia.

The Company's common shares commenced trading on the Canadian Securities Exchange (the "CSE") on March 19, 2018 under the stock symbol "CGN". The Company also commenced trading on the Frankfurt Stock Exchange in Germany under the stock symbol "IUB" and the OTCQB in USA under the stock symbol "CGNSF" on May 3, 2018 and September 4, 2018 respectively.

These consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

*Going Concern*

The development of the Company's business may take years to be successful and the amount of resulting income, if any, is difficult to determine with any certainty. On January 31, 2023, the Company has not yet achieved profitable operations, has an accumulated deficit of $31,398,673 (January 31, 2022 - $23,964,858), and working capital deficiency of $7,936,705 (January 31, 2022 - $3,699,098), and expects to incur losses in the development of its business. Accordingly, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as going concern. The continuing operations of the Company are dependent upon economic and market factors which involve uncertainties including the Company's ability to raise adequate equity financing and ultimately develop profitable operations.

These consolidated financial statements do not reflect any adjustments, which could be material, to the carrying amounts of assets and liabilities, reported expenses, and balance sheet classification used, that would be necessary if the Company were unable to continue as a going concern.

## 2. BASIS OF PREPARATION

### Statement of Compliance

These consolidated financial statements are prepared in accordance with International Accounting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were approved and authorized for issue by the Board of Directors on June 9, 2023.

### Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except cash flow information.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a. Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The Company had the following wholly owned subsidiaries:

| Entity | Country of Incorporation / Principal Place of Business | Ownership | Principal Activities |
|---|---|---|---|
| Cognetivity Ltd. ("Cog UK") | United Kingdom | 100% | Operational Centre |
| Cognetivity FZ-LLC. ("Cog Dubai") | Dubai | 100% (1) | Sales Centre |

(1) Owned through Cog UK

b. Foreign Currency Translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar ("$"). Cognetivity Ltd. is the British Pounds ("GBP"), and Cognetivity FZ-LLC. is the United Arab Emirates Dirham ("AED"). The reporting currency of the Company is Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, "The Effects of Changes in Foreign Exchange Rates".

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except for the exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

(Expressed in Canadian dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Cash

Cash consists of cash on deposit in Canadian and UK banks and are subject to negligible risk of change in value.

As at January 31, 2023, the Company had cash of $2,244,128 (2022 - $1,377,039) of which $2,215,506 (2022 - $1,362,912) was placed with bank in Canada and $28,622 (2022 - $14,127) was placed with bank in UK.

d. Equipment

Equipment is stated at cost less accumulated amortization and any accumulated impairment losses. The cost of equipment includes the acquisition costs and any direct costs to bring the asset into productive use at its intended location.

Amortization of equipment is calculated using the straight-line method to write-off the cost, net of any estimated residual value, over their estimated useful life as follows:

| | |
|---|---|
| Computer equipment | 5 years |

e. Intangible Assets

Intangible assets include related costs incurred for acquiring patents and trademarks. Intangible assets are carried at cost less accumulated amortization. The Company amortizes its intangible assets using the straight-line method over their estimated useful lives, as follows:

| | Method | Useful Lives |
|---|---|---|
| Patents | straight-line | 13 years |
| Trademark | straight-line | 10 years |

Intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired.

f. Impairment

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the extent of the impairment, if any. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets.

An impairment loss is recognized in operations if the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

h. Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the consolidated statements of operations and comprehensive loss.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to sue or sell the asset. No development costs have been capitalized to date.

R&D tax credits are recorded as a reduction of the related research and development expenditures upon receipts from the tax authority in the UK. These non-repayable R&D tax credits are earned in respect to research and development costs incurred in the UK and are recorded as a reduction of the related research and development expenditures, provided that there is reasonable assurance that the credit will be recovered.

i. Financial Instruments

(i) Classification

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as fair value through profit or loss ("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 FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments:

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

i. Financial Instruments (continued)

| **Financial Assets** | **Classification** |
|---|---|
| Cash | Amortized cost |
| Receivables (exclude tax receivable) | Amortized cost |
| Loan receivable | Amortized cost |

| **Financial Liabilities** | **Classification** |
|---|---|
| Accounts payable and accrued liabilities | Amortized cost |
| Wages payable | Amortized cost |
| Due to related parties | Amortized cost |
| Loan facility | Amortized cost |
| Redeemable preferred shares | Amortized cost |
| Shares to be issued | FVTPL |

(ii) Measurement

Financial Assets and Liabilities at Amortized Cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial Instruments at Fair Value
Financial instruments are initially and subsequently measured at fair value. Transaction costs are accounted for in the consolidated statements of operations and comprehensive loss. When the Company elects to measure a financial liability at FVTPL, gains or losses related to the Company's own credit risk are accounted for in the consolidated statements of operations and comprehensive loss.

(iii) Impairment of Financial Assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses 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 loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the consolidated statements of operations and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

Financial liabilities classified FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the consolidated statements of operations and comprehensive loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Financial Instruments (continued)

(v) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

j. Redeemable Preferred Shares

The Company determined redeemable preferred shares are compound financial instruments which contain a host liability and equity component. The liability component is recognized initially at fair value of a similar debt instrument without a conversion feature. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method.

The equity component of the redeemable preferred shares is initially recognized at residual amount by deducting the amount calculated for the liability component from the fair value of the instrument as a whole. The redeemable preferred shares are convertible into the Company's common shares at the holder's option. As a result of this obligation, the redeemable preferred shares are convertible into equity, and accordingly, the conversion feature component of the convertible debentures is also equity.

Transaction costs are netted against the proceeds from the issuance of preferred shares and allocated proportionately between liability and equity component according to their fair value upon initial recognition.

k. Share Capital

Common shares, Class B Shares and special warrants are classified as equity. Transaction costs directly attributable to the issuance of common shares, Class B Shares and special warrants are recognized as a deduction from equity.

l. Shares to be Issued

The Company, at times, compensates its employees and/or consultants in the form of the Company's common shares, instead of cash. The Company accrues shares to be issued at each reporting period end by using the market price on the date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Share-Based Payment Transactions

The Company's stock-based compensation includes grants of stock options and restricted share units ("RSUs"). The stock option plan allows Company directors, officers, employees and consultants to acquire shares of the Company. The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is measured at grant date and the share-based compensation is expensed based on graded vesting. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value of the share purchase options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the share purchase options were granted. Forfeiture rates are estimated in advance and are used in the estimate of the share-based expense for the financial statement period.

The Company accounts for RSUs issued to employees and non-employees (consultants and advisory board members) based on the fair market value of the Company's common stock as of the date of issuance.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

n. Warrants

Proceeds from issuances by the Company of units consisting of common shares and warrants other than the special warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the common shares. If the proceeds from the offering are less than or equal to the estimated fair market value of common shares issued, a nil carrying amount is assigned to the warrants.

o. Revenue Recognition

Revenue represents the amount of consideration the Company expects to receive for the delivery of products and services in its contracts with customers. The Company reports revenue mainly for software license subscription.

Revenue is recognized upon transfer of control of products or services to customers at an amount that reflects the transaction price the Company expects to receive in exchange for the products or services. The Company's contracts with customers may include the delivery of multiple products or services, which are generally capable of being distinct and accounted for as separate performance obligations. The accounting for a contract with a customer that contain multiple performance obligations requires the Company to allocate the contract transaction price to the identified distinct performance obligations.

Software license revenue is composed of license fees charged for the use of the Company's software products. Software licenses are bundled with software maintenance and support services for a term. The Company recognizes the license revenue over the term of the contract beginning from the date that services are made available to customers.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

o. Revenue Recognition (continued)

Timing of revenue recognition may differ from the timing of invoicing to customers. Contract assets are generated when contractual billing schedules differ from revenue recognition timing. An unbilled receivable is recorded in instances when revenue is recognized prior to invoicing, and amounts collected in advance of services being provided are recorded as deferred revenue.

p. Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of operations and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized 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. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

q. Government Grant

Government grant is recognized when there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received. Government grant is recognized in profit or loss to offset the corresponding expenses on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

r. Loss per Share

The Company presents the basic and diluted earnings or loss per share data for its common shares, calculated by dividing the earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

s. Comprehensive Loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as unrealized gains or losses on FVTOCI, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive loss is presented in the consolidated statements of operations and comprehensive loss and the consolidated statements of changes in equity.

t. New Accounting Standard Adopted

IAS 37 Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")
Amendments to IAS 37 were issued in May 2020, and are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendments address identifying onerous contracts and specify the cost of fulfilling a contract, which includes all costs directly related to the contract. These include incremental direct costs and allocations of other costs that relate directly to fulfilling the contract. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements.

IFRS 3 Business Combinations ("IFRS 3")
Amendments to IFRS 3 were issued in May 2020, and are effective for annual periods beginning or after January 1, 2022, with earlier application permitted. The amendments update references within IFRS 3 to the 2018 Conceptual Framework and require that the principles in IAS 37 be used to identify liabilities and contingent assets arising from business combination. The Company has concluded there is no impact of adopting these amendments on its consolidated financial statements.

The following new and amended standards did not have a significant impact on the Company's consolidated financial statements:

- COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

u. Standards and Interpretations Issued but Not Yet Effective

Deferred Tax Related Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)
The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences, e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after January 1, 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier adoption is permitted. The Company has assessed that the adoption of these amendments will not have a significant impact on the Company.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Standards and Interpretations Issued but Not Yet Effective (continued)

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
In February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments provide guidance to help entities disclose their material (previously "significant") accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier adoption is permitted. The Company has assessed that the adoption of these amendments will not have a material impact on the Company.

Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors). The amendments define accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier adoption is permitted. The Company is currently assessing the impact of these amendments.

Other Standards

The following new and amended standards are not expected to have a significant impact on the Company's consolidated financial statements:

- Reference to Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17, Insurance Contracts

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The consolidated financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the consolidated financial statements.

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

a. Key Sources of Estimation Uncertainty

Recoverability of Deferred Tax Assets

The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in the future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Fair Value Calculation of Share-Based Payments

The fair value of share-based payments is calculated using a Black-Scholes Option Pricing Model. There are a number of estimates used in the calculation such as the expected option life and the future price volatility of the underlying security which can vary from actual future events. The factors applied in the calculation are management's best estimates based on industry average and future forecasts.

Fair Value Calculation of Liability Portion of Redeemable Preferred Shares

The Company's incremental borrowing rate is used to estimate the liability portion of the preferred shares. The Company's incremental borrowing rate is determined with reference to the Company's loans and the redemption price of the preferred shares issued, which represent the amounts that the Company could borrow at within a similar time frame.

b. Critical Judgments in Applying Accounting Policies

Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the year ended January 31, 2023. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing.

As a result of the assessment, management concluded the going concern basis of accounting is appropriate based on its access to replacement financing for the future twelve months.

(Expressed in Canadian dollars)

## 5. LOANS RECEIVABLE

On September 26, 2021, the Company entered into a promissory note ("Loan") with Sina Habibi, the CEO and director of the Company ("Borrower"). The Company loaned to Borrower for a total amount of $219,000 with maturity of March 26, 2022 ("Due Date") at an interest rate of 3.75% per annum, calculated and compounded monthly in arrears, and payable at the expiry of the term.

The Loan will be secured by way of hypothecation of 1,457,449 common shares of the Company, registered in the name of Sina Habibi's spouse, with authority and direction hereby to sell such number of shares to satisfy repayment of the Loan plus the interest rate in the event of default by the Borrower.

This Note may be paid in advance of the Due Date in whole or in part at any time without premium or penalty.

On May 12, 2022, the Company and Borrower signed amended promissory note agreement ("Agreement"). Per the Agreement, the due date of the Loan was extended until June 26, 2022.

As at January 31, 2023, the loan has not yet been repaid and is due on demand by the Company. The Company has accrued interest of $11,329 (2022-$2,476) on the outstanding balance included in loan receivable.

## 6. EQUIPMENT

| **Cost** | **$** |
|---|---|
| As at January 31, 2021 | 70,593 |
| Additions | 40,868 |
| Disposal | (3,965) |
| Effect of change in exchange rate with GBP | (2,066) |
| As at January 31, 2022 | 105,430 |
| Additions | 23,481 |
| Disposal | - |
| Effect of change in exchange rate with GBP | (3,406) |
| As at January 31, 2023 | 125,505 |
| | |
| **Accumulated Depreciation** | |
| As at January 31, 2021 | 26,178 |
| Additions | 17,856 |
| Disposal | (1,209) |
| Effect of change in exchange rate with GBP | (790) |
| As at January 31, 2022 | 42,035 |
| Additions | 22,246 |
| Disposal | - |
| Effect of change in exchange rate with GBP | (1,034) |
| As at January 31, 2023 | 63,247 |
| | |
| **Net Book Value** | |
| January 31, 2022 | 63,395 |
| January 31, 2023 | 62,258 |

(Expressed in Canadian dollars)

## 7. INTANGIBLE ASSETS

| | Patents | Trademarks | Total |
|---|---|---|---|
| **Cost** | **$** | **$** | **$** |
| As at January 31, 2021 | 32,179 | - | 32,179 |
| Additions | 7,113 | 53,941 | 61,054 |
| Effect of change in exchange rate with GBP | (867) | (420) | (1,287) |
| As at January 31, 2022 | 38,425 | 53,521 | 91,946 |
| Additions | 32,222 | 13,982 | 46,204 |
| Write off | (16,724) | - | (16,724) |
| Effect of change in exchange rate with GBP | (1,043) | (1,652) | (2,695) |
| As at January 31, 2023 | 52,880 | 65,851 | 118,731 |
| | | | |
| **Accumulated Depreciation** | | | |
| As at January 31, 2021 | - | - | - |
| Additions | 3,255 | 3,419 | 6,674 |
| Effect of change in exchange rate with GBP | (26) | (27) | (53) |
| As at January 31, 2022 | 3,229 | 3,392 | 6,621 |
| Additions | 788 | 1,601 | 2,389 |
| Effect of change in exchange rate with GBP | (101) | (87) | (188) |
| As at January 31, 2023 | 3,916 | 4,906 | 8,822 |
| | | | |
| **Net Book Value** | | | |
| January 31, 2022 | 35,196 | 50,129 | 85,325 |
| January 31, 2023 | 48,964 | 60,945 | 109,909 |

During the year ended January 31, 2023, the Company abandoned a patent filing, resulting in a write down of $16,724 (2022 - $nil) in intangible assets.

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | January 31, 2023 ($) | January 31, 2022 ($) |
|---|---|---|
| Accounts payable | 2,117,977 | 852,472 |
| Accrued liabilities | 139,850 | 138,379 |
| Other payables | 77,214 | 1,283 |
| | 2,335,041 | 992,134 |

## 9. REDEEMABLE PREFERRED SHARES

On October 19, 2022, the Company filed articles of amendment to create a preferred share, being the Class C Preferred shares (“Class C shares”). The Class C shares have the below rights, privileges, restriction and conditions.

Except as otherwise required by law, each Class C share does not entitle the holder to receive notice of and to attend any meeting of shareholders of the Company or to vote on any matter at any meetings of shareholders of the Company.

The holders of Class C shares are not entitled to receive dividends. In the event that the Company pays a dividend or makes a distribution to all holders of the common shares, the holders of the Class C shares shall be entitled to such dividend or distribution as if they had converted their Class C shares into common shares prior to applicable record date or effective date.

(Expressed in Canadian dollars)

## 9. REDEEMABLE PREFERRED SHARES (continued)

Subject to the rights of the shares of any other class ranking senior to the Class C shares with respect to priority upon a liquidation event, in the event of a liquidation event, the holders of Class C shares, the holders of Class B shares and the holders of common shares shall participate ratably in equal amounts per share, without preference or distinction, in the remaining assets of the Company.

No Class C shares may be transferred without first obtaining written approval from the Board subject to obtaining any applicable regulatory approvals.

Each Class C share is convertible into one (1) common share without any additional consideration.

The Class C shares, following the date that is one year following the date of issuance of the Class C shares (the "Redemption Date"), are redeemable at the option of the holder in accordance with the terms and conditions of the Investor Rights Agreement entered into between the Company and the holders of the Class C shares.

On October 26, 2022, the Company completed a non-brokered private placement of 15,525,786 of convertible Class C preferred shares (the "Preferred Shares") at a price of $0.29 per Preferred share for gross proceeds of $4,502,478. Each Preferred Share is convertible into one common share (the "Common Shares") of the Company without any additional consideration. The Preferred Shares will not be redeemable before the date that is one year from the date of issuance (the "Redemption Date"), subject to the Accelerated Redemption Date (as defined below). On and after the Redemption Date, the Preferred Shares will be redeemable in whole or in part, from time to time at the option of the holders of the Preferred Shares at a price of $0.58 per Preferred Share for a period of 30 days following the Redemption Date under the terms and conditions attaching to the Preferred Shares and in accordance with a certain investor rights agreement that will be entered into between the Company and the subscribers.

In the event that the Company completes an equity financing of at least US$15,000,000, the Redemption Date will be accelerated to the date the Company completes such equity financing (the "Accelerated Redemption Date").

The Preferred Shares were determined as compound financial instrument required to assign a fair value to the debt with any residual amount recorded as equity. The borrowing amount, $4,502,478, represents the debt element of the Preferred Shares, without the conversion options, recorded at its amortized cost, using a discount rate of 100%. The conversion feature value has been determined to be $nil.

The Company has incurred $256,595 transaction costs for the finders' fee related to the issuance of the Preferred Shares, and netted against the debt element of the Preferred Shares.

On issuance date the total proceeds were allocated as follows:

| Date of Issuance | Number of Preferred Shares Issued | Preferred Shares Equity Component | Preferred Share Liability |
|---|---|---|---|
| October 26, 2022 | 15,525,786 | $ - | $ 4,245,883 |

The movement of the preferred share balance for the year ended January 31, 2023 is as follows:

(Expressed in Canadian dollars)

**9. REDEEMABLE PREFERRED SHARES (continued)**

| | | January 31, 2023 |
|---|---|---|
| Fair value of liability component on issuance, net | $ | 4,245,883 |
| Accretion expense recognized during the year | | 940,782 |
| Balance at end of year | $ | 5,186,665 |

**10. SHARE CAPITAL**

Authorized: Unlimited common shares without par value
Unlimited Class B shares without par value
Unlimited Class C Preferred shares without par value

Unlimited Class B Shares without Par Value

The holders of the Class B shares are not entitled to receive notice of and to attend any meeting of the Shareholders of Cognetivity or to vote on any matter at any meetings of shareholders of Cognetivity.

The holders of Class B shares are not entitled to receive dividends. The holders of the Class b shares shall be entitled, in the event of liquidation, dissolution or winding up, whether voluntary or involuntary, or any other distribution of assets among the Company's shareholders for the purpose of winding up its affairs, to share rateably, together with the holders of common shares in such assets of Cognetivity as are available for distribution.

Each Class B share shall automatically convert into one common share, without payment of additional consideration, upon Cognetivity attaining the CE Marketing approval for the cognitive assessment tool kit as a medical device.

All Class B shares are not subject to any pre-emptive rights, retraction or surrender provisions, sinking or purchase fund provisions, provisions permitting or restricting the issuance of additional securities or provisions requiring a shareholder to contribute additional capital. The Class B shares shall not be subdivided, consolidated, reclassified or otherwise changed unless contemporaneously therewith the common shares are adjusted proportionately.

Unlimited Class C Preferred Shares without Par Value

See Note 9.

**A. Description of Transaction of Shares**

Issued Common Shares

**During the year ended January 31, 2023:**

a. On February 11, 2022, the Company completed the second tranche of non-brokered private placement of 1,999,626 units at a price of $0.55 per Unit for gross proceeds of $1,099,794. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase an additional share at a price of $0.85 until February 11, 2025. The fair values of warrants issued pursuant to the private placement financings have been estimated at the issue date using the residual method valuation. Given the market price of the Company's common shares on the date of closing of the private placements was less than the unit offering price, the residual value assigned to the warrants is $79,985.

## 10. SHARE CAPITAL (continued)

### A. Description of Transaction of Shares (continued)

Issued Common Shares (continued)

b. On February 24, 2022, further to completed the first and second tranche non-brokered private placement, the Company completed the third tranche of non-brokered private placement of 2,812,790 units at a price of $0.55 per Unit for gross proceeds of $1,547,035. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase an additional share at a price of $0.85 until February 24, 2025. The fair values of warrants issued pursuant to the private placement financings have been estimated at the issue date using the residual method valuation. Given the market price of the Company's common shares on the date of closing of the private placements was less than the unit offering price, the residual value assigned to the warrants is $112,512.

c. On March 1, 2022, the Company issued 106,656 common shares to a consultant for services provided to the Company for an amount of $56,528.

d. On April 19, 2022, the Company issued 111,000 common shares to a consultant for services provided to the Company for an amount of $36,075.

e. On April 19, 2022, the Company issued an aggregate of 48,462 common shares in the capital of the Company at a deemed price of $0.325 per share to settle a debt. The deemed price was the same as the share price on the issued date and there was no gain nor loss from this debt settlement.

f. On April 19, 2022, as a result of conversion of RSU, the Company issued 300,000 common shares. In relation to the conversion of RSU, the fair value of $162,500 was allocated from reserves.

g. On June 17, 2022, the Company issued 252,000 common shares to a consultant for services provided to the Company for an amount of $75,600.

h. On June 17, 2022, the Company issued an aggregate of 16,088 common shares in the capital of the Company to an arm's length party at a deemed price of $0.30 per share to settle a debt. The deemed price was the same as the share price on the issued date and there was no gain nor loss from this debt settlement.

**During the year ended January 31, 2022:**

a. On March 24, 2021, the Company issued 115,132 common shares to a consultant for services provided to the Company for an amount of $85,198.

b. On October 8, 2021, the Company issued 117, 500 common shares to a consultant for services provided to the Company for an amount of $79,900.

c. On November 4, 2021, the Company issued 220,000 common shares to a consultant for services provided to the Company for an amount of $140,800.

## 10. SHARE CAPITAL (continued)

### A. Description of Transaction of Shares (continued)

Issued Common Shares (continued)

d. On January 28, 2022, the Company completed a non-brokered private placement of 2,416,181 units at a price of $0.55 per Unit for gross proceeds of $1,328,900. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase an additional share at a price of $0.85 until January 28, 2025. The fair values of warrants issued pursuant to the private placement financings have been estimated at the issue date using the residual method valuation. Given the market price of the Company's common shares on the date of closing of the private placements was less than the unit offering price, the residual value assigned to the warrants is $120,809.

e. In connection with the private placement, the Company has paid finders' fees equal to $55,363 in cash and issued 100,660 non-transferrable warrants. Each warrant has the same terms as the warrants issued in the private placement (see Note 10B).

f. During the year ended January 31, 2022, 50,000 stock options were exercised at $0.43 each for a total of $21,500. In relation to the exercise of the stock option, the fair value of $16,818 was allocated from reserves.

g. During the year ended January 31, 2022, 550,000 stock options were exercised at $0.25 each for a total of $137,500. In relation to the exercise of the stock option, the fair value of $114,455 was allocated from reserves.

h. During the year ended January 31, 2022, 150,000 stock options were exercised at $0.41 each for a total of $61,500. In relation to the exercise of the stock option, the fair value of $40,215 was allocated from reserves.

i. During the year ended January 31, 2022, 705,953 warrants were exercised at $0.25 each for a total of $176,488. In relation to the exercise of the warrants, the proportionate fair value of $11,228 was allocated from reserves.

j. During the year ended January 31, 2022, 423,057 warrants were exercised at $0.40 each for a total of $169,223. In relation to the exercise of the warrants, the proportionate fair value of $33,135 was allocated from reserves.

k. During the year ended January 31, 2022, 726,064 warrants were exercised at $0.30 each for a total of $217,819. In relation to the exercise of the warrants, the proportionate fair value of $nil was allocated from reserves.

l. During the year ended January 31, 2022, 1,457,449 warrants were exercised at $0.15 each for a total of $218,617. In relation to the exercise of the warrants, the proportionate fair value of $nil was allocated from reserves.

m. On August 9, 2021, as a result of the conversion of convertible debentures, the Company issued 526,064 Units which each Unit include one common share and one warrant.

n. On August 31, 2021, as a result of the conversion of convertible debentures, the Company issued 1,457,449 Units which each Unit include one common share and one warrant.

(Expressed in Canadian dollars)

## 10. SHARE CAPITAL (continued)

### B. Warrants

**Issued during the year ended January 31, 2023:**

a. On February 11, 2022, as part of the private placement, the Company issued 999,813 warrants which were valued at $79,985 (see Note 10A).

b. On February 24, 2022, as part of the private placement, the Company issued 1,406,396 warrants which were valued at $112,512 (see Note 10A).

**Issued during the year ended January 31, 2022:**

a. On January 28, 2022, as part of the private placement, the Company issued 1,208,091 warrants which were valued at $120,809 (see Note 10A).

b. The Company issued 100,660 non-transferrable broker's warrants with the same terms as the warrants as finder's fees. The broker's warrants were valued at $32,030 using the Black-Scholes Option Pricing Model with the following assumption at the issue date: risk-free interest rate of 1.4%; dividend yield of 0%; expected volatility of 123.12% and expected life of 3 years.

c. On August 9, 2021, as a result of the conversion of convertible debentures, the Company issued 526,064 Units which each Unit include one common share and one warrant.

d. On August 31, 2021, as a result of the conversion of convertible debentures, the Company issued 1,457,449 Units which each Unit include one common share and one warrant.

The following table reflects the continuity of warrants for the years ended January 31, 2023 and 2022:

| | January 31, 2023 | | January 31, 2022 | |
|---|---|---|---|---|
| | Number of Warrants | Weighted Average Exercise Price ($) | Number of Warrants | Weighted Average Exercise Price ($) |
| Warrants outstanding, beginning of year | 5,900,503 | 0.50 | 5,948,945 | 0.38 |
| Issued | 2,406,209 | 0.85 | 3,292,264 | 0.45 |
| Exercised (Note 10A) | - | - | (3,312,523) | 0.24 |
| Expired | (4,591,752) | 0.40 | (28,183) | 0.28 |
| Warrants outstanding, end of year | 3,714,960 | 0.85 | 5,900,503 | 0.50 |

The warrants outstanding at January 31, 2023 are as follows:

| Number of Warrants Outstanding | Exercise Price ($) | Grant Date | Expiry Date |
|---|---|---|---|
| 1,308,751 | 0.85 | January 28, 2022 | January 28, 2025 |
| 999,813 | 0.85 | February 11, 2022 | February 11, 2025 |
| 1,406,396 | 0.85 | February 24, 2022 | February 24, 2025 |

(Expressed in Canadian dollars)

**10. SHARE CAPITAL (continued)**

**C. Options**

The Company has adopted a Stock Option Plan (the "Plan") pursuant to which options may be granted to directors, officers and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant, and the exercise price of each option is equal to or above the market price of the common shares on the grant date. Options granted under the Plan including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

The continuity of stock options for the years ended January 31, 2023 and 2022 is as follows:

| | January 31, 2023 | | January 31, 2022 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price ($) | Number of Options | Weighted Average Exercise Price ($) |
| Options outstanding, beginning of year | 5,448,000 | 0.33 | 4,618,000 | 0.26 |
| Granted | 542,300 | 0.51 | 1,630,000 | 0.68 |
| Forfeited | (243,440) | 0.50 | - | - |
| Cancelled | - | | (50,000) | 0.39 |
| Exercised (Note 10A) | - | | (750,000) | 0.29 |
| Options outstanding, end of year | 5,746,860 | 0.39 | 5,448,000 | 0.33 |
| Options exercisable, end of year | 4,891,333 | 0.35 | 4,334,667 | 0.31 |

The weighted average remaining life of the options is 1.62 years (2022 – 2.48 years).

The options outstanding at January 31, 2023 are as follows:

| Number of Options Outstanding | Exercise Price ($) | Grant Date | Expiry Date |
|---|---|---|---|
| 3,050,000 | 0.25 | March 19, 2018 | March 19, 2023 |
| 50,000 | 0.43 | June 22, 2018 | June 22, 2023 |
| 100,000 | 0.41 | December 11, 2018 | December 11, 2023 |
| 100,000 | 0.21 | February 14, 2020 | February 14, 2025 |
| 518,000 | 0.285 | October 5, 2020 | October 5, 2025 |
| 80,000 | 0.84 | March 1, 2021 | March 1, 2026 |
| 1,550,000 | 0.67 | October 12, 2021 | October 12, 2026 |
| 278,860 | 0.53 | March 1, 2022 | March 1, 2027 |
| 20,000 | 0.325 | April 19, 2022 | April 19, 2027 |

a. On March 1, 2022, the Company granted 497,300 common share purchase options exercisable at $0.53 per share expiring in five years to employees of the Company. 50% of the options will vest on March 1, 2023 and remainder 50% on March 1, 2024. The Company valued the options using the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk-free interest rate of 1.43%; dividend yield of 0%; expected volatility of 118.34% and expected option life of 5 years. During the year ended January 31, 2023, the Company recorded a total share-based payment amount of $83,202.

## 10. SHARE CAPITAL (continued)

### C. Options (continued)

b. On April 19, 2022, the Company granted 20,000 common share purchase options exercisable at $0.33 per share expiring in five years to employees of the Company. 50% of the options will vest on April 19, 2023 and remainder 50% on April 19, 2024. The Company valued the options using the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk-free interest rate of 2.67%; dividend yield of 0%; expected volatility of 118.70% and expected option life of 5 years. During the year ended January 31, 2023, the Company recorded a total share-based payment amount of $2,973.

c. On October 12, 2021, the Company granted 1,550,000 commons share purchase options exercisable at $0.67 per share expiring in five years to employees of the Company. One-third of the options will vest immediately and one-third on each annual anniversary thereafter. The Company valued the options using the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk-free interest rate of 1.24% - 3.67%; dividend yield of 0%; expected volatility of 119.18% - 124.58% and expected option life of 5 years. During the year ended January 31, 2023, the Company recorded a total share-based payment amount of $276,656 (2022 – $430,399).

d. On March 1, 2021, the Company granted 80,000 commons share purchase options exercisable at $0.84 per share expiring in five years to employees of the Company. 50% of the options will vest and become exercisable on March 1, 2022 and remainder 50% on March 1, 2023. The Company valued the options using the Black-Scholes Option Pricing Model to estimate the fair value of the options using the following assumptions: risk-free interest rate of 0.81%; dividend yield of 0%; expected volatility of 126.75% and expected option life of 5 years. During the year ended January 31, 2023, the Company recorded a total share-based payment amount of $17,567 (2022 - $39,174).

Subsequent to the year ended January 31, 2023, 3,050,000 options expired unexercised.

### D. Restricted Share Units

The Company approved the implementation of a restricted share units (the “RSU”) plan on May 21, 2019, which RSU is designed to provide certain directors, officers, consultants and other key employees of the Company and its related entities with the opportunity to acquire restricted shares of the Company. RSU may be exercised by any holder of RSU to receive an award payout of either: (a) one common share of the Company for each whole vested RSU; or (b) a cash amount equal to the defined date value of such vested RSU.

On November 4, 2021, the Company granted 800,000 RSUs to an officer and director of the Company, in which 800,000 RSUs can be converted into common shares immediately and will expire on September 30, 2024. The Company recorded a total share-based payment amount of $Nil for the fiscal year ended January 31, 2023 (2022 – $552,000).

On October 12, 2021, the Company granted 3,200,000 RSUs to the directors and officers of the Company, in which 3,200,000 RSUs can be converted into common shares immediately and will expire on September 30, 2024. The Company recorded a total share-based payment amount of $Nil for the fiscal year ended January 31, 2023 (2022 - $2,240,000).

On October 12, 2021, the Company granted 300,000 RSUs to a director and consultants of the Company, in which 300,000 RSUs can be converted into common shares on February 12, 2022 and will expire on September 30, 2024. The Company recorded a total share-based payment amount of $11,341 for the fiscal year ended January 31,2023 (2022 - $151,159). On April 19, 2022, 300,000 RSUs have been fully exercised (see Note 10A).

(Expressed in Canadian dollars)

## 10. SHARE CAPITAL (continued)

### D. Restricted Share Units (continued)

On May 8, 2020, the Company granted 332,000 RSUs to a consultant of the Company, in which 332,000 RSUs can be converted into common shares after May 1, 2022 and will expire on September 30, 2023. The Company recorded a total share-based payment amount of ($37,856) for the fiscal year ended January 31,2023 (2022 - $138,058).

The continuity of RSU for the years ended January 31, 2023 and 2022 is as follows:

| | Number of RSUs |
|---|---|
| Outstanding, January 31, 2021 | 332,000 |
| Granted | 4,300,000 |
| Outstanding, January 31, 2022 | 4,632,000 |
| Exercised | (300,000) |
| Outstanding, January 31, 2023 | 4,332,000 |
| Exercisable, January 31, 2023 | 4,332,000 |

## 11. RELATED PARTY TRANSACTIONS

a. During the years ended January 31, 2023 and 2022, the Company incurred the following expenses to related parties:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Consulting fees – CEO and a director | $ | 240,330 | $ | 833,933 |
| Salaries and wages – CMO and a director | | 136,064 | | 661,337 |
| Salaries and wages – CSO | | 192,264 | | 634,569 |
| Consulting fees – former CCO and a director | | 4,614 | | 70,795 |
| Consulting fees – CDO, CFO and a director | | 192,264 | | 661,198 |
| Stock-based compensation | | 260,757 | | 3,136,935 |
| Bonus – CEO, CMO, CSO, COO and CFO (1) | | - | | 2,125,000 |
| | $ | 1,026,693 | $ | 8,123,767 |

(1) During the year ended January 31, 2022, the Company entered Long-Term Incentive Plan ("Plan") with the key management personnel. The Board of the Company, in its sole discretion, may from time to time grant awards base on the performance criteria. The awards including:

- A cash bonus;
- If the participant exercises the option upon vesting of the grant, shares of the Company.

Each award will be subject to the terms and conditions of the Plan and such other terms and conditions as the Board may prescribe including, without limitation, eligibility conditions based on performance milestones, anniversary dates or the occurrence of certain events.

During the year ended January 31, 2022, the Company grant $2,125,000 cash bonus ("First Performance Bonus") to the key management personnel. The key management personnel signed a deferral letter with the Company and agreed to defer the payment of the First Performance Bonus to the date not earlier than April 30, 2023, which may be paid at any time in cash or common shares at the election of the Company. The Company decided not to pay the First Performance Bonus before January 31, 2024.

(Expressed in Canadian dollars)

## 11. RELATED PARTY TRANSACTIONS (continued)

b. As at January 31, 2023 and 2022, the Company has the following balances owing to (due from) related parties:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| **Current** | | | | |
| CEO and a director | $ | 129,837 | $ | 663,204 |
| CMO and a director | | 3,009 | | 507,042 |
| CSO | | (3,405) | | 505,211 |
| Former CCO and a director | | 29,469 | | 38,281 |
| COO, CFO and a director | | 360,127 | | 647,049 |
| | $ | 519,037 | $ | 2,360,787 |
| **Non-Current** | | | | |
| CEO and a director | $ | 625,000 | $ | 625,000 |
| CMO and a director | | 500,000 | | 500,000 |
| CSO | | 500,000 | | 500,000 |
| COO, CFO and a director | | 500,000 | | 500,000 |
| | $ | 2,125,000 | $ | 2,125,000 |
| Total | $ | 2,644,037 | $ | 4,485,787 |

Due to/from related parties are unsecured, non-interest bearing, and due on demand with no specific terms of repayment except for non-current balances.

c. Shares to be Issued

See Note 14.

d. On September 26, 2021, the Company entered a promissory note ("Loan") with the CEO and Director of the Company. The Company loaned to him for a total amount of $219,000 with maturity to March 26, 2022 at an interest rate of 3.75% per annum, calculated and compounded monthly in arrears, and payable at the expiry of the term. The Loan will be secured by way of a hypothecation of 1,457,449 common shares of the Company, registered in the name of Sina Habibi's spouse, with authority and direction hereby to sell such number of shares to satisfy repayment of the Loan plus the interest rate in the event of default by him (see Note 5).

## 12. LOAN FACILITY

During the year ended January 31, 2022, Cog UK entered into an Innovation Continuity Loan Agreement (the "Agreement") with Innovate UK (the "Lender") for a Sterling term loan facility (the "Facility") of up to £740,000 (CAD$1,264,808) to support the Company in its product development and commercialization activities through the coming year. The Company has previously received grant funding through the UK Government Innovate UK program, and this new facility will be made available through Innovate UK's Innovation Continuity Loans scheme.

(Expressed in Canadian dollars)

## 12. LOAN FACILITY (continued)

The loan itself allows drawdowns throughout 2021 in an initial availability period of 12 months, followed by a 24-month extension period and a 36-month repayment period. The interest rate for the duration of the Loan Agreement is 7.4% per annum, during the availability and extension period, a deferred interest rate of 3.7% per annum is applied. The correct portion of interest based on the remaining interest rate of 3.7% per annum will need to be paid in each year the third, sixth, nineth and twelfth calendar month anniversaries of the first drawdown under the Loan Agreement. Once the extension period has ended, the deferred interest is added to the amount of the principal loan that is outstanding and then interest accrues daily on this total at a rate of 7.4% per annum. The final repayment date is on the date 72 months from and including the date of the Loan Agreement, which is March 17, 2027.

During the year ended January 31, 2023, the Company had a total drawdown of $nil (£nil) (2022- $1,264,808 or £740,000).

The Company assesses whether it has been in compliance with the covenants set out with the Lender every three months. As at January 31, 2023 and 2022, the Company was not in compliance with the following covenants set out under the Agreement:

- maintained a liquidity ratio (current assets/current liabilities) not less than 1.1;
- complied with the interest payment schedule as defined under the Loan Agreement.

As a result, the Facility has been presented under current liability as of January 31, 2023 and 2022.

Per the Agreement, in the event of a breach, or on becoming aware that a breach is likely, the Company will be required to write to the Lender explaining how such a breach will be remedied. This remedy must be achieved within 90 days of the breach occurring.

Subsequent to the years ended January 31, 2023 and 2022, the Company provided details of the proposed remedy and the Lender confirmed that the liquidity breach is not considered as an event of default.

The Facility was accounted for using effective interest rate method. The Company has recorded the fair value of $1,008,347 (£589,953) on the Facility initial recognition date using an effective interest rate of 14.5% per annum. The difference of $256,461 (£150,047) between the fair value and the total amount of the Facility received was considered as a gain on government grant and has been net off with the interest accretion expense of $77,995 (£45,632) and loss on breach of covenant of $227,809 (£133,284), as the result, the net amount of $49,343 (£28,869) has been recorded as interest expenses for the year ended January 31, 2022. For the year ended January 31, 2023, the interest accretion expense is included in interest expense.

| | GBP (£) | CAD ($) |
|---|---|---|
| Loans payable at nominal value | 740,000 | 1, 264,808 |
| Less: Gain on government grant | (150,047) | (256,461) |
| Loans payable at fair value at inception | 589,953 | 1,008,347 |
| Add: Accretion expenses | 45,632 | 77,995 |
| Less: Interest payments | (11,434) | (19,543) |
| Add: Loss on breach of covenant | 133,284 | 227,809 |
| Loans payable balance, January 31, 2022 | 757,435 | 1,294,608 |
| Add: Accretion expenses | 54,760 | 87,736 |
| Less: principal and interest payments | (27,380) | (43,868) |
| Effect of change in exchange rate with GBP | - | (47,769) |
| Loans payable balance, January 31, 2023 | 784,815 | 1,290,707 |

(Expressed in Canadian dollars)

## 13. GOVERNMENT GRANT

During the year ended January 31, 2023, the Company received $94,006 (2022 - $8,631) payment from Innovate UK which has been recognized as other income. Innovate UK is a public body funded by the UK government.

## 14. SHARES TO BE ISSUED

During the year ended January 31, 2022, the Company entered into consulting agreements with third-party consultants under which the Company is committed to issue common shares for the services provided by the consultants. As of January 31, 2023, 46,000 shares have been accrued at the fair value of $11,500 and was included in consulting fees (2022: $22,790).

During the year ended January 31, 2022, the Company entered into an agreement with a director of the Company whereby if the Company was successful in certain milestone, the Company will issue the director 1,000,000 common shares of the Company. During the year ended January 31, 2023, 1,000,000 common shares at the fair value of $250,000 was recorded as consulting fees.

During the year ended January 31, 2022, the Company entered into an Employee Agreement. As of January 31, 2023, $59,147(2022: $60,176). was recorded for the fair value of shares to be issued as salaries and benefits.

During the year ended January 31, 2023, the Company agreed to issue shares to certain employees as bonuses. As of January 31, 2023, $36,881 was recorded for the fair value of shares to be issued as share-based payment.

## 15. NON-CASH INVESTING AND FINANCING ACTIVITIES

| | January 31, 2023 ($) | January 31, 2022 ($) |
|---|---|---|
| Shares issued for debt settlement (Note 10A) | 20,576 | - |
| Shares issued for warrants exercised (Note 10A) | - | 44,363 |
| Shares issued from option exercised (Note 10A) | - | 171,488 |
| Share issued cost – broker's warrants (Note 10B) | - | 32,030 |
| Shares issued for services (Note 10A) | 168,203 | 305,898 |

(Expressed in Canadian dollars)

## 16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

### Fair Value of Financial Instruments

The carrying value of the financial instruments approximates fair value due to their short-term to maturity.

The categories of the fair value hierarchy that reflect the inputs to valuation techniques used to measure fair value are as follows:

| | |
|---|---|
| Level 1 | Value based on unadjusted quoted prices (unadjusted) in active markets for identical assets or liabilities; |
| Level 2 | Valuation techniques based on inputs other than quoted prices that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and |
| Level 3 | Valuation techniques using inputs for assets or liabilities that are not based on observable market data (unobservable inputs). |

As at January 31, 2023, the carrying value of the Company's financial instruments approximate their fair values due to the short-term nature except for redeemable preferred shares.

The redeemable preferred shares are classified as level 3. The redeemable preferred shares have a liability and equity component. The fair value of liability component was determined by discounted cash flows from expected future cash payments using a rate of 100% (Note 9).

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

The Company's financial instruments are exposed to certain financial risks, which include the following:

***Credit risk***
Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is mainly on its cash. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies.

***Liquidity risk***
Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company aims to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company believes that the capital sources will be sufficient to cover the expected short and long-term cash requirements by obtaining financing through the issuance of debt or common shares.

Contractual maturities of financial liabilities as at January 31, 2023 are presented below:

| | Payments Due by Year | | | |
|---|---|---|---|---|
| Contractual Obligation | Total | Less than 1 Year | 1 – 3 Years | After 3 Years |
| Accounts payable and accrued liabilities | 2,335,041 | 2,335,041 | N/A | N/A |
| Wages payable | 863,156 | 863,156 | N/A | N/A |
| Due to related parties | 2,644,037 | 519,037 | 2,125,000 | N/A |
| Loan facility | 1,290,707 | 1,290,707 | N/A | N/A |
| Redeemable preferred shares | 5,186,665 | 5,186,665 | N/A | N/A |
| Share to be issued | 357,529 | 357,529 | N/A | N/A |
| Total | 12,677,135 | 10,552,135 | 2,125,000 | N/A |

(Expressed in Canadian dollars)

## 16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

***Interest rate risk***

The Company's loan facility is at fixed interest rate and therefore is not exposed to significant interest rate risk.

***Foreign exchange risk***

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have significant exposure to foreign exchange risk because it has minimum foreign currency assets and liabilities.

## 17. CAPITAL MANAGEMENT

The Company considers its cash and share capital as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company is not subject to any externally imposed capital restructure. There was no change in the Company's approach to capital management during the year ended January 31, 2023.

## 18. INCOME TAXES

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended January 31, 2023 and 2022.

| | | January 31, 2023 | | January 31, 2022 |
|---|---|---|---|---|
| Net loss before tax | $ | (7,433,815) | $ | (13,127,327) |
| Statutory tax rate | | 27.00% | | 27.00% |
| Expected income tax expenses (recovery) | | (2,007,130) | | (3,544,378) |
| Non-deductible items | | 737,849 | | 1,814,683 |
| Research and development | | (221,075) | | (482,105) |
| Foreign tax rate difference | | 563,628 | | 701,724 |
| Tax effect of foreign exchange | | 48,883 | | 34,460 |
| Change in estimates | | (166,244) | | 322,139 |
| Change in deferred tax assets not recognized | | 1,044,089 | | 1,153,477 |
| Total income tax expense (recovery) | $ | - | $ | - |

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at January 31, 2023 and 2022 are comprised of the following:

| | | January 31, 2023 | | January 31, 2022 |
|---|---|---|---|---|
| Net trading loss carryforwards (UK) | $ | 15,482 | $ | 17,361 |
| Equipment (UK) | | (10,603) | | (12,045) |
| Intangible assets (UK) | | (4,880) | | (5,316) |
| Net deferred tax assets (liabilities) | $ | - | $ | - |

(Expressed in Canadian dollars)

## 18. INCOME TAXES (continued)

The unrecognized deductible temporary differences at January 31, 2023 and 2022 are as follows:

| | | January 31, 2023 | | January 31, 2022 |
|---|---|---|---|---|
| Non-capital loss carryforwards (Canada) | $ | 5,465,513 | $ | 4,481,340 |
| Trading loss carryforwards (UK) | | 14,184,725 | | 9,951,393 |
| Eligible capital property | | 2,006 | | 2,006 |
| Financing costs | | 218,432 | | 314,619 |
| Total unrecognized deductible temporary differences | $ | 19,870,676 | $ | 14,749,358 |

The Company also has operation in Dubai, United Arab Emirates ("UAE"). The corporate income tax rate under UAE is at 0%.

As at January 31, 2023, the Company did not recognized a deferred tax assets in respect of non-capital loss carryforwards of approximately $5,465,513 (2022 - $4,481,340) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

| Expiry | | Total |
|---|---|---|
| 2036 | $ | 3,792 |
| 2037 | | 197,305 |
| 2038 | | 71,234 |
| 2039 | | 1,186,815 |
| 2040 | | 817,514 |
| 2041 | | 709,960 |
| 2042 | | 1,494,719 |
| 2043 | | 984,175 |
| Total | $ | 5,465,513 |

As at January 31, 2023, the Company has not recognized a deferred tax assets in respect of trading loss carry forwards of $14,184,725 (2022 - $9,951,393) which may be carried forward indefinitely to apply against future income for UK income tax purposes, subject to final determination by taxation authorities.

## 19. GEOGRAPHICAL INFORMATION

The Company is considered operating in one segment for development of the ICA platform. The geographical division of the Company's non-current assets is as follows:

| | Canada ($) | United Kingdom ($) | Dubai ($) | Total ($) |
|---|---|---|---|---|
| **Revenues** | | | | |
| January 31, 2023 | - | 45,366 | - | - |
| January 31, 2022 | - | - | - | - |
| **Non-Current Assets** | | | | |
| January 31, 2023 | - | 165,741 | 6,426 | 172,167 |
| January 31, 2022 | - | 148,720 | - | 148,720 |

## 20. PENDING LITIGATIONS

In August 2022, a third-party consultant (“Plaintiff”) commenced legal action against the Company for failing to pay its invoices. In November 2022, the Plaintiff obtained a default judgment against the Company requiring the Company to pay $425,250 plus $1,100 for legal fees and disbursements.

In January 2023, the Company retained legal counsel to file a motion to set aside the default judgment. The Company paid the $1,100 legal fees in February 2023 and requested its legal counsel to serve the Plaintiff with the Statement of Defense in March 2023. The Company has recorded $425,250 in accounts payable as at January 31, 2023. However, the Company denies all of the Plaintiff’s accusations and allegations and intends to defend itself vigorously.

## 21. SUBSEQUENT EVENTS

(1) On March 19, 2023, 3,050,000 options expired.

(2) On March 23, 2023, the Company entered into debt settlement agreements with certain creditors of the Company to issue an aggregate of 816,555 common shares in the capital of the Company at a deemed price of $0.325 per debt share to settle an aggregate of approximately $265,380 of outstanding debt; 356,875 of such common shares were issued to the chief operating officer, chief financial officer, corporate secretary and a director of the Company.

(3) On April 26, 2023, the Company converted preferred shares into 765,516 common shares of the Company.

(4) See Note 20 regarding pending litigations.