Cognetivity

# COGNETIVITY NEUROSCIENCES LTD.
## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
### For the periods ended April 30, 2023 and 2022

### (UNAUDITED, EXPRESSED IN CANADIAN DOLLAR)

**MANAGEMENT'S COMMENTS ON**
**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed consolidated interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Cognetivity Neurosciences Ltd. (the "Company") have been prepared and are the responsibility of the Company's management. The unaudited condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

The Company's independent auditor, MNP LLP, has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the condensed interim financial statements by an entity's auditor.

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

| As at | Notes | April 30, 2023 $ | January 31, 2023 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash | | 720,366 | 2,244,128 |
| Receivables | | 142,538 | 140,523 |
| Loan receivable | 5 | 232,441 | 230,329 |
| Prepaids | | 44,994 | 42,271 |
| **Total Current Assets** | | 1,140,339 | 2,657,251 |
| | | | |
| **Equipment** | 6 | 58,462 | 62,258 |
| **Intangible assets** | 7 | 117,472 | 109,909 |
| **TOTAL ASSETS** | | 1,316,273 | 2,829,418 |
| | | | |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Accounts payable and accrued liabilities | 8 | 2,221,167 | 2,335,041 |
| Wages payable | | 768,379 | 863,156 |
| Deferred revenue | | 41,425 | 41,821 |
| Due to related parties | 11 | 18,948 | 519,037 |
| Loan facility | 12 | 1,359,758 | 1,290,707 |
| Redeemable preferred shares | 9 | 5,863,477 | 5,186,665 |
| Shares to be issued | 14 | 439,956 | 357,529 |
| | | 10,713,110 | 10,593,956 |
| **Non-Current Liabilities** | | | |
| Due to related parties | 11 | 2,125,000 | 2,125,000 |
| **Total Liabilities** | | 12,838,110 | 12,718,956 |
| | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Common shares | 10 | 16,233,306 | 15,671,929 |
| Reserves | 10 | 5,826,555 | 5,776,927 |
| Deficit | | (33,505,853) | (31,398,673) |
| Accumulated other comprehensive gain | | (75,845) | 60,279 |
| **Total Shareholders' Deficiency** | | (11,521,837) | (9,889,538) |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | 1,316,273 | 2,829,418 |
| | | | |
| Nature of operations and going concern | 1 | | |
| Subsequent events | 20 | | |

Approved on behalf of the Board of Directors on June 29, 2023:

*"Sina Habibi"* Director
Sina Habibi

*"Desmond Balakrishnan"* Director
Desmond Balakrishnan

*The accompanying notes are integral to these interim condensed consolidated financial statements.*

**Cognetivity Neurosciences Ltd.**
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss
For the Three-Month Periods Ended April 30, 2023 and 2022
(Unaudited, Expressed in Canadian dollars)

| | Notes | 2023<br>$ | 2022<br>$ |
|---|---|---|---|
| **Revenue** | | 4,165 | - |
| | | | |
| **Expenses** | | | |
| Accretion expenses | 9 | 1,108,160 | 22,317 |
| Consulting fees | | 167,145 | 334,614 |
| Depreciation | 6, 7 | 6,853 | 6,477 |
| Foreign exchange loss | | 21,270 | (12,453) |
| General and administration | | 49,170 | 56,336 |
| Marketing and advertising | | 86,674 | 239,922 |
| Professional fees | | 30,054 | 55,703 |
| Rent | | 14,860 | 48,972 |
| Research and development | | 161,863 | 110,057 |
| Salaries and benefits | 11 | 559,804 | 673,109 |
| Share-based payment | 10, 11 | 49,628 | (70,783) |
| Transfer agent and regulatory | | 9,799 | 16,677 |
| Travel | | 2,753 | 19,701 |
| | | (2,263,868) | (1,500,649) |
| **Other Income (Expense)** | | | |
| Interest expense | 12 | (22,935) | - |
| Gain on conversion of Preferred shares | 9, 10 | 222,000 | - |
| Gain on debt settlement | 10 | 47,462 | - |
| Other income | | 161 | 16,063 |
| Revaluation of Shares to be Issued | 14 | (90,000) | |
| Net loss before income taxes | | (2,107,180) | (1,484,586) |
| | | | |
| **Other Comprehensive Income** | | | |
| *Items that will be reclassified subsequently to loss (income)* | | | |
| Unrealized gain on foreign exchange translation | | (136,124) | 201,560 |
| Comprehensive Loss | | (2,243,304) | (1,283,026) |
| | | | |
| Basic and diluted loss per common share | | (0.02) | (0.02) |
| | | | |
| Weighted average number of common shares outstanding – Basic and diluted | | 85,662,011 | 73,057,477 |

*The accompanying notes are integral to these interim condensed consolidated financial statements.*

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

| | Common Shares | | Class C Shares | | | | |
|---|---|---|---|---|---|---|---|
| | Number of Shares | $ | Number of Shares | Reserves $ | AOCI $ | Deficit $ | Shareholders' Equity (Deficiency) $ |
| Balance – January 31, 2022 | 79,402,556 | 12,8579,760 | - | 5,393,046 | 16,674 | (23,964,858) | (5,675,378) |
| Shares issued from private placement, net of share issuance costs | 4,812,416 | 2,454,332 | - | 192,497 | - | - | 2,646,829 |
| Shares issued from debt settlement | 48,462 | 15,750 | - | - | - | - | 15,750 |
| Shares issued for services | 217,656 | 92,603 | - | - | - | - | 92,603 |
| Stock options granted and vested | - | - | - | (48,459) | - | - | (48,459) |
| Conversion of restricted share units to common shares | 300,000 | 162,500 | - | (162,500) | - | - | - |
| Net loss and comprehensive loss for the period | - | - | - | - | 201,560 | (1,484,586) | (1,283,026) |
| Balance – April 30, 2022 | 84,781,090 | 15,604,945 | - | 5,352,261 | 218,234 | (25,449,444) | (4,274,004) |
| Balance – January 31, 2023 | 85,049,178 | 15,671,929 | 15,525,786 | 5,776,927 | 60,279 | (31,398,673) | (9,889,538) |
| Shares issued from debt settlement | 1,173,430 | 352,029 | - | - | - | - | 352,029 |
| Conversion of Class C shares to Common shares | 765,516 | 209,348 | (765,516) | - | - | - | 209,348 |
| Stock options vested | - | - | - | 49,628 | - | - | 49,628 |
| Net loss and comprehensive loss for the period | - | - | - | - | (136,124) | (2,107,180) | (2,243,304) |
| Balance – April 30, 2023 | 86,988,124 | 16,233,306 | 14,760,270 | 5,826,555 | (75,845) | (33,505,853) | (11,521,837) |

*The accompanying notes are integral to these interim condensed consolidated financial statements.*

Cognetivity Neurosciences Ltd.
Interim Condensed Consolidated Statements of Cash Flows
For the Three-Month Periods Ended April 30, 2023 and 2022
(Unaudited, Expressed in Canadian dollars)

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Net loss for the period | (2,107,178) | (1,484,586) |
| | | |
| Non-cash items: | | |
| Accretion expense | 1,108,160 | 22,320 |
| Depreciation | 6,853 | 6,477 |
| Interest accrued | 22,104 | |
| Gain on Debt Settlement | (47,462) | - |
| Share-based payment | 49,628 | (70,783) |
| Shares issued for debts | 380,741 | (21,680) |
| Gain on conversion of Class C shares to Common shares | (222,000) | - |
| Loss on revaluation of Shares to Issue | 90,000 | - |
| Foreign exchange gain or loss | 62,808 | (43,146) |
| | | |
| Changes in non-cash operating working capital: | | |
| Receivable | 2,673 | 20,959 |
| Prepaids | (1,584) | (85,137) |
| Loan receivables | (2,112) | - |
| Accounting payable and accrued liabilities | 1,783,574 | 107,816 |
| Deferred revenue | (1,843) | - |
| Due to related parties | (2,649,523) | (2,152,164) |
| Net cash used in operating activities | (1,525,161) | (3,699,924) |
| | | |
| Cash flows from investing activities | | |
| Acquisition of equipment | (1,109) | (19,581) |
| Acquisition of intangible assets | (3,518) | (20,414) |
| Net cash used in investing activities | (4,627) | (39,995) |
| | | |
| Cash flows from financing activities: | | |
| Proceeds from loan facility | - | (11,284) |
| Proceeds from private placement, net issuance costs | - | 2,646,829 |
| Net cash provided by financing activities | - | 2,635,545 |
| | | |
| Effect of foreign exchange on cash | 6,026 | (2,493) |
| | | |
| Net decrease in cash | (1,529,788) | (1,106,867) |
| Cash, beginning of period | 2,244,128 | 1,377,039 |
| | | |
| Cash, at end of period | 720,366 | 270,172 |

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 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 $33,505,853 (January 31, 2023 - $31,398,673), and working capital deficiency of $9,572,771 (January 31, 2023 - $7,936,705), 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.

## 2. BASIS OF PREPARATION (continued)

### 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 | | | |

### 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.

### Standards and Interpretations Issued but Not Yet Effective

<u>Deferred Tax Related Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)</u>
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. BASIS OF PREPARATION (continued)

### 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.

(Unaudited, 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 April 30, 2023, the loan has not yet been repaid and is due on demand by the Company. The Company has accrued interest of $13,441 (April 30, 2022-$4,479) on the outstanding balance included in loan receivable.

## 6. EQUIPMENT

| **Cost** | **$** |
|---|---|
| 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 |
| Additions | - |
| Disposal | - |
| Effect of change in exchange rate with GBP | 4,348 |
| As at April 30, 2023 | 129,853 |
| | |
| **Accumulated Depreciation** | |
| 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 |
| Additions | 5,901 |
| Disposal | - |
| Effect of change in exchange rate with GBP | 2,243 |
| As at April 32, 2023 | 71,391 |
| | |
| **Net Book Value** | |
| January 31, 2023 | 62,258 |
| April 30, 2023 | 58,462 |

(Unaudited, Expressed in Canadian dollars)

## 7. INTANGIBLE ASSETS

| | Patents | Trademarks | Total |
|---|---|---|---|
| **Cost** | **$** | **$** | **$** |
| 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 |
| Additions | 4,763 | - | 4,763 |
| Effect of change in exchange rate with GBP | 3,883 | 378 | 4,261 |
| As at April 30, 2023 | 61,526 | 66,229 | 127,755 |
| | | | |
| **Accumulated Depreciation** | | | |
| 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 |
| Additions | 348 | 796 | 1,144 |
| Effect of change in exchange rate with GBP | 142 | 175 | 317 |
| As at April 30, 2023 | 4,406 | 5,877 | 10,283 |
| | | | |
| **Net Book Value** | | | |
| January 31, 2023 | 48,964 | 60,945 | 109,909 |
| April 30, 2023 | 57,120 | 60,352 | 117,472 |

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

| | April 30, 2023 ($) | January 31, 2023 ($) |
|---|---|---|
| Accounts payable | 1,886,194 | 2,117,977 |
| Accrued liabilities | 256,287 | 139,850 |
| Other payables | 78,686 | 77,214 |
| | 2,221,167 | 2,335,041 |

## 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.

(Unaudited, 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 and three months ended April 30, 2023 is as follows:

(Unaudited, Expressed in Canadian dollars)

## 9. REDEEMABLE PREFERRED SHARES (continued)

| | $ |
|---|---|
| Fair value of liability component on issuance, net | 4,245,883 |
| Accretion expense recognized during the year | 940,782 |
| Balance at January 31, 2023 | 5,186,665 |
| Accretion expense recognized during the quarter | 1,108,160 |
| Conversion to Common shares | (431,348) |
| Balance at April 30, 2023 | 5,863,477 |

## 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 three months ended April 30, 2023:**

a. On March 23, 2023, the Company issued an aggregate of 1,173,430 common shares at a deemed price of $0.325 per share to settle certain debts. The fair value of common shares on the issue date was $0.30 and the Company recognized a gain of $28,712 from these debt settlements.

## 10. SHARE CAPITAL (continued)

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

Issued Common Shares (continued)

**During the three months ended April 30, 2023 (continued):**

b. On April 17, 2023, some Class C preferred shareholders converted 765,516 Class C preferred shares to common shares of the Company. The Company recognized a gain of $222,000 from the conversion of preferred shares to 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.

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.

(Unaudited, Expressed in Canadian dollars)

## 10. SHARE CAPITAL (continued)

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

Issued Common Shares (continued)

**During the year ended January 31, 2023 (continued):**

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.

### B. Warrants

The Company did not issue any warrants during the three months ended April 30, 2023.

**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).

The following table reflects the continuity of warrants for the years ended April 30, 2023 and January 31, 2023:

| | April 30, 2023 | | January 31, 2023 | |
|---|---|---|---|---|
| | Number of Warrants | Weighted Average Exercise Price ($) | Number of Warrants | Weighted Average Exercise Price ($) |
| Warrants outstanding, beginning of year | 3,714,960 | 0.85 | 5900,503 | 0.50 |
| Issued | - | - | 2,409,209 | 0.85 |
| Expired | - | - | (4,591,752) | 0.40 |
| Warrants outstanding, end of year | 3,714,960 | 0.85 | 3,714,960 | 0.85 |

The warrants outstanding at April 30, 2023 and 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 |

(Unaudited, 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 April 30, 2022 and January 31, 2023 is as follows:

| | April 30, 2023 | | January 31, 2023 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price ($) | Number of Options | Weighted Average Exercise Price ($) |
| Options outstanding, beginning of year | 5,746,860 | 0.35 | 5,448,000 | 0.33 |
| Granted | - | - | 542,300 | 0.51 |
| Forfeited | - | - | (243,440) | 0.50 |
| Expired | (3,050,000) | 0.25 | - | - |
| Exercised (Note 10A) | - | | - | - |
| Options outstanding, end of year | 2,696,860 | 0.55 | 5,746,860 | 0.39 |
| Options exercisable, end of year | 2,139,983 | 0.54 | 4,891,333 | 0.35 |

The weighted average remaining life of the options is 2.80 years (January 31, 2023 – 1.62 years).

The options outstanding at April 30, 2023 are as follows:

| Number of Options Outstanding | Exercise Price ($) | Grant Date | Expiry Date |
|---|---|---|---|
| 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 19, 2023, 3,050,000 common share purchase options expired unexercised.

b. 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.

(Unaudited, Expressed in Canadian dollars)

## 10. SHARE CAPITAL (continued)

### C. Options (continued)

c. 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.

### 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 $552,000 for the fiscal year ended January 31, 2022.

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 $2,240,000 for the fiscal year ended January 31, 2022.

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 and $151,159 for the fiscal year ended January 31, 2022. On April 19, 2022, 300,000 RSUs have been fully exercised (see Note 10A).

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 $nil for the three months ended April 30,2023 (January 31, 2023 - $(37,856)).

The continuity of RSU for the years ended April 30, 2023 and January 31, 2023 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, April 30, 2023 and January 31, 2023 | 4,332,000 |
| Exercisable, April 30, 2023 and January 31, 2023 | 4,332,000 |

(Unaudited, Expressed in Canadian dollars)

## 11. RELATED PARTY TRANSACTIONS

a. During the three months ended April 30, 2023 and 2022, the Company incurred the following expenses to related parties:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Consulting fees – CEO and a director | $ | 62,079 | $ | 62,678 |
| Salaries and wages – CMO and a director | | - | | 50,142 |
| Salaries and wages – CSO | | 49,663 | | 50,142 |
| Consulting fees – COO, CFO and a director | | 49,663 | | 50,142 |
| Stock-based compensation | | - | | 82,121 |
| | $ | 161,405 | $ | 295,225 |

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.

b. As at April 30, 2023 and January 31, 2023, the Company has the following balances owing to (due from) related parties:

| | | April 30, 2023 | | January 31, 2023 |
|---|---|---|---|---|
| **Current** | | | | |
| CEO and a director | $ | 139,626 | $ | 129,837 |
| CMO and a director | | 19,720 | | 3,009 |
| CSO | | 13,076 | | (3,405) |
| Former CCO and a director | | 22,008 | | 29,469 |
| COO, CFO and a director | | 50,560 | | 360,127 |
| | $ | 244,990 | $ | 519,037 |
| **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 | $ | 2,369,990 | $ | 2,644,037 |

## 11. RELATED PARTY TRANSACTIONS (continued)

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.

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 three months ended April 30, 2023, the Company had a total drawdown of $nil (£nil) (January 31, 2023- $nil or £nil).

The Company assesses whether it has been in compliance with the covenants set out with the Lender every three months. As at April 30, 2023 and January 31, 2023, 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 April 30, 2023 and January 31, 2023.

(Unaudited, Expressed in Canadian dollars)

## 12. LOAN FACILITY (continued)

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.

During the three months ended April 30, 2023, 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 three months ended April 30, 2023 and 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 |
| Add: Accretion expenses | 13,352 | 22,746 |
| Effect of change in exchange rate with GBP | - | 46,305 |
| Loans payable balance, April 30, 2023 | 798,167 | 1,359,758 |

## 13. GOVERNMENT GRANT

During the three months ended April 30, 2023, the Company received $nil (April 30, 2023 - $nil payment from Innovate UK which has been recognized as other income. Innovate UK is a public body funded by the UK government.

(Unaudited, Expressed in Canadian dollars)

## 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 April 30, 2023, zero share (January 31, 2023: 46,000 shares) has been accrued and the 46,000 shares accrued at January 31, 2023 were issued.

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 a fair value of $250,000 was recorded as consulting fees. During the three months ended April 3, 2023, the Company has not issued the 1,000,000 common shares but recorded a loss of $90,000 as revaluation of shares due to the fair value of these shares was $340,000 at April 30, 2023.

During the year ended January 31, 2022, the Company entered into an Employee Agreement. During the three months ended April 30, 2023, the Company issued 56,492 shares at a deemed price of $0.325 as payment of salaries and benefits. The fair value of the issued shares was $16,948 and the Company recognized a gain of $1,412 for debt settlement during the three months ended April 30, 2023. In addition, as of April 30, 2023, $18,826 (January 31, 2023: $59,147) 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 April 30, 2023, $nil (January 31, 2023: $36,881) was recorded for the fair value of shares to be issued as share-based payment. During the three months ended April 30, 2023, the Company issued 83,076 shares at a deemed price of $0.325 as payment to one of the employees at a fair value of $30,037. The Company recognized a gain of $2,351 for debt settlement.

## 15. NON-CASH INVESTING AND FINANCING ACTIVITIES

| | January 31, 2023 ($) | January 31, 2023 ($) |
|---|---|---|
| Shares issued for debt settlement (Note 10A) | 323,317 | 20,576 |
| Shares issued for services (Note 10A) | - | 168,203 |

(Unaudited, 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 April 30, 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 April 30, 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 | 2,221,167 | 2,221,167 | N/A | N/A |
| Wages payable | 768,379 | 768,379 | N/A | N/A |
| Due to related parties | 2,143,948 | 18,948 | 2,125,000 | N/A |
| Loan facility | 1,359,758 | 1,359,758 | N/A | N/A |
| Redeemable preferred shares | 5,863,477 | 5,863,477 | N/A | N/A |
| Shares to be issued | 439,956 | 439,956 | N/A | N/A |
| Total | 12,796,685 | 10,671,685 | 2,125,000 | N/A |

(Unaudited, 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 three months ended April 30, 2023.

## 18. 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** | | | | |
| April 30, 2023 | - | 4,165 | - | - |
| April 30, 2022 | - | - | - | - |
| **Non-Current Assets** | | | | |
| April 30, 2023 | - | 169,793 | 6,141 | 175,934 |
| January 31, 2023 | - | 165,741 | 6,426 | 172,167 |

## 19. 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 April 30, 2023. However, the Company denies all of the Plaintiff's accusations and allegations and intends to defend itself vigorously.

## 20. SUBSEQUENT EVENTS

(1) See Note 19 regarding pending litigations.

(2) On June 23, 2023, the Company entered into debt settlement agreements with certain creditors to issue an aggregate of 168,782 common shares at a deemed price of $0.30 per share to settle an aggregate of $50,635 outstanding debts.

(3) On June 23, 2023, the Company announced it will issue 100,000 shares at a deemed price of $0.30 for consulting work done by an arm's length consultant. Also, the Company will issue 50,000 shares at a deemed price of $0.30 for advisory work done by arm's length advisors.