DeepMarkit Corp.

Condensed Interim Consolidated Financial Statements
As at and for the three and six months ended December 31, 2023
(Unaudited)
(In Canadian dollars)

Notice of No Auditor Review of Condensed Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim consolidated financial statements as at and for the three and six months ended December 31, 2023.

DeepMarkit Corp.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
(In Canadian dollars)

As at		December 31 2023		June 30 2023
Assets				
Current assets				
Cash and cash equivalents	$	**44,711**	$	88,944
Harmonized tax receivable (Note 8)		**–**		53,828
Prepaid expenses		**23,240**		13,107
Total current assets		**67,951**		155,879
Equipment		**1,916**		2,254
Total assets	$	**69,867**	$	158,133
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 11)	$	**553,081**	$	480,533
CEBA loan (Notes 3 and 11)		**40,000**		40,000
Total liabilities		**593,081**		520,533
Shareholders' deficit				
Share capital (Note 4)		**32,888,163**		32,799,296
Contributed surplus		**6,108,438**		5,870,356
Deficit		**(39,519,815)**		(39,032,052)
Total shareholders’ deficit		**(523,214)**		(362,400)
Total liabilities and shareholders’ deficit	$	**69,867**	$	158,133

Going concern (Note 1)

Approved on behalf of the Board of Directors:

{*Signed*}
Steve Vanry, Director

{*Signed*}
Paul McKenzie, Director

(In Canadian dollars)

	For the three months ended December 31		For the six months ended December 31	
	2023	2022	**2023**	2022
Expenses				
Wages and benefits	$ **23,205**	$ 29,050	**47,689**	$ 54,150
General and administrative	**78,312**	359,718	**155,294**	1,303,503
Professional fees	**10,760**	83,111	**25,130**	198,510
Listing and filing fees	**10,539**	8,578	**17,640**	19,117
Write-off of recycled equipment	**–**	3,304	**–**	3,304
Amortization	**169**	313,066	**338**	313,441
Share-based payments (Note 6)	**–**	491,979	**238,082**	755,569
Finance (income) expense (Note 7)	**(4)**	(353)	**(77)**	(2,747)
Impairment of harmonized tax receivable (Note 8)	**13,242**	–	**13,242**	–
Foreign exchange	**(9,492)**	(2,959)	**(9,575)**	(8,533)
Total expenses	**126,731**	1,285,494	**487,763**	2,636,314
Loss and comprehensive loss	$ **(126,731)**	$ (1,285,494)	$ **(487,763)**	$ (2,636,314)
Loss per share				
Basic and diluted (Note 9)	$ **(0.03)**	$ (0.30)	$ **(0.11)**	$ (0.62)

(In Canadian dollars)

For the six months ended December 31		**2023**		2022
Share capital				
Balance, beginning of period	$	**32,799,296**	$	32,799,296
Unit private placements, net of issue costs (Note 4)		**88,867**		–
Balance, end of period		**32,888,163**		32,799,296
Contributed surplus				
Balance, beginning of period		**5,870,356**		4,240,210
Share-based payments (Note 6)		**238,082**		755,569
Balance, end of period		**6,108,438**		4,995,779
Deficit				
Balance, beginning of period		**(39,032,052)**		(29,535,619)
Loss for the period		**(487,763)**		(2,636,314)
Balance, end of period		**(39,519,815)**		(32,171,933)
Total shareholders' equity (deficit)	$	**(523,214)**	$	5,623,142

(In Canadian dollars)

For the six months ended December 31		**2023**		2022
Operating activities				
Loss for the period	$	**(487,763)**	$	(2,636,314)
Items not affecting cash:				
Amortization		**338**		313,441
Write-off of recycled equipment		**–**		3,304
Share-based payments (Note 6)		**238,082**		755,569
Finance expense (Note 7)		**–**		2,721
Impairment of harmonized tax receivable (Note 8)		**13,242**		–
Change in non-cash working capital:				
Accounts receivable		**40,586**		(62,064)
Prepaid expenses		**(10,133)**		511,585
Accounts payable and accrued liabilities		**72,548**		(80,661)
Net cash used in operating activities		**(133,100)**		(1,192,419)
Financing activities				
Private placement proceeds, net of issue costs (Note 4)		**88,867**		–
Net cash provided by financing activities		**88,867**		–
Investing activities				
Intangible asset expenditures		**–**		(297,500)
Equipment expenditures		**–**		(1,523)
Net cash provided by investing activities		**–**		(299,023)
Change in cash and cash equivalents		**(44,233)**		(1,491,442)
Cash and cash equivalents, beginning of period		**88,944**		1,949,104
Cash and cash equivalents, end of period	$	**44,711**	$	457,662
Cash and cash equivalents are comprised of:				
Cash	$	**24,711**	$	437,662
Redeemable term deposit		**20,000**		20,000
	$	**44,711**	$	457,662

(In Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

DeepMarkit Corp. (the “Company” or “DeepMarkit”) was incorporated in Canada under the Business Corporations Act (Alberta) on November 20, 2007 under the name Challenger Deep Resources Corp. The Company changed its name to DeepMarkit Corp. on October 30, 2015. The Company is a Technology Issuer whose shares trade on the TSX Venture Exchange under the symbol “MKT.V”, on the OTCQB Venture Market under the symbol “MKTDF” and the Frankfurt Stock Exchange under the symbol “DEP”. To date, the Company has not generated significant revenues from operations. The Company’s registered office of record is Suite 202, 615 – 15th Avenue S.W., Calgary, Alberta, Canada, T2R 0R4.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has not achieved profitable operations since its inception and to date has had limited sources of revenue. As at December 31, 2023, the Company had an accumulated deficit of $39,519,815 (June 30, 2023 – $39,032,052) and a $525,130 working capital deficit (June 30, 2023 – $364,654). Whether and when the Company can attain profitability and positive cash flows from operations is uncertain. The factors above give rise to a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern.

While management believes the Company has cash resources to discharge its obligations in the normal course of operations for the short-term, future operations will continue to be dependent upon successful development of the Company’s business plan, raising of sufficient capital to execute on that plan, and the corresponding generation of future cash flows. Management believes the going concern assumption is appropriate for these unaudited condensed interim consolidated financial statements.

While the Company has been successful to date in obtaining financing, there is no assurance that it will be able to do so in the future or that such financing will be on terms acceptable to the Company. Global events, such as the war in Ukraine, have created uncertainties resulting in significant market volatility and a general restriction on the access to capital. There is significant risk that additional debt and equity financing may not be attainable, in which event, the Company would not be able to continue its business operations. These factors give rise to material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and their classifications. Such adjustments, if required, could be material.

2. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements include the accounts of the following entities:

Name	Place of Business	Ownership
DeepMarkit Corp. (“DeepMarkit”)	Canada	Parent company
DeepMarkit Digital Corp. (“Digital”)	Canada (inactive)	100% owned subsidiary of DeepMarkit
First Carbon Corp. (“First Carbon”)	Canada	100% owned subsidiary of DeepMarkit
DeepMarkit AI Corp.	Canada	100% owned subsidiary of DeepMarkit

The unaudited condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, applicable to the preparation of interim financial statements as set out in International Accounting Standard 34 Interim Financial Reporting.

(In Canadian dollars)

These unaudited condensed interim consolidated financial statements should be read in conjunction with the June 30, 2023 audited consolidated financial statements and notes thereto. The Company has consistently applied the same accounting policies throughout all periods presented.

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on February 13, 2024.

3. CEBA LOAN

The Company received a $60,000 Canadian Emergency Business Account ("CEBA") loan from the Canadian federal government in 2021 as a business support measure for COVID-19 which provided for forgiveness of 33% of the loan balance if the loan is repaid before the loan forgiveness deadline. The benefit of the $20,000 forgiveness was recognized as income in 2021 resulting in a current loan balance of $40,000.

In September 2023, the Canadian federal government extended the loan forgiveness repayment deadline to January 18, 2024. The Company has applied for a refinancing of the CEBA loan and has therefore qualified for a further extension of the loan forgiveness deadline to March 28, 2024.

4. SHARE CAPITAL

	Number of common shares		Amount
Balance, June 30, 2023	4,246,571	$	32,799,296
Unit private placement	950,000		95,000
Share issue costs	–		(6,133)
Balance, December 31, 2023	5,196,571	$	32,888,163

On October 26, 2023, the Company completed a non-brokered private placement of 950,000 units (the "Units") at a price of $0.10 per Unit for aggregate gross proceeds of $95,000 (the "Offering"). The Units are comprised of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share at a price of $0.20 per common share for a period of 12 months from the date of issuance. Using the residual value method, gross proceeds were allocated to the common shares with no residual allocation to the common share purchase warrants.

The common shares and warrants issued are subject to a four-month hold period from the date of the closing of the Offering. The Company incurred $6,133 of share issue costs but did not pay any finder's fee or commissions with respect to the closing of the Offering.

5. WARRANTS

	Number of warrants		Weighted average exercise price
Balance, June 30, 2023	1,086,529	$	11.14
Issued (Note 4)	950,000		0.20
Expired	(365,854)		(7.50)
Balance, December 31, 2023	1,670,675	$	5.72

(In Canadian dollars)

Information about warrants outstanding and exercisable as at December 31, 2023 is as follows:

Weighted average exercise price	Number of warrants	Weighted average life remaining (years)
$ 0.20	950,000	0.8
5.00	25,025	1.1
8.50	17,150	0.2
12.50	433,500	1.1
15.00	245,000	0.2
$ 5.72	1,670,675	0.8

6. STOCK OPTIONS AND RESTRICTED SHARE UNITS

(a) Stock options

As at June 30, 2023 and December 31, 2023, the Company had a total of 374,500 stock options outstanding and exercisable at $6.00 per common share, of which 364,500 expire on March 8, 2024 and 10,000 expire on March 30, 2024.

(b) Restricted share units

As at June 30, 2023 and December 31, 2023, the Company had 395,000 RSUs outstanding. The RSUs vested on August 19, 2023 and expire on August 19, 2027. Vested RSUs may be settled by issuing one common share for each RSU.

(c) Share-based payments

	For the three months ended December 31		For the six months ended December 31	
	2023	2022	2023	2022
In respect of:				
Stock options	$ –	$ 53,908	$ –	$ 117,509
RSUs	–	438,071	238,082	638,060
	$ –	$ 491,979	$ 238,082	$ 755,569

The remaining unrecognized fair value of stock options and RSUs at December 31, 2023 is $nil.

7. FINANCE (INCOME) EXPENSE

	For the three months ended December 31		For the six months ended December 31	
	2023	2022	2023	2022
Accretion of CEBA loan	$ –	$ 1,385	$ –	$ 2,721
Interest income	(4)	(1,738)	(77)	(5,468)
	$ (4)	$ (353)	$ (77)	$ (2,747)

During the six months ended December 31, 2023, the Company paid $nil (six months ended December 31, 2022 – $nil) of interest.

(In Canadian dollars)

8. IMPAIRMENT OF HARMONIZED TAX RECEIVABLE

During the previous year ended June 30, 2023, the Company received an unfavorable reassessment of its HST filings from the Canada Revenue Agency resulting in the denial of certain input tax credits and consequently impaired the balance of harmonized tax receivable. The Company will continue to impair certain harmonized tax receivables until the appeal process is completed. As a result, the Company recognized $13,242 of impairment of harmonized tax receivable in the six months ended December 31, 2023 (six months ended December 31, 2022 – $nil).

9. PER SHARE AMOUNTS

	For the three months ended December 31		For the six months ended December 31	
	2023	2022	2023	2022
Loss	$ (126,731)	$ (1,285,494)	$ (487,763)	$ (2,636,314)
Basic and diluted [1] weighted average number of shares	4,928,093	4,246,571	4,587,332	4,246,571
Loss per share – basic and diluted	$ (0.03)	$ (0.30)	$ (0.11)	$ (0.62)

[1] All warrants, stock options and RSUs have been excluded from the diluted per share amounts as their effect is anti-dilutive in loss periods.

10. RELATED PARTY TRANSACTIONS

	For the three months ended December 31		For the six months ended December 31	
	2023	2022	2023	2022
Charged/earned by officers and directors of the Company				
Consulting fees [1]	$ 67,500	$ 45,000	$ 135,000	$ 85,000
Professional fees	8,760	26,515	18,930	41,390
	$ 76,260	$ 71,515	$ 153,930	$ 126,390
Charged by a company owned by a former director of the Company				
Rent	$ –	$ –	$ –	$ 2,000

[1] Included in general and administrative expenses.

As at December 31, 2023, accounts payable and accrued liabilities included $190,750 (June 30, 2023 – $49,000) to current officers and directors in respect of key management compensation and $305,834 (June 30, 2023 – $305,834) owing to a former director of the Company who ceased to be a director in August 2022.

11. LIQUIDITY RISK

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with cash. As at December 31, 2023, the Company's financial liabilities consist of accounts payable and accrued liabilities and the CEBA loan, a portion of which can be settled through the cash and cash equivalents balance of $44,711. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. There have been no changes in the Company's strategy with respect to credit/liquidity risk in the period.

(In Canadian dollars)

The timing of cash outflows relating to the Company's financial liabilities as at December 31, 2023 are as follows:

	Carrying amount	Contractual cash flows	Due within 1 year	Due within 2- 3 years
	$	$	$	$
Accounts payable and accrued liabilities (Note 10)	553,081	553,081	553,081	–
CEBA loan due on or before March 28, 2024	40,000	40,000	40,000	–
	593,081	593,081	593,081	–