



Condensed consolidated interim financial statements  
(Unaudited – Prepared by Management)  
(Expressed in US Dollars)

For the three months ended March 31, 2024 and 2023

# **EVOKAI CREATIVE LABS INC.**

**(the “Company” or “EvokAI”)**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**As at and for the three months ended March 31, 2024**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The management of EvokAI Creative Labs Inc. is responsible for the preparation of the accompanying unaudited condensed consolidated interim financial statements. The unaudited condensed consolidated interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of condensed consolidated interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company’s auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

**EvokAI Creative Labs Inc.**

## Condensed Interim Consolidated Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in US dollars)

As at

	March 31, 2024	December 31, 2023
<b>Assets</b>		
Current Assets		
Cash	\$ 322,020	\$ 774,491
Prepaid expenses	27,316	68,298
Receivables	51,573	30,914
<b>Total Assets</b>	<b>\$ 400,909</b>	<b>\$ 873,703</b>
<b>Liabilities and Shareholders' Deficiency</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 214,330	\$ 370,972
Loans payable (Notes 5, 7, and 9)	97,807	108,668
	<b>312,137</b>	<b>479,640</b>
Loans payable – non-current (Note 9)	670,855	678,400
<b>Total Liabilities</b>	<b>982,992</b>	<b>1,158,040</b>
<b>Shareholders' Deficiency</b>		
Share capital (Note 10)	18,757,084	18,757,084
Reserves (Notes 5 and 10)	2,472,991	2,349,117
Accumulated other comprehensive loss	(1,015)	(5,089)
Deficit	(21,811,143)	(21,385,449)
	<b>(582,083)</b>	<b>(284,337)</b>
<b>Total Liabilities and Shareholders' Deficiency</b>	<b>\$ 400,909</b>	<b>\$ 873,703</b>

Nature and continuance of operations (Note 1)

Approved on May 29, 2024 on behalf of the Board:

"Alejandro Antalich"  
Alejandro Antalich – CEO/Director

"Scott Ackerman"  
Scott Ackerman – CFO/Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**EvokAI Creative Labs Inc.**

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in US dollars)

	For the three months ended	
	March 31,	
	2024	2023
<b>Operating expenses</b>		
Advertising and promotion	\$ 299	\$ -
Consulting fees (Note 11)	82,015	-
Finance cost (recovery) (Note 9)	(1,162)	-
Foreign exchange	334	-
General and administrative (Note 11)	15,379	171,093
Professional fees	60,316	-
Research and development (Note 11)	29,010	299,912
Rent	18,344	-
Salaries and wages	79,327	-
Share-based payments (Notes 10 & 11)	123,874	-
Transfer agent and filing fees	5,952	-
Travel and accommodation	12,006	-
<b>Loss for the period</b>	<b>(425,694)</b>	<b>(471,005)</b>
<b>Other comprehensive income</b>		
Translation adjustment	4,074	74
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (421,620)</b>	<b>\$ (470,931)</b>
<b>Weighted average number of common shares outstanding</b>	<b>76,054,930</b>	<b>8,414,268</b>
<b>Basic and diluted net loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.06)</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**EvokAI Creative Labs Inc.**

## Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

(Unaudited – Prepared by Management)

(Expressed in US dollars)

	Common Shares				Accumulated Other Comprehensive		Shareholders
	Shares	Amount	Reserves	Income (Loss)	Deficit	Deficiency	
<b>Balance, December 31, 2022</b>	<b>8,414,268</b>	<b>\$ 3,642,050</b>	<b>\$ -</b>	<b>\$ (106)</b>	<b>\$ (4,302,096)</b>	<b>\$ (660,152)</b>	
Loss for the period	-	-	-	74	(471,005)	(470,931)	
<b>Balance, March 31, 2023</b>	<b>8,414,268</b>	<b>\$ 3,642,050</b>	<b>\$ -</b>	<b>\$ (32)</b>	<b>\$ (4,773,101)</b>	<b>\$ (1,131,083)</b>	
<b>Balance, December 31, 2023</b>	<b>76,054,930</b>	<b>\$ 18,757,084</b>	<b>\$ 2,349,117</b>	<b>\$ (5,089)</b>	<b>\$ (21,385,449)</b>	<b>\$ (284,337)</b>	
Share-based compensation	-	-	123,874	-	-	123,874	
Loss for the period	-	-	-	4,074	(425,694)	(421,620)	
					\$		
<b>Balance, March 31, 2024</b>	<b>76,054,930</b>	<b>\$ 18,757,084</b>	<b>\$ 2,472,991</b>	<b>\$ (1,015)</b>	<b>(21,811,143)</b>	<b>\$ (582,083)</b>	

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**EvokAI Creative Labs Inc.**

## Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in US dollars)

	For the three-months ended	
	March 31, 2024	March 31, 2023
<b>Cash flows from operating activities</b>		
Loss for the period	\$ (425,694)	\$ (471,005)
Items not involving cash:		
Accrued interest recovery on loans payable	(1,162)	-
Share-based compensation	123,874	-
Change in non-cash operating working capital:		
Receivables	15,330	-
Prepaid expenses	2,937	-
Due to related parties	-	470,989
Accounts payable and accrued liabilities	(149,027)	-
<b>Net cash used in operating activities</b>	<b>(433,742)</b>	<b>(16)</b>
<b>Effect of foreign exchange on cash</b>	<b>(18,729)</b>	<b>74</b>
<b>Change in cash for the period</b>	<b>(452,471)</b>	<b>58</b>
<b>Cash, beginning of the period</b>	<b>774,491</b>	<b>4,064</b>
<b>Cash, end of the period</b>	<b>\$ 322,020</b>	<b>\$ 4,122</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

## **EvokAI Creative Labs Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Unaudited – Prepared by Management)

(Expressed in US dollars)

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

EvokAI Creative Labs Inc. (the “Company” or “EvokAI”) was incorporated on July 7, 2021 in the British Virgin Islands. The Company’s head office address in Canada is 1600 – 609 Granville Street, Vancouver, British Columbia, V7Y 1C3, and the registered and records office is 2200 - 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8. The Company also has a corporate office in Finland at GE Helsinki’s Campus, Kuortaneenkatu 2, Helsinki, Finland.

EvokAI is a MedTech artificial-intelligence-powered company dedicated to the development of transformational and innovative technologies for the modern health care sector. It deploys machine learning models to search medical data and uncover insights to help improve health outcomes, patient experiences, drug development, preclinical and clinical decisions and provide more accurate diagnoses.

On April 11, 2023, Sebastiani Ventures Corp. (“Sebastiani”) completed the acquisition of all of the outstanding shares of EvokAI Creative Labs Inc. (“EvokAI Privco”), which constituted a reverse takeover under the policies of the TSX Venture Exchange (the “Exchange”) (the “RTO Transaction”), with the Company becoming the legal parent and EvokAI being the accounting acquiror. The RTO Transaction was completed pursuant to a business combination agreement dated September 22, 2022, as amended March 23, 2023, among Sebastiani, its wholly owned subsidiary, Sebastiani Mergerco Inc., and EvokAI Privco (the “Merger Agreement”). Immediately prior to the RTO Transaction, an aggregate of 3,892,909 EvokAI Privco shares were returned to treasury and cancelled, and as a result of the RTO Transaction, the Company issued to the shareholders of EvokAI Privco 4.752230256 post-consolidation common shares of the Company for each share they held in EvokAI Privco. The RTO Transaction constituted a reverse takeover under the policies of the Exchange and reverse acquisition for accounting purposes, with EvokAI Privco deemed to have been the acquiror (Note 4). Accordingly, the consolidated financial statements are a continuation of the financial statements of EvokAI Privco.

Immediately prior closing of the RTO Transaction, Sebastiani completed a share consolidation on the basis of 2.6628503 old shares for 1 new share (the “Consolidation”). All information relating to earnings/loss per share, issued and outstanding common shares, share options and warrants, and per share amounts in these condensed consolidated interim financial statements have been adjusted retrospectively to reflect the share consolidation.

Upon closing of the RTO Transaction, the Company’s name changed from Sebastiani Ventures Corp. to EvokAI Creative Labs Inc., and on April 14, 2023, the Company graduated to Tier 2 of the Exchange and its trading symbol changed to OKAI. Subsequent to the closing of the RTO Transaction, EvokAI Privco changed its name to EvokAI Innovation Corp.

The Company’s ability to continue as a going concern is dependent upon its ability to obtain sufficient additional funding and to generate sufficient revenues and positive cash flows from its operating activities to meet its obligations and fund its planned investment and operations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

**EvokAI Creative Labs Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Unaudited – Prepared by Management)

(Expressed in US dollars)

**1. NATURE AND CONTINUANCE OF OPERATIONS (continued)**

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company had a net loss of \$425,694 for the period ended March 31, 2024 (2023 - \$470,931) and at March 31, 2024 had accumulated losses of \$21,811,143 (December 31, 2023 - \$21,385,449) since inception, all of which may cast significant doubt about the Company's ability to continue as a going concern. These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, and the statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

**2. BASIS OF PRESENTATION****Statement of compliance**

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. Accordingly, these condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the most recent audited annual consolidated financial statements of the Company as at and for the year ended December 31, 2023. The Board of directors authorized these condensed consolidated interim financial statements for issue on May 29, 2024.

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Company's most recent audited annual consolidated financial statements as at and for the year ended December 31, 2023.

**Basis of Measurement**

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

## EvokAI Creative Labs Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Unaudited – Prepared by Management)

(Expressed in US dollars)

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## 2. BASIS OF PRESENTATION (continued)

### Principles of consolidation

These condensed consolidated interim financial statements include accounts of the Company and the following subsidiaries:

Name of Subsidiary	Country of Incorporation	Percentage Ownership	Functional Currency
EvokAI Innovation Corp. (“EvokAI Innovation”)	BVI	100%	United States dollars (“US”)
EvokAI Creative Labs Finland Oy (“EvokAI Oy”)	Finland	100%	Euro
Advancience AG <sup>(1)</sup>	Switzerland	96% <sup>(2)</sup>	Euro
Head Instruments Oy (“Head”)	Finland	100%	Euro
NeuroCarrier Oy (“NeuroCarrier”)	Finland	100%	Euro
Rehaboo Oy (“Rehaboo”)	Finland	100%	Euro

(1) Inactive

(2) University of Basel (Switzerland) owns 4%.

The condensed consolidated interim financial statements include the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

## 3. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS, AND ASSUMPTIONS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, and expenses. Estimates and associated assumptions applied in determining asset or liability values are based on historical experience and various other factors including other sources that are believed to be reasonable under the circumstances but are not necessarily readily apparent or recognizable at the time such estimate or assumption is made. Actual results may differ from these estimates.

Estimates and underlying assumptions used in determining asset and liability values are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**EvokAI Creative Labs Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

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(Expressed in US dollars)

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**3. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS, AND ASSUMPTIONS (continued)**

The information about significant areas of estimation uncertainty considered by management in preparing the condensed consolidated interim financial statements is as follows:

**(i) Deferred income tax**

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these income tax provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Deferred tax assets are recognized when it is determined that the Company is likely to recognize their recovery from the generation of taxable income.

**(ii) Share-based payments**

The fair value of the estimated number of stock options, and RSUs, that will eventually vest is recognized as share-based compensation expense over the vesting period of the stock options and RSUs with the corresponding increase in equity.

Determining the fair value of stock options and RSUs requires the exercise of judgment related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate, and the expected term of the underlying instruments. Option pricing models require the input of highly subjective assumptions including the expected price volatility and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's options and RSUs at the date of grant. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

The information about significant areas of judgment considered by management in preparing the financial statements is as follows:

**(i) Going concern**

The assessment of the Company's ability to continue as a going concern as discussed in Note 1 involves judgment regarding future funding availability for its operations and working capital requirements.

**EvokAI Creative Labs Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Unaudited – Prepared by Management)

(Expressed in US dollars)

**3. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS, AND ASSUMPTIONS (continued)****(ii) Functional currency**

The functional currency of an entity is assessed on a standalone basis to determine the economic substance of the currency in which each entity performs its operations. The functional currency of EvokAI Creative Labs Inc. is the Canadian Dollar. The functional currency of EvokAI Innovation is the US dollar. The functional currency of EvokAI Oy, Head, NeuroCarrier, and Rehaboo is the Euro.

**(iii) Business combinations**

Management determines whether assets acquired, and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. During the year ended December 31, 2023, the Company completed a reverse takeover (Note 4) and three acquisitions (Notes 5, 6, and 7) and concluded that the transactions did not qualify as business combinations under IFRS 3, “Business Combinations.”

**(iv) Impairment of intangible assets**

Intangible assets that have a definite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the full amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

During the year ended December 31, 2023, management determined that the Company’s intangible assets required full impairment.

**(v) Contingent share consideration**

The financial liability is calculated by taking the Company’s share price at period end and the expected number of shares to be issued. Management applies judgement when determining the likelihood of achieving certain milestones associated with the earnout of the shares.

## EvokAI Creative Labs Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Unaudited – Prepared by Management)

(Expressed in US dollars)

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### 4. REVERSE TAKE-OVER TRANSACTION

On April 11, 2023, Sebastiani, Sebastiani Mergerco, and EvokAI Privco, completed the RTO Transaction whereby Sebastiani Mergerco and EvokAI Privco merged, and the resulting company became a wholly owned subsidiary of the Company and named EvokAI Innovation, and Sebastiani changed its name to EvokAI Creative Labs Inc. As a result of the RTO Transaction, the Company issued to the shareholders of EvokAI Privco 51,500,000 post-consolidation common shares of the Company in exchange for all EvokAI Privco shares outstanding. Immediately prior to the completion of the RTO Transaction, an aggregate of 3,892,909 EvokAI Privco shares were returned to treasury and cancelled for no consideration.

The RTO constituted a reverse acquisition of Sebastiani and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided under IFRS 2, *Share-based Payment* and IFRS 3, *Business Combinations*. As Sebastiani did not qualify as a business according to the definition in IFRS 3, Business Combination, this reverse acquisition did not constitute a business combination; rather the transaction was accounted for as an acquisition by EvokAI Privco of the net assets of Sebastiani and its public listing. The fair value of the consideration paid less the Sebastiani net assets acquired, has been recognized as a listing expense in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2023.

For accounting purposes, EvokAI Privco was treated as the accounting parent company (legal subsidiary) and Sebastiani has been treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As EvokAI Privco was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying values. The assets, liabilities and results of operations of Sebastiani are included in these consolidated financial statements from the date of the acquisition on April 11, 2023.

The RTO Transaction was measured at the fair value of the shares that EvokAI Privco would have to issue to shareholders of Sebastiani to give shareholders of Sebastiani the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of EvokAI Privco acquiring Sebastiani.

The number of shares which results in the estimated fair value of shares of the Company retained by Sebastiani's shareholders is 8,414,268 and therefore the fair value is \$2,683,571, which is based upon \$0.32 (CAD \$0.43) per common share. In addition, the deemed acquisition cost includes Sebastiani's share purchase warrants existing at the time of the RTO Transaction or 1,251,791 post-consolidated share purchase warrants. The fair value of the warrants was calculated to be \$158,606 using the Black-Scholes pricing model which requires the input of highly subjective assumptions; changes in the subjective input assumptions can materially affect the fair value estimate. The following assumptions were used in the option model: share price of \$0.32 (CAD \$0.43), expected life of 0.14 years, expected volatility of 100%, risk free interest rate of 3.78%, and dividend yield of 0%.

## EvokAI Creative Labs Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Unaudited – Prepared by Management)

(Expressed in US dollars)

#### 4. REVERSE TAKE-OVER TRANSACTION (continued)

The acquisition of the net assets of Sebastiani by EvokAI Privco is summarized as follows:

8,414,268 common shares	\$	2,683,571
1,251,791 share purchase warrants		158,606
Transaction costs		79,292
Total consideration		2,921,469
Fair value of net assets acquired:		
Cash		3,757,886
Receivables		10,182
Subscriptions received in advance (Note 10)		(3,708,500)
Accounts payable and accrued liabilities		(252,272)
		(192,704)
Listing expense	\$	3,114,173

A listing expense of \$3,114,173 has been included in deficit to reflect the difference between the fair value of the amount paid and the fair value of the net assets acquired in accordance with IFRS 2 – Share-based payment for the year ended December 31, 2023.

#### 5. ACQUISITION OF HEAD

On May 30, 2023, the Company completed the acquisition of Head, pursuant to the terms of a share purchase agreement dated effective April 21, 2023. The Company acquired 100% of the outstanding common shares of Head in exchange for the following:

- a) The issuance of 3,724,674 common shares of the Company valued at \$3,802,924 and;
- b) the issuance of 1,769,406 contingently issuable common shares of the Company based on Head achieving the following milestones:
  - a. 294,901 common shares upon obtaining CE Mark (Europe) certification for Head's sensor system by September 21, 2023 (milestone not met);
  - b. 589,802 common shares upon reaching EUR 500,000 net profits by August 29, 2024; and
  - c. 884,703 common shares upon reaching EUR 1,500,000 net profits by March 29, 2025.

The common shares issued are subject to a contractual hold period whereby they will be released on May 31, 2024. The value of the common shares issued was estimated using an option model to estimate the discount related to the lack of marketability of the common shares issued from the contractual restriction. The following assumptions were used in the option model: share price of \$1.58 (CAD \$2.15),

## EvokAI Creative Labs Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Unaudited – Prepared by Management)

(Expressed in US dollars)

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#### 5. ACQUISITION OF HEAD (continued)

expected life of 1 year, expected volatility of 100%, risk free interest rate of 4.33%, and dividend yield of 0%.

The Company has determined that the acquisition did not constitute a business under IFRS 3. The excess of the purchase price over net assets has been applied to intangible assets. The following table summarizes assets and liabilities acquired and the consideration paid or payable under the share purchase agreement:

<b>Consideration</b>	
3,724,674 common shares issued <sup>(1)</sup>	\$ 3,802,924
Contingent share consideration <sup>(2)</sup>	466,461
Transaction costs	275,519
<hr/>	
Total consideration	4,544,904
<hr/>	
<b>Assets and liabilities acquired:</b>	
Cash	167,504
Intangible assets (Note 8)	5,057,899
Accounts payable and accrued liabilities	(138,250)
Loans payable (Note 9)	(542,249)
<hr/>	
Net assets acquired	\$ 4,544,904

1. The fair value of the common shares issued was valued at \$3,802,924, determined by the market price when issued being \$1.58 (CAD \$2.15) per common share, less a discount for lack of marketability as discussed above.

2. The fair value of the contingently issuable shares was determined based upon a 100% likelihood of obtaining CE Mark certification, and 0% likelihood of reaching the two profit-based milestones.

During the year ended December 31, 2023, the CE Mark certification milestone was not met and \$466,461 previously recognized as a contingent share consideration liability was derecognized in the statements of loss and comprehensive loss.

#### 6. ACQUISITION OF NEUROCARRIER

On June 15, 2023, the Company completed the acquisition of NeuroCarrier, pursuant to the terms of a share purchase agreement dated effective May 16, 2023. The Company acquired 100% of the outstanding common shares of NeuroCarrier in exchange for the following:

- the issuance of 2,202,000 common shares of the Company valued at \$2,255,740 and;
- the issuance of 367,000 contingently issuable common shares of the Company based on receiving European Medical Device Regulation Class I approval (“MDR approval”) by November 16, 2023 (milestone not met).

## EvokAI Creative Labs Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Unaudited – Prepared by Management)

(Expressed in US dollars)

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#### 6. ACQUISITION OF NEUROCARRIER (continued)

The common shares issued are subject to a contractual hold period whereby they will be released on June 14, 2024. The value of the common shares issued was estimated using an option model to estimate the discount related to the lack of marketability of the common shares issued from the contractual restriction. The following assumptions were used in the option model: share price of \$1.58 (CAD \$2.10), expected life of 1 year, expected volatility of 100%, risk free interest rate of 4.44%, and dividend yield of 0%.

The Company has determined that the acquisition did not constitute a business under IFRS 3. The excess of the purchase price over net assets has been applied to intangible assets. The following table summarizes assets and liabilities acquired and the consideration paid or payable under the share purchase agreement:

<b>Consideration</b>	
2,202,000 common shares issued <sup>(1)</sup>	\$ 2,255,740
Contingent share consideration <sup>(2)</sup>	581,570
Transaction costs	82,207
<hr/>	
Total consideration	2,919,517
<hr/>	
<b>Assets and liabilities acquired:</b>	
Cash	1,144
Accounts receivable	253
Intangible asset (Note 8)	2,918,723
Accounts payable and accrued liabilities	(603)
<hr/>	
Net assets acquired	\$ 2,919,517

1. The fair value of the common shares issued was valued at \$2,255,740, determined by the market price when issued being \$1.58 (CAD \$2.10) per common share, less a discount for lack of marketability as discussed above.

2. The fair value of the contingently issuable shares was determined based upon a 100% likelihood of obtaining MDR approval.

During the year ended December 31, 2023, the MDR approval milestone was not met and \$581,570 previously recognized as a contingent share consideration liability was derecognized in the statements of loss and comprehensive loss.

#### 7. ACQUISITION OF REHABOO

On June 23, 2023, the Company completed the acquisition of Rehaboo, pursuant to the terms of a share purchase agreement dated effective May 2, 2023. The Company acquired 100% of the outstanding common shares of Rehaboo in exchange for the issuance of 3,547,321 common shares of the Company.

**EvokAI Creative Labs Inc.**

## Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(Unaudited – Prepared by Management)

(Expressed in US dollars)

**7. ACQUISITION OF REHABOO (continued)**

The value of the common shares issued was estimated using an option model to estimate the discount related to the lack of marketability of the common shares issued from the contractual restriction. The following assumptions were used in the option model: share price of \$1.60 (CAD \$2.11), expected life of 0.44 years, expected volatility of 100%, risk free interest rate of 4.06%, and dividend yield of 0%.

The Company has determined that the acquisition did not constitute a business under IFRS 3. The excess of the purchase price over net assets has been applied to intangible assets.

The following table summarizes assets and liabilities acquired and the consideration paid or payable under the share purchase agreement:

<b>Consideration</b>	
3,547,321 common shares issued <sup>(1)</sup>	\$ 4,246,592
Transaction costs	88,422
<hr/>	
Total consideration	4,335,014
<hr/>	
<b>Assets and liabilities acquired:</b>	
Cash	7
Intangible asset (Note 8)	4,679,228
Accounts payable and accrued liabilities	(26,084)
Loans payable (Note 9)	(318,137)
<hr/>	
Net assets acquired	\$ 4,335,014

(a) The fair value of the common shares issued was valued at \$4,246,592, determined by the market price when issued being \$1.60 (CAD \$2.11) per common share, less a discount for lack of marketability as discussed above.

**8. INTANGIBLE ASSETS**

	<b>Patent</b>	<b>Development Costs</b>	<b>Total</b>
<b>Cost:</b>			
Balance, December 31, 2022	\$ -	\$ -	\$ -
Acquisition of Head (Note 5)	957,042	4,100,857	5,057,899
Acquisition of NeuroCarrier (Note 6)	-	2,918,723	2,918,723
Acquisition of Rehaboo (Note 7)	-	4,679,228	4,679,228
Impairment of intangible assets	(957,042)	(11,698,808)	(12,655,850)
Balance, December 31, 2023, and March 31, 2024	\$ -	\$ -	\$ -

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### 8. INTANGIBLE ASSETS (continued)

Under IAS 36 “Impairment of Assets”, the Company is required to review its intangible assets in the event of a significant change in circumstances that would indicate potential impairment. As part of the impairment review, the carrying value of the assets is compared to their recoverable amount. The recoverable amount represents the higher of the assets fair value less the cost to sell and value in use. The recoverable amount has been determined based on value in use. Where the recoverable amount is less than the carrying value, an impairment results.

During the year ended December 31, 2023, the Company performed an annual impairment test and determined there were indicators of impairment. The Company compared the carrying value of the CGU to its recoverable amount. The recoverable amount was determined based on fair value less costs of disposal in a discounted cash flow analysis using level 3 inputs. As a result, for the year ended December 31, 2023, the Company recognized an impairment charge of \$12,655,850 on the statements of loss and comprehensive loss.

### 9. LOANS PAYABLE

As part of the acquisitions of Head and Rehaboo during the year ended December 31, 2023, the Company acquired the following unsecured loans:

- a) \$240,178 (EUR 222,500) loan from a former shareholder of Head, accruing interest at 10% per annum. Under the terms of the loan, the principal and interest may only be repaid if Heads’ unrestricted equity and all of its subordinated loans exceed any accrued losses in Heads’ most recent statement of financial position at the time of repayment. During the period ended March 31, 2024, the Company recognized accrued interest of \$6,040 on the loan. As at March 31, 2024, the total amount owing includes principal of \$240,178 (EUR 222,500) and \$157,242 (EUR 145,669) in accrued interest;
- b) \$70,164 (EUR 65,000) loan from an unrelated third party, repayable commencing on February 15, 2033. The loan remains interest free until 2026 and then bears interest at 3% per annum. As at March 31, 2024, the total amount owing includes principal of \$70,164 (EUR 65,000) and \$nil in accrued interest;
- c) \$95,226 (EUR 88,217) loan from Business Finland. The loan bears interest at the greater of 1% per annum and three percentage points lower than the current base rate confirmed by Finland’s Ministry of Finance. The interest rate for 2023 was 1% (interest rate for six months ended June 30, 2024 is 1.25%). The balance is repayable in \$38,186 (EUR 35,375) in annual payments commencing in 2023 (2023 – paid EUR35,375). During the period ended March 31, 2024, the Company recognized a recovery of accrued interest of \$2,943 on the loan. As at March 31, 2024, the total amount owing includes principal of \$57,040 (EUR 52,842);

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**9. LOANS PAYABLE (continued)**

- d) \$32,384 (EUR 30,000) loan from an officer and director of the Company. The loan bears no interest and has no fixed terms of repayment. During the year ended December 31, 2023, the Company repaid \$20,510 (EUR 19,000). As at March 31, 2024, the total amount owing includes principal of \$11,874 (EUR 11,000);
- e) \$80,959 (EUR 75,000) loan from a former shareholder of Rehaboo. The loan bears interest at 5% per annum and is repayable on demand of the lender commencing October 7, 2024. During the period ended March 31, 2024, the Company recognized accrued interest of \$1,015 on the loan. As at March 31, 2024, the total amount owing includes principal of \$80,959 (EUR 75,000) and \$8,263 (EUR 7,655) in accrued interest; and
- f) \$189,768 (EUR 175,800) loan from Business Finland. The loan bears interest at the greater of 1% per annum and three percentage points lower than the current base rate confirmed by Finland's Ministry of Finance. The interest rate for 2023 was 1% (interest rate for six months ended June 30, 2024 is 1.25%). The balance is repayable in \$48,505 (EUR 43,950) annual payments, commencing in 2023 (2023 – paid EUR 43,950). During the period ended March 31, 2024, the Company recognized a recovery of accrued interest of \$5,274 on the loan. As at March 31, 2024, the total amount owing includes principal of \$142,326 (EUR 131,850) and \$616 (EUR 570) in accrued interest.

A reconciliation of loans payable for the period ended March 31, 2024 is as follows:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Opening balance	\$ 787,068	\$ -
Additions (Notes 5 and 7)	-	860,386
Interest (recovery)	(1,162)	17,676
Repayment	-	(109,413)
Translation adjustment	(17,244)	18,419
Closing balance	768,662	787,068
Current portion	(97,807)	(108,668)
Loans payable, non-current	\$ 670,855	\$ 678,400

**10. SHARE CAPITAL AND RESERVES****(a) Authorized**

Unlimited common shares and preferred shares without par value.

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### **10. SHARE CAPITAL AND RESERVES (continued)**

#### **(b) Issued and outstanding**

The Company did not issue any shares during the period ended March 31, 2024.

Share issuances for the year ended December 31, 2023, are as follows:

- (i) On completion of the RTO Transaction, the previously issued 6,666,667 subscription receipts (the “Subscription Receipts”) issued pursuant to a private placement financing that closed December 22, 2022 for aggregate gross proceeds of \$3,708,500 (CAD \$5,000,000) (the “Concurrent Financing”), were automatically exchanged for units of EvokAI Privco, which were immediately converted into an aggregate of 6,666,667 units of EvokAI for no additional consideration. Each unit consists of one common share and one-half of one share purchase warrant. Each full share purchase warrant entitles the holder thereof to acquire one common share at a price of CAD \$1.25 per common share until April 11, 2025. On close, \$3,708,500 was reclassified from commitment to issue shares. Using the residual value method, \$2,126,207 was recognized to share capital and \$1,582,293 to reserves. In connection with the Concurrent Financing, the Company paid share issuance costs of \$74,341.
- (ii) Immediately prior to the RTO Transaction, an aggregate of 3,892,909 common shares of EvokAI Privco were returned to treasury and cancelled for no consideration. As a result of the RTO Transaction, the remaining EvokAI Privco common and preferred shares were subject to the Exchange Ratio, resulting in the issuance of an aggregate of 51,500,000 post-Consolidation common shares to EvokAI Privco shareholders.
- (iii) On May 30, 2023, the Company acquired 100% of the outstanding securities of Head (Note 5) by issuing 3,724,674 common shares with a value of \$3,802,924. The common shares are subject to a contractual hold period expiring May 30, 2024.
- (iv) On June 15, 2023, the Company acquired 100% of the outstanding securities of NeuroCarrier (Note 6) by issuing 2,202,000 common shares with a value of \$2,255,740. The common shares are subject to a contractual hold period expiring June 14, 2024.
- (v) On June 23, 2023, the Company acquired 100% of the outstanding securities of Rehaboo (Note 7) by issuing 3,547,321 common shares with a value of \$4,246,592.

#### **(c) Escrow Shares**

Following closing of the RTO Transaction, an aggregate of 39,704,938 common shares were subject to escrow, with 5% released on April 11, 2023, and the balance to be released over a period of 36 months. An additional 9,153,176 common shares are subject to additional pooling restrictions, with 10% released on April 11, 2023, and the balance to be released over a period of 36 months.

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**10. SHARE CAPITAL AND RESERVES (continued)****(c) Escrow Shares (continued)**

As at March 31, 2024, 35,734,444 are subject to escrow and 6,864,882 subject to pooling restrictions.

**(d) Omnibus Incentive Plan**

On April 11, 2023, the Company adopted a new security-based compensation plan (the “Omnibus Incentive Plan”) that allows the Company to implement a stock option plan (“Option Plan”), deferred share unit plan (“DSU Plan”), and a restricted share unit plan (“RSU Plan”). The Omnibus Incentive Plan is a hybrid plan (10% rolling and fixed up to 10%). The Company has implemented an Option Plan and an RSU Plan.

**(e) Stock Options**

Pursuant to the Option Plan, the Company can grant incentive stock options to directors, officers, employees, and technical consultants of the Company. The maximum numbers of shares that may be reserved for issuance under the Option Plan is limited to 10% of the issued common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price of the Company’s common shares.

The Option Plan provides that the number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by such an individual may not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. All options granted under the Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

A summary of the Company’s stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price (CAD)
<b>Balance, as at December 31, 2022</b>	-	\$ -
Option granted	3,775,000	1.03
Options forfeited	(300,000)	1.01
<b>Balance, as at December 31, 2023 and March 31, 2024</b>	<b>3,475,000</b>	<b>\$ 1.03</b>

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**10. SHARE CAPITAL AND RESERVES (continued)****(e) Stock Options (continued)**

As at March 31, 2024, stock options outstanding and exercisable are as follows:

<b>Grant Date</b>	<b>Number of Options</b>	<b>Options Exercisable</b>	<b>Exercise Price (CAD)</b>	<b>Expiry Date</b>	<b>Remaining Contractual Life (Years)</b>
April 11, 2023	3,325,000	1,246,875	\$ 1.00	April 11, 2028	4.03
June 1, 2023	50,000	18,750	\$ 2.14	June 1, 2028	4.17
June 5, 2023	50,000	18,750	\$ 2.15	April 11, 2028	4.03
Dec 5, 2023	50,000	6,250	\$ 1.00	December 5, 2028	4.68
<b>Total</b>	<b>3,475,000</b>	<b>1,290,625</b>	<b>\$ 1.03</b>		

During the period ended March 31, 2024, the Company granted nil (year ended December 31, 2023 – 3,775,000) stock options with a weighted average fair value of CAD \$nil (year ended December 31, 2023 – CAD \$0.31) per stock option. During the period ended March 31, 2024, the Company recognized share-based payments of \$102,245 (2023 - \$nil) related to stock options granted.

The fair value of stock options at date of grant was estimated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	<b>March 31, 2024</b>	December 31, 2023
Weighted average share price	N/A	CAD \$0.48
Risk-free interest rate	N/A	3.09%
Expected life of option	N/A	5.00 years
Expected annualized volatility	N/A	100%
Expected dividend rate	N/A	Nil

**(f) Restricted Share Units**

The Company has implemented a restricted share unit plan (the “RSU Plan”) whereby the board of directors may, from time to time, grant RSUs to employees, consultants, officers or directors of the Company. The board of directors may determine the time during which the RSUs shall vest and the method of vesting, or that no vesting restriction shall exist.

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**10. SHARE CAPITAL AND RESERVES (continued)****(f) Restricted Share Units (continued)**

On April 11, 2023, the Company granted 425,000 RSUs to certain directors, officers and a consultant of the Company. The RSUs vest by one quarter one year from grant date, and the one quarter every six months thereafter. During the period ended March 31, 2024, the Company recognized \$21,629 (2023 - \$nil) for RSUs granted.

A summary of the RSU activity during the period ended March 31, 2024, is as follows:

	Number of RSUs
Outstanding balance, December 31, 2022	-
Granted	425,000
<b>Outstanding balance, December 31, 2023 and March 31, 2024</b>	<b>425,000</b>

The combined maximum number of common shares authorized for issuance under RSU and DSU Plans (DSU Plan has not been implemented) is 6,658,095.

**(g) Warrants**

A summary of the Company's warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price (CAD)
<b>Balance, December 31, 2022</b>	-	\$ -
Issued	4,585,124	\$0.98
Expired, unexercised	(1,251,791)	\$0.27
<b>Balance, December 31, 2023 and March 31, 2024</b>	<b>3,333,333</b>	<b>\$ 1.25</b>

As at March 31, 2024, a summary of warrants outstanding and exercisable are as follows:

Number of Warrants Outstanding	Exercise Price (CAD)	Expiry Date	Remaining Contractual Life (Years)
3,333,333	\$ 1.25	April 11, 2025	1.03

**11. 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 operation decisions. Related parties may be individuals or corporate entities.

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**11. RELATED PARTY TRANSACTIONS (continued)**

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**Key Personnel Compensation**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Key management compensation for the periods ended March 31, 2024 and 2023 is as follows:

Type of Service	Nature of Relationship	For the period ended March 31,	
		2024	2023
Non-cash share-based payments	Directors and officers	\$ 73,620	\$ -
Consulting and management fees	Officer and a company with a Director in common with the Company	52,500	-
Total		\$ 126,120	\$ -

During the period ended March 31, 2024, the Company made payments of \$nil (2023 - \$299,912) for research & development and \$nil (2023 - \$171,093) for general & administrative expenses and recognized share-based payments of \$3,428 (2023 - \$nil) to Union Group Ventures Limited ("Union"), the former controlling shareholder of EvokAI Privco, and significant shareholder of the Company.

The following table comprises amounts due to related parties:

	March 31, 2024	December 31, 2023
Alejandro Antalich (CEO & Director)	\$ 2,289	\$ -
Voulu Ventures Oy (subsidiary of Union)	-	13,642
	\$ 2,289	\$ 13,642

As at March 31, 2024, \$13,236 (December 31, 2023 - \$nil) was due from Voulu Ventures Oy.

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### **12. CAPITAL MANAGEMENT**

The Company defines capital as consisting of shareholders' equity (deficiency) (comprised of issued share capital, share-based payment reserve, commitment to issue shares, and deficit). The Company's objectives when managing capital are to support the Company's main activities of commercializing its products, and thus the creation of shareholder value as well as to ensure that the Company is able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at March 31, 2024, the Company is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the period ended March 31, 2024.

### **13. FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### **Market Risk**

Market risk is the risk that changes in market price in foreign exchange rates, interest rates affecting the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

##### **(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the US dollar. At March 31, 2024, cash balances were held primarily in Canadian and Euros. Changes in the exchange rate between foreign currencies and the US dollar could have an impact on the Company's financial position, results of operations and cash flows. The Company does not use derivative instruments to reduce its exposure to foreign currency risk, however, exchange rates are continually monitored for any significant changes. At March 31, 2024 the Company is mainly exposed to foreign currency risk on financial instruments (consisting of trade payables) denominated in Canadian dollars and Euros.

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**13. FINANCIAL INSTRUMENTS (continued)****Market Risk (continued)****(i) Currency risk (continued)**

At March 31, 2024 and December 31, 2023, the US dollar equivalent carrying value of financial assets and liabilities denominated in foreign balances are as follows:

	Canadian Dollars		Euros	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Financial Assets				
Cash	\$ 230,321	\$ 612,366	\$ 82,401	\$ 154,275
Receivables	7,754	2,476	41,945	65,822
Financial Liabilities				
Accounts payable	\$ 101,444	\$ 195,193	\$ 104,167	\$ 169,068
Loans payable	-	-	768,662	787,068

It is estimated that a 10% fluctuation in the Canadian dollar and Euro against the US dollar would affect net loss at March 31, 2024 by approximately \$61,185 (December 31, 2023 - \$31,460).

**(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

**(iii) Price rate risk**

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

**Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, which consist entirely of cash. The Company limits the exposure to credit risk by only investing

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### **13. FINANCIAL INSTRUMENTS (continued)**

#### **Credit Risk (continued)**

its cash with high-credit quality financial institutions. The Company's secondary exposure to risk is on its receivables. Management believes that the credit risk related to its cash and receivables is minimal.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At March 31, 2024, the Company has a cash balance of \$322,020 (December 31, 2023 - \$774,491) to settle current liabilities of \$312,137 (December 31, 2023 - \$479,640).

At March 31, 2024, the Company has no significant sources of revenue to fund its operating and research and development expenditures and has historically relied on equity financings and loans from its shareholders to fund its operations. Future funding may be obtained by means of issuing share capital and/or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern. Consequently, the Company is exposed to liquidity risk as at March 31, 2024.

#### **Fair Value Measurements**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data. The fair value of cash is determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets.

As at March 31, 2024, the Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, due to related parties, and loans payable. Cash is classified as fair value through profit or loss and receivables are classified as amortized cost. Accounts payable and accrued liabilities, due to related parties and loans payable are also classified as amortized cost. The fair values of these financial instruments approximate their carrying values because of their short-term nature and/or the existence of market related interest rates on the instruments.

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**14. SEGMENTED INFORMATION**

Operating segments are components of an entity whose operating results are regularly reviewed by officers of the Company in deciding how to allocate resources and in assessing performance and for which separate financial information is available.

The Company has one operating segment, which is involved in the research and development, and commercialization of artificial intelligence based products and services for the MedTech sector.