



FOBI AI INC.

Condensed Interim Consolidated Financial Statements

March 31, 2024

(Expressed in Canadian dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements.

Fobi AI Inc.Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		As at March 31, 2024 \$	As at June 30, 2023 \$
		(Unaudited)	
Assets			
Current assets			
Cash	(Note 4)	1,142,989	201,241
Amounts receivable	(Note 5)	498,857	239,847
Prepaid expenses		50,269	21,706
Investments	(Note 6)	13,650	58,000
Total current assets		1,705,765	520,794
Non-current assets			
Equipment	(Note 7)	44,816	58,547
Right-to-use asset	(Note 8)	31,924	37,816
Intangible assets	(Note 9)	1,950,788	2,865,958
Goodwill	(Note 3)	1,498,646	1,498,646
Total assets		5,231,939	4,981,761
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	(Note 11)	1,416,753	1,391,874
Lease liabilities	(Note 13)	21,629	24,032
Deferred revenue	(Note 6)	258,838	496,194
Contingent consideration payable	(Note 3)	15,697	15,697
Total current liabilities		1,712,917	1,927,797
Deferred income taxes		107,295	107,295
Non-current portion of lease liabilities	(Note 13)	14,165	17,642
Warrant liabilities	(Note 14)	788,989	360,211
Total liabilities		2,623,366	2,412,945
Shareholders' equity			
Share capital	(Note 14)	61,337,452	56,605,978
Contributed surplus		17,416,545	17,068,177
Deficit		(75,990,840)	(70,995,769)
Accumulated other comprehensive loss		(154,584)	(109,570)
Total shareholders' equity		2,608,573	2,568,816
Total liabilities and shareholders' equity		5,231,939	4,981,761

Approved and authorized for issuance by the Board of Directors on May 29, 2024:

/s/ "Jeffrey Hyman"

Director

/s/ "Robert Douglas Anson"

Director

Going concern (Note 2(c))

Commitments and contingencies (Note 20)

Subsequent events (Note 21)

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

Fobi AI Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three Months Ended March 31, 2024 \$	Three Months Ended March 31, 2023 \$	Nine Months Ended March 31, 2024 \$	Nine Months Ended March 31, 2023 \$
Revenue (Note 6)	688,093	1,255,093	2,201,804	2,288,568
Expenses				
Advertising and marketing	396,678	184,720	580,992	351,876
Amortization (Notes 7, 8, 9)	3,195	459,857	944,209	1,387,401
Consulting fees	286,357	189,823	718,780	670,646
Expected credit losses (Note 7)	-	(9,939)	-	(9,939)
Insurance	21,472	21,787	114,711	103,493
Interest and accretion expense	5,349	13,499	(7,097)	27,179
Investor relations	9,344	25,541	27,514	95,685
Loss from sale of investments (Note 6)			21,906	(278,080)
Office and general	26,106	36,477	92,384	93,538
Professional fees (Note 12)	171,300	254,389	629,325	423,800
Rent	33,336	39,330	78,499	119,180
Research	38,598	172,254	242,429	269,805
Share-based compensation (Note 12, 15)	255,822	2,384,770	621,787	4,149,106
Technology costs	206,766	264,703	657,526	846,140
Transfer agent and filing fees	52,028	19,134	112,082	87,286
Travel	24,476	12,828	35,819	83,138
Wages and benefits (Note 12)	611,101	1,006,769	2,325,254	3,366,554
Total operating expenses	2,141,928	5,075,942	7,196,120	11,786,808
Loss before other items	(1,453,835)	(3,820,849)	(4,994,316)	(9,498,240)
Other items				
Other income	10,946	4,179	15,907	14,323
Interest income	-	899	-	4,867
Foreign exchange gain (loss)	15,846	2,328	14,502	(7,606)
Unrealized loss on loan receivable	-	18,844	-	3,997
Gain on settlement of accounts payable			-	8,746
Gain/loss on loan receivable	(613)	-		
Unrealized loss on investments (Note 6)	-	(38,551)	(4,550)	(38,551)
Unrealized gain on warrants (Note 14)	-	-	19,824	(278,080)
Net loss before income taxes from continuing operations	(1,427,656)	(3,833,150)	(4,949,246)	(9,829,095)
Current income tax expense	-	-	(8,493)	-
Net loss from continuing operations	(1,427,656)	(3,833,150)	(4,957,739)	(9,829,095)
Unrealized foreign exchange gain (loss)	(84,561)	70,805	(45,014)	503,653
Comprehensive loss	(1,512,217)	(3,762,345)	(5,002,753)	(9,325,442)
Basic and diluted loss per common share	(0.01)	(0.02)	(0.03)	(0.06)
Weighted average number of common shares outstanding	203,424,100	158,780,732	179,186,076	158,780,732

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

Fobi AI Inc.

Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)
(Unaudited)

	Common Shares		Subscriptions Receivable \$	Contributed Surplus \$	Accumulated Other Comprehensive Income (Loss) \$	Deficit \$	Total Shareholders' Equity (Deficit) \$
	Number	Amount \$					
Balance, June 30, 2022	147,820,054	50,790,896	(130,568)	14,134,698	(218,214)	(58,243,607)	6,333,205
Issuance of common shares for cash, net of share issuance costs (Note 14)	8,405,541	2,078,932		13,655	-	-	2,092,587
Issuance of common shares for services	510,045	226,970		-	-	-	226,970
Warrants exercised (Notes 14, 16)	1,257,600	440,160		-	-	-	440,160
Stock options exercised (Notes 14, 15)	2,532,600	1,372,516		(686,570)	-	-	685,946
Share-based compensation (Notes 12, 15)	-	-		4,149,106	-	-	4,149,106
Accumulated other comprehensive loss	-	-		-	503,653	-	503,653
Net loss	-	-		-	-	(10,068,624)	(10,068,624)
Balance, March 31, 2023	160,525,840	54,909,474	(130,568)	17,610,889	285,439	(68,312,231)	4,363,003
Balance, June 30, 2023	166,367,901	56,605,978	-	17,068,177	(109,570)	(70,995,769)	2,568,816
Issuance of common shares for cash, net of share issuance costs (Note 14)	50,565,247	4,818,949		-	-	-	4,818,949
Warrants liabilities (Note 14)	-	(448,602)		-	-	-	(448,602)
Stock options exercised (Notes 14, 15)	3,421,854	361,127		(273,419)	-	-	87,708
Share-based compensation (Notes 12, 15)	-	-		621,787	-	-	621,787
Accumulated other comprehensive income	-	-		-	(45,014)	-	(45,014)
Net loss	-	-		-	-	(4,995,071)	(4,995,071)
Balance, March 31, 2024	220,355,002	61,337,452	-	17,416,545	(154,584)	(75,990,840)	2,608,573

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

Fobi AI Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Nine Months Ended March 31, 2024	Nine Months Ended March 31, 2023
	\$	\$
Operating activities		
Net loss	(4,995,071)	(6,235,474)
Items not affecting cash:		
Amortization	934,793	927,544
Interest and accretion expense	1,675	3,088
Unrealized gain on loan receivable	-	14,847
Unrealized (gain) loss on investments	4,550	-
Unrealized gain on warrants	(43,913)	-
Gain on settlement of accounts payable	-	(8,746)
Share-based compensation	624,787	1,764,336
Loss on sale of investments	21,906	278,080
Changes in non-cash operating working capital:		
Amounts receivable	(259,010)	9,595
Prepaid expenses	(28,563)	158,481
Accounts payable and accrued liabilities	24,879	240,878
Proceeds from sale of shares received from customers	61,094	-
Deferred revenue	(280,556)	(106,456)
Net cash used in operating activities	(3,933,429)	(2,953,827)
Investing activities		
Purchase of equipment	-	(2,212)
Net cash used in investing activities	-	(2,212)
Financing activities		
Proceeds from shares issued for cash	4,472,995	1,287,771
Share issuance costs	(246,750)	-
Proceeds from exercise of options	701,501	286,795
Proceeds from exercise of warrants	-	440,160
Repayment of principal portion of the lease liability	(7,555)	(13,126)
Net cash provided by financing activities	4,920,191	2,001,600
Effect of foreign exchange on cash	(45,014)	180,328
Decrease in cash	941,748	(774,111)
Cash, beginning of year	201,241	1,031,021
Cash, end of year	1,142,989	256,910
Cash is comprised of:		
Cash in bank	1,067,989	181,835
Cashable guaranteed investment certificates	75,000	75,000
Total cash	1,142,989	256,835

Supplemental cash flow information (Note 20)

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

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2024

(Expressed in Canadian dollars)

(Unaudited)

1. Corporate Information

Fobi AI Inc. (the “Company”) was incorporated under the laws of the province of British Columbia, Canada, on January 12, 1987, under the name 320092 British Columbia Ltd. On January 24, 2009, the Company continued into the province of Alberta. Effective August 11, 2016, the Company changed its name to AlkaLi3 Resources Inc. (“AlkaLi3”) and began trading on the NEX board of the TSX Venture Exchange (“TSXV”) under the symbol “ALK.H” on August 16, 2016. On May 31, 2021, the Company rebranded as Fobi AI Inc. With this, the Company’s trading name changed to “FOBI” on TSX Venture Exchange and to “FOBIF” on OTCQF.

On February 5, 2019, the Company completed a reverse takeover pursuant to an amalgamation agreement between a non-reporting issuer, Loop Insights Inc. (“Loop”) and AlkaLi3 to form the continuing entity, Loop Insights Inc. Loop was incorporated under the laws of the province of British Columbia, Canada, on January 2, 2018. On February 16, 2018, Loop changed its name from Cannabis Big Data Holdings Inc. to Loop Cannabis Insights Inc. On March 21, 2018, Loop changed its name from Loop Cannabis Insights Inc. to Loop Insights Inc.

The Company operates in the technology industry and earns revenues from directly selling software as a service (“SaaS”), reselling, referring, and licensing its technology to licensors. The address of the Company’s corporate office and principal place of business is Suite 560 Beatty Street, Vancouver B.C., V6B 2L3.

2. Basis of Presentation

(a) Statement of Compliance and Principles of Consolidation

These condensed unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The condensed unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended June 30, 2023. The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements.

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

Subsidiaries	Country of incorporation	Functional currency	Percentage of ownership
Fobi AI (USA) Inc.	USA	US Dollar	100%
Pulse Investor Services Ltd.	Canada	Canadian Dollar	100%
Fobi AI Germany GmbH	Germany	Euros	100%
Passworks S.A.	Portugal	Euros	100%

Subsidiaries are entities that the Company controls directly. Control is defined as the exposure, or rights, or variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights and the ability to direct the activities that significantly affect the investee’s returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company’s share capital. All inter-company balances and transactions have been eliminated upon consolidation. Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by the Company.

During the year ended June 30, 2023, the Company acquired 50% of the shares of BevWorks Brands Inc. (“BevWorks”). Please see Note 10 for further details on the Company’s investment in associate using the equity method.

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2024

(Expressed in Canadian dollars)

(Unaudited)

2. Basis of Presentation (continued)

(b) Basis of Measurement

These condensed unaudited interim consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of these condensed unaudited interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities include the following:

- i) The useful life and recoverability of long-lived assets
- ii) The inputs used in the valuation of share-based payments
- iii) Revenue recognition for special contracts and projects
- iv) Incremental borrowing rate
- v) Allowance for credit losses

Significant areas of judgment include:

- i) Application of the going concern assumption
- ii) Application of IFRS 16
- iii) Deferred tax assets
- iv) Functional currency

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2024

(Expressed in Canadian dollars)

(Unaudited)

3. Passworks Acquisition

On April 19, 2023, the Company acquired 100% control over Passworks S.A. (“Passworks”). Based in Portugal, Passworks is a European digital wallet and mobile marketing company. In consideration for the acquisition of Passworks, the Company issued 1,674,264 common shares (“Consideration Shares”) of the Company with a fair value of \$636,220. The Company acquired all the issued and outstanding common shares of Passworks. As the Company is the sole owner of all the common shares, in accordance with IFRS 10, the Company has control over Passworks. The investment in Passworks has been accounted for as a business combination. In accordance with IFRS 3, the assets acquired, and liabilities assumed are measured at their fair value at the acquisition date and the excess value of the consideration above the fair value of the net assets acquired is recognized as goodwill.

The acquisition was recorded as follows:

Fair value of consideration		
1,674,264 common shares of Fobi at a fair value of \$0.38 per share	\$	636,220
Restricted stock discount		(97,659)
Fair value of earn-out payments		15,697
	\$	554,258
Assets acquired and liabilities assumed		
Cash	\$	12,640
Amounts receivable		61,098
Equipment		591
Developed technology		195,837
Customer relationships		102,656
Goodwill		203,824
Amounts payable		(22,388)
	\$	554,258

In addition to the Consideration Shares, in the event the gross revenue of the Passworks from: (i) sales originating from existing clients of Passworks at Closing; and/or (ii) new clients originating as a result of the Passworks seller's efforts meets or exceeds €300,000 (\$433,350) during the one year period from the Closing Date, the Company agrees to pay to the seller €50,000 (\$72,225), payable in common shares of the Company. The fair value of the earn out payments was calculated at \$15,697, and remained the same as at March 31, 2024.

As the common shares are subject to a contractual escrow program, a restricted stock discount of \$97,659 has been applied to the fair value of consideration based on an average liquidity discount of 15% for the 25% of Consideration Shares released 3 months following issuance, 20% for the 35% of Consideration Shares released 6 months following issuance and 23% for the 20% of Consideration Shares released 9 months following issuance.

On April 19, 2023, the Company also entered into a one-year term service agreement (the “Service Agreement”) with Sortido Cinzento, Unipessoal, LDA (the “Service Provider”), a sole shareholder company that is wholly owned and controlled by the seller, pursuant to which, the Company engaged the services of the seller on a full time basis. Pursuant to the Service Agreement, the Company has agreed to pay to the Service Provider a monthly fee of €10,000 (\$14,445), plus applicable taxes, for the initial one year term of the Service Agreement and issue to the Service Provider €60,000 (\$86,177) in common shares of the Company (“common shares”) on the one month anniversary of the Service Agreement (the “Initial Shares”) and €40,000 (\$57,780) in common shares on the one year anniversary of the Service Agreement. During the year ended June 30, 2023, the Company issued 226,781 common shares at \$0.38 to complete the Initial Shares requirement.

The goodwill recorded upon acquisition of Passworks represents the sales and growth potential of Passworks, as well as the fair value of Passworks assembled workforce, and is not deductible for tax purposes. During the six months ended March 31, 2024, the Company recorded amortization expense of \$18,347 (2022 - \$nil) in connection with the intangible assets.

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended March 31, 2024
(Expressed in Canadian dollars)
(Unaudited)

4. Cash

Cash include \$75,000 (2022 – \$75,000) of cash held in a GIC.

5. Amounts Receivable

	March 31, 2024	June 30, 2023
GST/VAT recoverable	\$ 93,807	\$ 36,318
Trade accounts receivable	405,051	203,530
	\$ 498,857	\$ 239,847

6. Revenue

- a) On March 23, 2022, the Company paid Turnium Technology Group Inc. (“Turnium”) \$125,000 to acquire 223,214 units of as part of a non-brokered private placement. Each unit consists of one common share and one-half common share purchase warrant. The Company received the units on June 16, 2022. On June 13, 2022, the Company also entered into a PaaS contract with Turnium. On July 4, 2022, Turnium paid \$126,000 as consideration for the PaaS contract and applicable taxes to the Company. At the time of purchase, the per unit cost is allocated in full to each common share. On July 22, 2022 and July 28, 2022, the Company sold all common shares of Turnium. As a result of these transactions, in fiscal 2023 the Company received net proceeds, after loss on disposal, of \$66,758.

The Company recognized \$64,400 of revenue during the period ended March 31, 2024 (2022 - \$nil) and had \$700 of deferred revenue remaining as at March 31, 2024 (June 30, 2023 - \$65,100).

- b) The Company entered into a PaaS agreement with Pangenomic Health Inc. (“Pangenomic”) which was executed on January 16, 2023 by the Company and January 17, 2023 by Pangenomic. On January 18, 2023, the Company paid \$126,000 and received 840,000 units of Pangenomic as part of a non-brokered private placement completed by Pangenomic. On January 20, 2023, the Company received the total contract value amounting to \$120,000 plus applicable taxes from Pangenomic. As a result of these transactions, in fiscal 2023 the Company received net proceeds, after loss on disposal, of \$41,550.

The Company recognized \$76,138 of revenue during the period ended March 31, 2024 (2022 - \$nil) and had \$6,206 of deferred revenue remaining as at March 31, 2024 (June 30, 2023 - \$82,345).

- c) The Company entered into a PaaS contract with ParcelPal Logistics Inc. (“ParcelPal”) on February 22, 2023. The price stipulated in the contract was \$120,000, however, the parties agreed for a settlement in 1,800,000 common shares of ParcelPal with a fair value of \$51,345. The shares had trade restriction ending on July 17, 2023. The Company received an additional settlement of 2,160,000 shares of ParcelPal with a fair value of \$43,200 on September 14, 2023. The Company sold 4,150,000 shares of ParcelPal for total proceeds of \$61,094 and recognized a realized loss of \$21,906 (2022 - \$nil) and unrealized loss of \$4,550 (2022 - \$nil) during the period ended March 31, 2024.

The Company recognized \$64,631 of revenue during the period ended March 31, 2024 (2022 - \$nil) and had \$14,632 of deferred revenue remaining as at March 31, 2024 (June 30, 2023 - \$36,064).

- d) The Company entered into a PaaS contract with Empower Clinics Inc. (“Empower”) on March 15, 2023. The price stipulated in the contract was \$120,000, however, the parties agreed for a settlement in 6,000,000 common shares of Empower with a fair value of \$54,000. On May 25, 2023 and May 26, 2023, the Company sold all common shares of Empower for gross proceeds of \$29,150 and recorded a loss of \$24,850 in fiscal 2023.

The Company recognized \$280,566 revenue during the period ended March 31, 2024 (2023 - \$106,456) and had \$258,838 of deferred revenue remaining as at March 31, 2024 (2023 - \$496,194)

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2024

(Expressed in Canadian dollars)

(Unaudited)

6. Revenue (continued)

The continuity of the Company's investments during the period ended March 31, 2024 and years ended June 30, 2023 and 2022 is as follows:

	Total \$
Fair value balance, June 30, 2022	157,095
Pangenomic Health Inc. common shares	120,000
ParcelPal Logistics Inc. common shares	101,500
Empower Clinics Inc. common shares	54,000
Proceeds from disposition	(250,953)
Accumulated unrealized gain	251,738
Realized losses	(375,380)
Fair value balance, June 30, 2023	58,000
ParcelPal Logistics Inc. common shares	43,200
Proceeds from disposition	(61,094)
Accumulated unrealized losses	(4,550)
Realized losses	(21,906)
Fair value balance, March 31, 2024	13,650

7. Equipment

	Total \$
Cost:	
Balance, June 30, 2022	214,598
Foreign exchange	35
Acquisition of Passworks equipment	591
Additions	9,420
Balance, June 30, 2023	224,644
Foreign exchange	4,047
Balance, March 31, 2024	228,692
Accumulated amortization:	
Balance, June 30, 2022	100,874
Foreign exchange	(17)
Amortization	65,240
Balance, June 30, 2023	166,097
Foreign exchange	(2,993)
Amortization	20,771
Balance, March 31, 2024	183,875
Carrying amounts:	
Balance, June 30, 2023	58,547
Balance, March 31, 2024	44,816

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2024

(Expressed in Canadian dollars)

(Unaudited)

8. Right-of-use Assets

	Total \$
Cost:	
Balance, June 30, 2022	61,419
Additions	38,909
Dispositions	(14,813)
Balance, June 30, 2023 and December 31, 2023	85,515
Accumulated amortization:	
Balance, June 30, 2022	24,648
Amortization	31,280
Dispositions	(8,229)
Balance, June 30, 2023	47,699
Amortization	5,892
Balance, March 31, 2024	53,591
Carrying amounts:	
Balance, June 30, 2023	37,816
Balance, March 31, 2024	31,924

9. Intangible Assets

- a) On February 18, 2021, the Company acquired the intellectual property assets of Digital2Go Media Networks, Inc. dba Locally to integrate with the Company's technology. In consideration, the Company issued 166,250 common shares with a fair market value of \$199,500.
- b) On September 22, 2021, the Company entered into an Asset Purchase Agreement with Qples to acquire certain assets including the Qples SaaS coupon management platform 4.0, the Grocery Coupon Network Mobile App, the Qples Platform 3.0, and to assume specified liabilities ("Purchased Assets"). In consideration for the Purchased Assets, the Company paid US\$2,120 (\$2,704), issued 1,222,551 common shares with a fair value of \$3,569,848, and granted a US\$294,405 (\$375,543) loan to Qples. The loan was paid directly by the Company to the Small Business Administration ("SBA") on behalf of Qples as repayment in full by Qples of its loan from the SBA. The loan is subject to repayment by Qples to the Company using proceeds from the sale of 114,212 shares of the Company ("SBA Pay-out Shares"), on the date that is four months and one day after the issuance of SBA Pay-Out shares. On March 27, 2022, the Company and Qples entered into an amending agreement whereby the repayment period of the loan was extended to April 1, 2023. On May 19, 2023, Qples disposed of the SBA Payout shares and paid \$41,579 in cash to the Company to settle the Loan.

As additional consideration for the Purchased Assets, in the event the aggregate gross revenue generated directly from the Purchased Assets during the period January 1, 2022 to December 31, 2022 exceeded \$1,600,000 and \$3,200,000, the Company shall issue to Qples an aggregate of \$500,000 and \$1,000,000 of Earn-Out Shares respectively ("Revenue Targets"). As at March 31, 2024, Revenue Targets were not reached and no Earn-Out Shares were due to Qples.

- c) On November 4, 2021, the Company completed its acquisition of certain assets and assumed certain liabilities related to the PassWallet application from Quicket GmbH to integrate with Passcreator. In consideration, the Company paid \$511,153 in cash and issued 301,480 common shares with a fair market value of \$542,664.

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2024

(Expressed in Canadian dollars)

(Unaudited)

9. Intangible Assets (continued)

The Company reviews the carrying value of its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. During the period ended March 31, 2024F, the Company did not identify any indicators of impairment.

	Total \$
Cost:	
Balance, June 30, 2022	5,655,374
Additions	298,493
Foreign currency adjustment	41,314
Balance, June 30, 2023 and March 31, 2024	5,995,181
Accumulated amortization:	
Balance, June 30, 2022	1,361,409
Amortization	1,775,335
Foreign currency adjustment	(9,475)
Balance, June 30, 2023	3,127,269
Amortization	917,124
Balance, March 31, 2024	4,044,393
Carrying amounts:	
Balance, June 30, 2023	2,867,912
Balance, March 31, 2024	1,950,788

10. Investment in Associate

On June 21, 2023, BevWorks Brands Co. ("BevWorks") exercised its option to issue 11,875,000 common shares (the "Equity") to the Company in consideration for the use of the Company's technology in relation to the agreement completed between BevWorks Brands Co. and the Company on March 24, 2023.

As per the agreement, the Company entered into a license agreement to grant BevWorks a non-exclusive license to use the Company's platform to enhance, market and commercialize their business. Given that BevWorks is an early stage company and did not hold any assets at June 21, 2023, the value of common shares received is \$nil at June 21, 2023.

The Equity equaled 50% of all outstanding shares of BevWorks at the time of issuance. In accordance with IFRS 10 and 28, the Company's interest in BevWorks is recorded as an investment in an associate, accounted for using the equity method, given BevWorks founders have operational control and the board is made up of two members appointed by BevWorks and one member appointed by the Company.

As at		March 31, 2024		June 30, 2023
Current assets ¹	\$	47,569	\$	151,901
Non-current liabilities		(105,445)		(200,000)
Net assets (liabilities)		(57,876)		(48,099)
The Company's share of net assets (liabilities) – 50% (June 30, 2023 – 50%)	\$	(28,938)	\$	(24,049)

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended March 31, 2024
(Expressed in Canadian dollars)
(Unaudited)

11. Accounts Payable and Accrued Liabilities

		March 31, 2024		June 30, 2023
Accounts payable	\$	1,169,536	\$	1,257,709
Accrued liabilities		247,217		134,165
	\$	1,416,753	\$	1,391,874

12. Related Party Transactions

The Company has identified its directors and senior officers as its key management personnel. No post employment benefits, other long-term benefits and termination benefits were made during the nine months ended March 31, 2024. Short-term key management compensation during the nine months ended March 31, 2024 and 2023 consists of the following:

		March 31, 2024		March 31, 2023
Salaries, wages and professional fees	\$	827,980	\$	898,909
Share-based payments		621,787		2,168,122
	\$	1,449,767	\$	3,067,031

As at March 31, 2024, the Company has a balance payable to its directors and officers totaling \$Nil (June 30, 2023 - \$Nil) which is included in accounts payable and accrued liabilities. The amounts payable to related parties are unsecured, non-interest bearing and due on demand.

13. Lease Liabilities

		March 31, 2024		June 30, 2023
Lease liability, beginning of period	\$	41,674	\$	40,605
Leases recognized during the period		-		38,909
Disposition of lease		-		(16,826)
Finance costs		1,675		5,237
Lease payments		(7,555)		(26,251)
Lease liability, end of period		35,794		41,674
Less current portion		21,629		24,032
Non-current portion	\$	14,165	\$	17,642

The lease liability was discounted using the Company's incremental borrowing rate of 18%.

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended March 31, 2024
(Expressed in Canadian dollars)
(Unaudited)

13. Lease Liabilities (continued)

The Company's future minimum lease payments are as follows:

As at December 31, 2023, the Company's future minimum lease payments are as follows:

Fiscal year ended June 30, 2024	\$	21,532
Fiscal year ended June 30, 2025		19,402
<hr/>		
Total lease payments		40,934
Amounts representing interest over the term of the lease		(5,140)
<hr/>		
Present value of net lease payments	\$	35,794

The Company's corporate office lease is a one-year term. Since the lease is for not greater than 12 months, it qualifies for the IFRS 16 short-term exemption and is not included in the recognition of a right-of-use asset and a lease liability. No additions were made to lease liabilities in the reporting period.

14. Share Capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

As at March 31, 2024, the Company had 220,355,002 (June 30, 2023 - 166,367,901) issued and fully paid common shares.

During the period ended March 31, 2024 the Company issued a total of 3,421,854 common shares to employees, officers and consultants of the Company pursuant to the exercise of options at an exercise price which ranged between \$0.13 and \$0.056 per share for gross proceeds of \$361,127. The exercise of the options as detailed above, resulted in a reclassification of \$273,419 from contributed surplus to share capital.

- a) On February 28, 2024 the Company completed a non-brokered private placement financing, issuing 7,603,569 units at price of \$0.07 per unit for aggregate gross proceeds of \$532,250. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of C\$0.14 for a period of 36 months.
- b) On February 28, 2024 the Company completed a second tranche of a LIFE Offering, issuing 13,212,128 units at price of \$0.07 per unit for aggregate gross proceeds of \$924,849. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of C\$0.14 for a period of 36 months.
- c) On February 23, 2024 the Company completed the first tranche of a LIFE Offering, issuing 21,693,370 units at price of \$0.07 per unit for aggregate gross proceeds of \$1,518,535. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of C\$0.14 for a period of 36 months.

In connection above three series of private placements, the Company incurred share issuance costs of \$200,627 and issued 2,234,315 finder's warrants with a fair value of \$138,866. The finder's warrants have the same terms as the common share purchase warrants issued from the private placement.

- d) On October 02, 2023 the Company closed the third tranche of its offering, issuing 45,454 units at \$0.22 on terms the same terms as the prior two tranches.

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2024

(Expressed in Canadian dollars)

(Unaudited)

14. Share Capital (continued)

- e) On September 18, 2023, the Company completed the second tranche of a non-brokered private placement offering of 2,154,499 units at \$0.22 per unit for gross proceeds of \$473,990. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.30 per share at any time on or before September 18, 2026. In connection with this private placement, the Company incurred share issuance costs of \$14,699 and issued 150,325 finder's warrants with a fair value of \$16,267. The finder's warrants have the same terms as the common share purchase warrants issued from the private placement. In accordance with IAS 32, equity classification applies to instruments where a fixed amount of cash (or liability), denominated in the issuer's functional currency, is exchanged for a fixed number of shares (often referred to as the "fixed for fixed" criteria). Instruments issued that fail to meet equity classification will be accounted for as a liability. Given the variability of the adjustment clause in the number of common shares purchasable per warrant exercise, the warrants will be treated as a liability. The initial fair value of the private placement warrants was \$130,376. At March 31, 2024, the fair value of these warrants was \$129,613, resulting in a loss of \$763 in the period ended March 31, 2024.
- f) On September 1, 2023, the Company completed the first tranche of a non-brokered private placement offering of 4,651,681 units at \$0.22 per unit for gross proceeds of \$1,023,370. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.30 per share at any time on or before September 18, 2026. In connection with this private placement, the Company incurred share issuance costs of \$31,424. In accordance with IAS 32, equity classification applies to instruments where a fixed amount of cash (or liability), denominated in the issuer's functional currency, is exchanged for a fixed number of shares (often referred to as the "fixed for fixed" criteria). Instruments issued that fail to meet equity classification will be accounted for as a liability. Given the variability of the adjustment clause in the number of common shares purchasable per warrant exercise, the warrants will be treated as a liability. The initial fair value of the private placement warrants was \$298,402. At March 31, 2024, the fair value of these warrants was \$294,535, resulting in a loss of \$3,866 in the period ended March 31, 2024.

During the year ended June 30, 2023:

- a) On September 26, 2022, the Company completed a non-brokered private placement offering of 3,681,595 units at \$0.35 per unit for gross proceeds of \$1,288,558. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.65 per share at any time on or before September 26, 2024. In connection with this private placement, the Company incurred share issuance costs of \$787. In accordance with IAS 32, equity classification applies to instruments where a fixed amount of cash (or liability), denominated in the issuer's functional currency, is exchanged for a fixed number of shares (often referred to as the "fixed for fixed" criteria). Instruments issued that fail to meet equity classification will be accounted for as a liability. Given the variability of the adjustment clause in the number of common shares purchasable per warrant exercise, the warrants will be treated as a liability. The initial fair value of the private placement warrants was \$367,964. At March 31, 2024, the fair value of these warrants was \$64,167, resulting in a gain of \$20,140 in the period ended March 31, 2024.
- b) On January 24, 2023, the Company completed a non-brokered private placement offering of 4,723,946 units at \$0.175 per unit for gross proceeds of \$826,691. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.30 per share at any time on or before January 24, 2025. In connection with this private placement, the Company incurred share issuance costs of \$21,875 and issued 125,000 finder's warrants with a fair value of \$13,655. The finder's warrants have the same terms as the common share purchase warrants issued from the private placement. In accordance with IAS 32, equity classification applies to instruments where a fixed amount of cash (or liability), denominated in the issuer's functional currency, is exchanged for a fixed number of shares (often referred to as the "fixed for fixed" criteria). Instruments issued that fail to meet equity classification will be accounted for as a liability. Given the variability of the adjustment clause in the number of common shares

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2024

(Expressed in Canadian dollars)

(Unaudited)

14. Share Capital (continued)

purchasable per warrant exercise, the warrants will be treated as a liability. The initial fair value of the private placement warrants was \$271,642. At March 31, 2024, the fair value of these warrants was \$240,569, resulting in a gain of 35,335 in the period ended March 31, 2024.

- c) On July 14, 2022, the Company issued a total of 12,500 common shares to an employee of the Company pursuant to the exercise of options at \$0.42 per share for gross proceeds of \$5,250. Contributed surplus of \$4,681 was reversed and included in the share capital.
- d) On July 21, 2022, the Company issued a total of 167,000 common shares to an advisor of the Company pursuant to the exercise of options at \$0.37 per share for gross proceeds of \$61,790. Contributed surplus of \$62,953 was reversed and included in the share capital.
- e) On August 12, 2022, the Company issued a total of 40,000 common shares to a consultant of the Company pursuant to the exercise of options at \$0.27 per share for gross proceeds of \$10,800. Contributed surplus of \$12,447 was reversed and included in the share capital.
- f) On August 17, 2022, the Company issued a total of 150,000 common shares to a consultant of the Company pursuant to the exercise of options at \$0.27 per share for gross proceeds of \$40,500. Contributed surplus of \$46,675 was reversed and included in the share capital.
- g) On November 1, 2022, the Company issued a total of 375,000 common shares to an employee of the Company pursuant to the exercise of options at \$0.11 and \$0.19 per share for gross proceeds of \$65,250. Contributed surplus of \$93,132 was reversed and included in the share capital.
- h) On November 7, 2022, the Company issued a total of 121,500 common shares to a consultant of the Company pursuant to the exercise of options at \$0.27 per share for gross proceeds of \$32,805. Contributed surplus of \$37,807 was reversed and included in the share capital.
- i) On December 16, 2022, the Company issued a total of 281,600 common shares to an officer of the Company pursuant to the exercise of options at \$0.25 per share for gross proceeds of \$70,400. Contributed surplus of \$64,149 was reversed and included in the share capital.
- j) On January 6, 2023, the Company issued a total of 900,000 common shares to an officer of the Company pursuant to the exercise of options at \$0.25 per share for gross proceeds of \$225,000. Contributed surplus of \$205,022 was reversed and included in the share capital.
- k) On February 14, 2023, the Company issued a total of 25,000 common shares to an employee of the Company pursuant to the exercise of options at \$0.24 per share for gross proceeds of \$6,000. Contributed surplus of \$6,752 was reversed and included in the share capital.
- l) On February 23, 2023, the Company issued a total of 75,000 common shares to an employee of the Company pursuant to the exercise of options at \$0.24 per share for gross proceeds of \$18,000. Contributed surplus of \$20,257 was reversed and included in the share capital.
- m) On March 27, 2023, the Company issued a total of 385,000 common shares to an officer of the Company pursuant to the exercise of options at \$0.39 per share for gross proceeds of \$150,150. Contributed surplus of \$132,695 was reversed and included in the share capital.
- n) On April 6, 2023, the Company issued a total of 125,000 common shares to employees of the Company pursuant to the exercise of options at \$0.24 per share for gross proceeds of \$30,000. Contributed surplus of \$33,761 was reversed and included in the share capital.
- o) On April 11, 2023, the Company issued a total of 100,000 common shares to employees of the Company pursuant to the exercise of options at \$0.24 per share for gross proceeds of \$24,000. Contributed surplus of \$27,009 was reversed and included in the share capital.
- p) On April 20, 2023, the Company issued a total of 100,000 common shares to employees of the Company pursuant to the exercise of options at \$0.24 per share for gross proceeds of \$24,000. Contributed surplus of \$27,009 was reversed and included in the share capital.

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2024

(Expressed in Canadian dollars)

(Unaudited)

14. Share Capital (continued)

During the year ended June 30, 2023 (continued):

- q) On April 20, 2023, the Company issued a total of 550,000 common shares to an advisor of the Company, pursuant to the exercise of options at \$0.37 per share for gross proceeds of \$203,500. Contributed surplus of \$178,603 was reversed and included in the share capital.
- r) On April 24, 2023, the Company issued a total of 449,000 common shares to an officer of the Company pursuant to the exercise of options at \$0.39 per share for gross proceeds of \$175,110. Contributed surplus of \$154,753 was reversed and included in the share capital.
- s) On May 11, 2023, the Company issued a total of 100,000 common shares to an employee of the Company pursuant to the exercise of options at \$0.24 per share for gross proceeds of \$24,000. Contributed surplus of \$27,009 was reversed and included in the share capital.
- t) On May 30, 2023, the Company issued a total of 200,000 common shares to an officer of the Company pursuant to the exercise of options at \$0.33 per share for gross proceeds of \$65,000. Contributed surplus of \$64,585 was reversed and included in the share capital.
- u) On June 12, 2023, the Company issued a total of 100,000 common shares to an advisor of the Company pursuant to the exercise of options at \$0.25 per share for gross proceeds of \$25,000. Contributed surplus of \$22,745 was reversed and included in the share capital.
- v) On June 23, 2023, the Company issued a total of 50,000 common shares to an employee of the Company pursuant to the exercise of options at \$0.24 per share for gross proceeds of \$12,000. Contributed surplus of \$13,505 was reversed and included in the share capital.
- w) On June 26, 2023, the Company issued a total of 335,000 common shares to an officer of the Company pursuant to the exercise of options at \$0.33 per share for gross proceeds of \$108,875. Contributed surplus of \$108,180 was reversed and included in the share capital.
- x) On September 20, 2022, the Company issued a total of 37,600 common shares pursuant to the exercise of warrants at \$0.35 per share for gross proceeds of \$13,160.
- y) On October 12, 2022, the Company issued a total of 15,000 common shares pursuant to the exercise of warrants at \$0.35 per share for gross proceeds of \$5,250.
- z) On November 7, 2022, the Company issued a total of 1,205,000 common shares pursuant to the exercise of warrants at \$0.35 per share for gross proceeds of \$421,750.
- aa) On May 16, 2023, the Company issued a total of 77,892 common shares pursuant to the exercise of warrants at \$0.65 per share for gross proceeds of \$50,630.
- bb) On June 12, 2023, the Company issued a total of 714,286 common shares pursuant to the exercise of warrants at \$0.30 per share for gross proceeds of \$214,286.
- cc) On June 14, 2023, the Company issued a total of 285,710 common shares pursuant to the exercise of warrants at \$0.30 per share for gross proceeds of \$85,713.
- dd) On December 1, 2022, the Company issued a total of 229,146 common shares with a fair market value of \$101,970 to settle debt of \$101,970 with two vendors.
- ee) On June 23, 2023, the Company issued a total of 291,166 common shares with a fair market value of \$78,615 to settle debt of \$78,615 with one former officer and two vendors.
- ff) On December 1, 2022 and June 23, 2023, the Company issued a total of 743,861 common shares with a fair market value of \$209,764 to settle brand awareness services of \$250,000 due with one vendor. As part of the same contract commitment, the Company paid \$125,000 cash to the same vendor for brand awareness services in the year ending June 30, 2022 and will pay an additional \$125,000 in the year ending June 30, 2024.

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended March 31, 2024
(Expressed in Canadian dollars)
(Unaudited)

14. Share Capital (continued)

During the year ended June 30, 2023 (continued):

- gg) The Company issued a total of 1,674,264 common shares at \$0.38 per share pursuant to the acquisition of Passworks (as further described in Note 5).
- hh) The Company issued a total of 226,781 common shares at \$0.38 per share pursuant to fulfil the initial Services rendered under the Passworks acquisition (the Initial Shares of the Service Agreement as further described in Note 5).

15. Stock Options

During the nine months ended March 31, 2024, the Company granted a total of 10,674,609 (2023 – 13,379,893) stock options. The total grant date fair value of the stock options was determined using the Black-Scholes option pricing model, which requires management to make estimates that are subjective and may not be representative of the actual results. A total of 2,400,000 options are subject to various vesting terms, including but not limited to the completion of certain performance conditions.

The following table summarizes the continuity of the Company's stock options:

	Nine months ended March 31, 2024		Nine months ended March 31, 2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding – beginning of period	18,705,393	\$0.51	13,535,500	\$0.74
Granted	10,674,609	0.17	13,379,893	0.333
Exercised	(4,671,854)	0.33	(2,532,600)	0.27
Forfeited/Expired	(1,791,154)	0.73	(4,121,150)	0.79
Outstanding – end of period	22,916,994	\$0.48	20,261,643	\$0.52
Exercisable – end of period	15,069,717	\$0.51	17,064,143	\$0.54

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the nine months ended March 31, 2024, the Company recognized share-based compensation expense of \$3,573,810 (2023 - \$4,149,106), of which \$346,066 (2022 - \$924,465) pertains to directors and officers of the Company. Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	March 31, 2024	March 31, 2023
Exercise price	\$0.51	\$0.42
Risk-free interest rate	2.82%	2.86%
Dividend yield	0.00%	0.00%
Expected volatility	140%	134%
Expected life (years)	4.79	4.68

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2024

(Expressed in Canadian dollars)

(Unaudited)

Additional information regarding options outstanding as at March 31, 2024, is as follows:

Exercise prices	Stock options outstanding		Stock options exercisable	
	Number of stock options outstanding	Weighted average years to expiry	Number of stock options outstanding	Weighted average years to expiry
\$0.10 - \$0.90	12,424,717	2.99	12,424,717	2.98
\$1.00 - \$1.99	2,645,000	3.82	2,645,000	3.82
	15,069,717	3.76	15,069,717	3.13

16. Warrants

The following table summarizes the continuity of the Company's warrants:

	Nine months ended March 31, 2024		Nine months ended March 31, 2023	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding – beginning of period	3,249,880	\$0.49	5,087,635	\$1.12
Issued	48,438,635	0.14	4,327,768	45
Exercised	-	-	(1,257,600)	0.35
Expired	-	-	(520,000)	0.15
Outstanding – end of period	51,689,512	\$0.16	7,368,803	\$0.93

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended March 31, 2024
(Expressed in Canadian dollars)
(Unaudited)

Additional information regarding warrants outstanding as at March 31, 2024, is as follows:

Exercise prices	Warrants Outstanding	Weighted Average Remaining Contracted Life (years)
\$0.14	48,439,632	2.9
\$0.65	3,249,880	0.25
\$0.17	51,689,512	2.73

17. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the general operations of the Company and facilitate the liquidity needs of its operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include share capital and share-based payment reserve.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended March 31, 2024. The Company is not subject to externally imposed capital requirements.

18. Financial Instruments

The Company's financial instruments are comprised of cash, amounts receivable, loan receivable, investments, accounts payable, and loans payable. The carrying value of cash and cash equivalents as presented in the statement of financial position is a reasonable estimate of its fair value.

Financial assets and liabilities measured at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value financial assets and liabilities are described below.

Level 1 - Quoted Prices in Active Markets for Identical Assets

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Cash and cash equivalents, investments and loan receivable are valued using quoted market prices in active markets. Accordingly, these are included in Level 1 of the fair value hierarchy.

Level 2 - Significant Other Observable Inputs

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. There are no items in Level 2 of the fair value hierarchy.

Level 3 - Significant Unobservable Inputs

Unobservable (supported by little or no market activity) prices.

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2024

(Expressed in Canadian dollars)

(Unaudited)

18. Financial Instruments (continued)

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	March 31, 2023	Level 1	Level 2	Level 3	March 31, 2024
	\$	\$	\$	\$	\$	\$	\$	\$
Cash	1,142,989	-	-	1,142,989	1,142,989	-	-	1,142,989
Investments	13,650	-	-	13,650	13,650	-	-	13,650

There were no transfers between Levels 1, 2, or 3 in these consolidated financial statements.

Except as described in the following paragraphs, in management's opinion, the Company is not exposed to financial instrument risks including credit risk, foreign exchange rate risk or interest rate risk.

The Company will be exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include market risk, interest rate risk, liquidity risk, credit risk and foreign currency risk. These risks and related risk management practices employed by the Company are discussed below:

(a) Market risk

The Company is exposed to market risk with respect to its marketable securities, which consists of common shares held in publicly traded companies and is dependent upon the market price or the fair value of the common shares for those companies. The market price or the fair value of the common shares of those companies can fluctuate significantly, and there is no assurance that the future market price or the fair value of those companies will not decrease significantly.

(b) Interest rate risk

Interest rate risk refers to the effect on the fair value of the Company's assets and liabilities due to fluctuations in interest rates. The Company does not have investments in any variable interest bearing securities and therefore is not subject to interest rate risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there are sufficient funds to meet short-term and specific obligations.

(d) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Company is mainly exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in US dollars and Euros:

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended March 31, 2024
(Expressed in Canadian dollars)
(Unaudited)

18. Financial Instruments (continued)

A 10% change in the foreign exchange rate of Euro's or US dollars is not expected to have a material impact on the Company's consolidated financial statements.

Currency risk

As at March 31, 2024:

	US\$	Euro
Cash and cash equivalents	18,727	163,893
Amounts receivable	180,065	162,581
Accounts payable and accrued liabilities	(88,703)	(1,823)
Net exposure	110,089	324,650
Canadian dollar equivalent	149,435	473,729

As at June 30, 2023:

	US\$	Euro
Cash and cash equivalents	19,971	36,059
Amounts receivable	68,365	140,014
Accounts payable and accrued liabilities	(121,279)	(73,662)
Net exposure	(32,944)	102,411
Canadian dollar equivalent	(43,617)	147,932

(e) Funding Risk

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. A summary of the Company's obligations is as follows:

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	1 - 3 years \$
As at March 31, 2024				
Trade and other payables	1,807,188	1,807,188	1,807,188	-
Lease liabilities	30,567	34,023	26,250	7,773
	1,837,755	1,841,211	1,833,438	7,773

19. Commitments and Contingencies

- a) From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company. At September 30, 2023, there were no legal proceedings or claims.
- b) The Company has entered into employment agreements with its COO and CEO wherein the Company has agreed to pay annual salaries to these individuals. Should the employment of these individuals be terminated for any reason other than for-cause termination or resignation, the individuals will be eligible for compensation equivalent to an aggregate of one year's salary and any performance bonus equivalent to one-half of any of the average of the two highest performance bonuses paid in the previous five fiscal years.
- c) On February 7, 2022, the Company entered into a two-year contract agreement for \$500,000 with Higher Ground Sports Management Inc. As part of this agreement, the Company issued a total of 743,861 common shares with a fair market value of \$209,764 to settle brand awareness services of \$250,000 in the year ended June 30, 2023. As part of the same contract commitment, the Company paid \$125,000 cash in the year ending June 30, 2022 and will pay an additional \$125,000 in the year ending June 30, 2024 for similar brand awareness services.

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended March 31, 2024
(Expressed in Canadian dollars)
(Unaudited)

19. Commitments and Contingencies (continued)

- d) Beginning February 1, 2020, the Company entered into a three-year contract agreement for \$106,500 with a consultant for capital market consulting services, including but not limited to capital structure, financing, merger and capital raising advice for the purpose of developing the Company's business. On July 28, 2020, the Company issued 359,119 common shares at a deemed price of \$0.335 per share in settlement of this agreement. The Company recognized \$nil \$24,020 in consulting fees during the period ended September 30, 2023 (September 30, 2022 - \$10,294).
- e) On March 14, 2022, the Company entered into a one-year consulting agreement with the same consultant for advisory support throughout the planning and execution of a new product – PulseIR, for a total consideration of \$360,000, payable in monthly installments during the duration of the contract. On March 14, 2022, the Company decided to prepay the full amount of the consideration in cash to the consultant. The Company recognized \$nil in consulting fees during the period ended September 30, 2023 (September 30, 2022 - \$90,000).
- f) On January 24, 2023, the consultant participated in the private placements (Note 18), acquiring 1,428,571 units for total proceeds of \$250,000.
- g) On April 4, 2023, the Company issued 550,000 stock options for no consideration as bonus for services rendered by the consultant. The consultant exercised 550,000 options on April 20, 2023, for proceeds of \$203,500.
- h) On June 12, 2023, the consultant exercised 714,286 warrants for proceeds of \$214,286.
- i) On May 1, 2023, the Company entered into a one-year consulting agreement with the same consultant for similar capital market consulting services, for a total consideration of \$240,000, payable in monthly instalments during the duration of the contract. On September 1, 2023, the Company decided to prepay the full amount of the consideration in cash to the consultant. The Company recognized \$60,000 in consulting fees during the period ended September 30, 2023 (September 30, 2022 - \$nil) and had \$140,000 in prepaid expenses relating to this agreement at September 30, 2023 (June 30, 2023 - \$nil).
- j) On August 29, 2023, the consultant participated in the private placements (Note 15), acquiring 1,750,000 units for total proceeds of \$385,000.
- k) On November 2, 2023, the Company issued 1,323,076 stock options for no consideration as bonus for services rendered by the consultant. The consultant sent proceeds of \$172,000 to the Company in advance of exercising 1,323,076 options on November 7, 2023.
- l) On November 22, 2023, the Company issued 1,250,000 stock options for no consideration as bonus for services rendered by the consultant. The consultant sent proceeds of \$150,000 to the Company in advance of exercising 1,250,000 options on November 24, 2023.

20. Supplemental Cash Flow Information

	Period ended December 31, 2023	Period ended September 30, 2022
Non-cash activities:		
Acquisition of shares for services provided	\$ 43,200	\$ -
Fair value of finder's warrants issued	16,267	-

Fobi AI Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended March 31, 2024

(Expressed in Canadian dollars)

(Unaudited)

21. Subsequent Events

- a) On April 25, 2024, the Company entered into an amending agreement to the asset purchase agreement dated October 3, 2023 between the Company and Wallet Communications SL. Pursuant to the amended agreement, consideration payable to WalletCom shall comprise of an aggregate of 476,126 Fobi Shares at a deemed price of CAD\$0.088 per share for aggregate upfront consideration of C\$41,899. An additional earn-out for a further 1,559,844 Fobi Shares will be payable on. Additionally, at closing of the APA, it is expected that Fobi will assume approximately \$475 in liabilities from WalletCom.
- b) On April 25, 2024 the Company issued 770,421 common shares at a deemed price of \$0.076 to the registered holder of Sortido Cinzento, Unipessoal, LDA, as per the purchase agreement for payment of the First Anniversary Shares. pursuant to the Passworks acquisition.