CRYSTAL | EQUITY RESEARCH

IQ-AI, LTD.

Initial Report

May 27, 2022

IQAI / LSE
IQAIF / OTCQB

SPECULATIVE BUY
Initial

6.50 GBp
Initial Target

CAPITALIZATION	
Shares Outstanding 5/10/22)	182.6 M
Recent Price (5/26/22)	3.90 GBp
Market Capitalization	£ 7.12 M
+ Debt	-0- M
- Cash	0.73 M
Enterprise Value	£ 6.39 M
Book Value	£ 1.19 M
Working Capital	0.42 M
Dividend	Nil

Balance sheet figures as of 12/31/21
Values as reported in GBX

MARKET DATA	
Bid-Ask Spread, % Price	10.3%
52 Week High/Low	11.10-3.77 GBp
Shares Outstanding	182.6 M
Inside Ownership	22.6%
Institutional Ownership	15.4%
Estimated Flotation	141.35 M
Average Daily Volume	390 K
Short Interest, % of Float	na
Beta	3.18

Source: Bloomberg LP

INVESTMENT RETURNS	IQAI	Sector
Return on Equity	neg	22.54%
Return on Assets	neg	7.01%
Return on Capital	neg	14.59%

Source: Crystal Equity Research, CSI Markets

FINANCIAL PROFILE	FY20	FY21
Sales	£ 255,314	£ 521,069
(L)EBITDA	(570,191)	(356,892)
(L)EPS	(0.29) p	(0.49) p

Source: Company Reports

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HIGHLIGHTS

- **Favorable Demand Trends.** Large and growing installed base of MRI and CT medical imaging systems in hospitals and clinics; increasing incidence of disease for which images aid diagnosis and treatment monitoring. (Page 10)
- **Market Opportunity.** Minimal market penetration for artificial intelligence-enabled medical imaging solutions provides low hanging fruit for early entrants like Imaging Biometric. (Page 15)
- **Established Contender.** Firm market foothold for IB with portfolio of proven AI-driven software solutions that save time in diagnosis and reduce error in medical imaging analysis and interpretation. (Page 5)
- **Attractive Business Model**. High-margin software subscription model with majority recurring revenue stream; conservatively managed fixed operating budget yield strong operating leverage. (Page 19)
- **Financial Strength.** No debt and adequate cash resources to support operations while revenue scales to deliver profits. (Page 20)
- **Compelling Value.** Speculative Buy rating and 12-month target price set at intrinsic value of 6.50 GBp determined through comparative valuation exercise; 66% above the current price. (Page 22)

INDUSTRY: BIOTECHNOLOGY	IQAI: LSE, IQAIF: OTCQB

RECENT DEVELOPMENTS

IQ-AI Ltd. is a holding company investing in technologies based on artificial intelligence (AI). Its principal holding makes it one of the few publicly traded 'pure plays' in the fast-growing market for artificial intelligence-enabled medical imaging. Imaging Biometrics (IB) based in Wisconsin provides AI-driven software solutions to hospitals and clinics to improve the quality and detail of medical images generated by magnetic resonance (MRI) or computed tomography (CT) imaging systems. IB's solutions save time and reduce errors in imaging interpretation. IB's principal revenue generator is *IB Clinic*, a suite of medical imaging analysis tools for diseases of the soft tissues, particularly brain tumors and cancers.

In our view, IB is at an inflection point. It has successfully commercialized its AI technologies and has built an impressive network of distribution and marketing partners. The top cancer clinic in the U.S. recently adopted its flagship *IB Clinic* platform, providing arguably the strongest reference in the AI corner of the medical imaging market where no single contender dominates. We believe the path to profitability appears well mapped out with just the current product line.

However, in our view, what is even more interesting is IB's deep technology development pipeline that in the future could accelerate subscription growth when commercialized and sold to its building customer base. IB benefits from a 95% contract retention rate and has lost only one customer relationship over the last five years. Icing on the cake is IB's strategic plan to expand into therapeutics. In April 2022, IB began enrollment in a Phase I clinical trial for a gallium maltolate (GaM) compound as a cancer treatment. Earlier clinical trials found low toxicity for GaM, providing encouragement for a successful Phase I trial outcome early next year.

RECOMMENDATION

We initiated coverage of IQ-AI Ltd. common stock with a Speculative Buy rating. In our view, at the current share price the Company is undervalued given the earnings potential of the medical imaging technologies already commercialized by its principal holding in Imaging Biometrics as well as IB's deep pipeline of new products under development. We estimate the intrinsic or current value of IQAI is GBp6.50.

In our view, the current share price represents a compelling entry point into long positions for investors with extended investment horizons. Our target price twelve to eighteen months out is set modestly at the stock's implied intrinsic value of GBp6.50, representing 66% upside potential return from the current price level.

We note that investors have two choices for taking a position in IQ-AI Ltd. Its shares are listed on the London Stock Exchange under the symbol IQAI. The Company is a fully reporting public company in the United Kingdom and follows disclosure requirements for London Stock Exchange listed securities. The shares are also quoted in the U.S. equity market as IQAIF on the OTCQB, which lists primarily early-stage and developing companies. That said, IQAIF does not trade consistently every trading session the OTCQB is open.

VALUATION

Price/Sales	14.2 X
Price/Cash Flow	neg
Price/EPS	neg
Price/Book Value	6.0 X
Consensus EPS 2022	na
Forward PE	na

Per share figures estimated 5/10/22

OPERATING PROJECTIONS

GBX	2020A	2021A	*2022E*	*2023E*
Sales	£ 255,314	£ 521,069	£ 800,000	£ 1,150,000
Operating (Loss)	(685,695)	(490,366)	(456,750)	(240,250)
CFO (U)	(423,222)	(288,759)	(378,814)	(138,825)
EPS (LPS)	(0.48) p	(0.29) p	(0.24) p	(0.12) p

Great Britain Pounds in thousands except per share earnings (loss)

Company Reports and Crystal Equity Research Estimates

INVESTMENT POSITIVES

- Installed base of 13,000 magnetic resonance imaging (MRI) systems in the U.S. and 50,000 units in world provide a rich target market for the fully compatible image analysis applications of the Company's principal holding, Imaging Biometrics (IB).
- Significant incidence of brain and nervous system disease in the U.S., where 24 out of every 100,000 adults are found to have a tumor, create growing demand from physicians for MRI scans for diagnosis, treatment planning and recovery management.
- Market penetration accelerated in the last year as Imaging Biometrics landed the top cancer clinic as a customer for its flagship *IB Clinic – Container Edition.* The application will save time in diagnostics and reduces errors in image interpretation.
- Pacts with sellers of complementary medical imaging solutions enable low-cost customer acquisition by leveraging the partners' marketing and sales infrastructure.
- Relationships with the healthcare community and medical researchers elevate industry visibility and drive IB's artificial intelligence knowledge base.
- Recent addition of a subscription model for IB's software applications provides flexibility for end users and increases recurring revenue streams.
- Building installed base with sticky customer relationships and next-to-zero churn in licenses and subscriptions.
- High-quality revenue stream composed of 95% recurring sales from renewable software subscriptions and maintenance contracts.
- Strong new product pipeline with at least a half dozen AI-driven software development projects underway, four of which are nearing completion and commercial launch.
- Pivotal entrance into development of therapeutic compounds with a Phase I clinical trial for a gallium-maltolate compound for brain tumor treatment.
- Talented leadership in IB's C-suite and its parent's boardroom with experience in life sciences, marketing and sales, finance and executive leadership.
- Strong balance sheet with no debt and adequate working capital to support operations and current product development projects.
- Based on discounted cash flow analysis and comparable valuation methods, the estimated intrinsic value of IQIA is GBp6.50 per share, indicating 66% undervaluation at the current share price.

INVESTMENT RISKS

- Both direct and indirect competition from companies with far greater financial resources and well-staffed marketing and sales organizations targeting the medical imaging sector.
- Limited staff in the Company's primary holding Imaging Biometrics, all of whom already have multiple responsibilities across finance, strategic planning, marketing and sales functions.
- Translation risk as the functional currency of the Company's primary holding is the U.S. dollar and the reporting currency is in the Great Britain pound.
- Holding company structure adds layers of complexity to financial performance analysis, mitigated only partially by the Company's publication of financial reports on the corporate website.
- Added burden of due diligence for U.S.-based investors given listing on foreign stock exchange and financial reporting pursuant to unfamiliar regulatory requirements.
- Prospect of variability in value given above average price volatility as evidenced by beta measure of 3.18.
- Potential for immediate loss in capital given relatively significant bid-ask spread. Currently bid-ask spread is 10.3% of the asking price for London Stock Exchange listed shares.
- Potential for dilution if the Company must issue common stock to raise capital for its principal portfolio holding. Imaging Biometrics has not yet reached profitability and must use cash resources to support operations and product development projects.
- Rating and target price based on uncertain estimates of sales and profit margins using a mix of assumptions related to business relationships, pricing, customer contracts, clinical trial outcomes, and regulatory actions.

Table I: Medical Imaging Industry Calendar

Date	Event	Sponsor
June 2022	World Congress on Biophysics, Imaging of Skin; Berlin, Germany	ISBS, Germany
June 2022	Radiology Conference; Dublin, Ireland	Global Radiology CME, Israel
July 2022	Medical Imaging with Deep Learning; Zurich, Switzerland	Lübeck, Germany
October 2022	MRI of the Head and Spine National Symposium, Las Vegas, USA	Educational Symposia, USA
January 2023	3rd Global Image Processing Symposium; Hangzhou, China	ICCRD, China

Source: Corporate Websites

DESCRIPTION - artificial intelligence portfolio

Based in the United Kingdom, IQ-AI Ltd. is a holding company with a focus on artificial intelligence technology investments. Its principal holding acquired in March 2018, is Imaging Biometrics, LLC, a Wisconsin-based provider of software solutions for medical imaging diagnostics. Artificial intelligence technologies are at the foundation of Imaging Biometrics (IB) software applications, which are licensed or sold by subscription to hospitals and clinics.

IB was co-founded in 2007, by Dr. Kathleen Schmainda, a leading expert in perfusion medical imaging technology, and her spouse Michael Schmainda. An experienced executive in the life sciences sector, M. Schmainda is presently a senior officer at IB and is a member of the IQ-AI Ltd. board of directors. Dr. K. Schmainda has continued as a professor of biophysics at the Medical College of Wisconsin, but remains an important collaborator in IB's technology innovation and product development. Her reputation and visibility as a researcher in medical imaging technology continue to benefit IB.

The portfolio of IQ-AI also includes StoneChecker Ltd. with its software solution for analysis computer tomography images of kidney stones. The Company received market clearance from the U.S. Federal Drug Administration for the StoneChecker application. However, marketing efforts are limited since the Company made a strategic decision to prioritize other technologies for commercialization.

In this report IQ-AI is referred to as 'the Company' and Imaging Biometrics is identified as 'IB'.

PRODUCTS - meeting needs in healthcare

IB has been highly responsive to its markets by developing software applications to meet the needs of practicing physicians using medical imaging tools for diagnosis, presurgical planning and treatment monitoring. Even the highly vaunted magnetic resonance imaging (MRI) technology is subject to interpretation. Contrast-enhanced scans are common, but they can be highly variable depending upon the scanner platform, field strengths and system instabilities. The Company notes that there can be disagreements among neuro-radiologists up to 60% of the time in assessing tumors and evaluating treatment response.

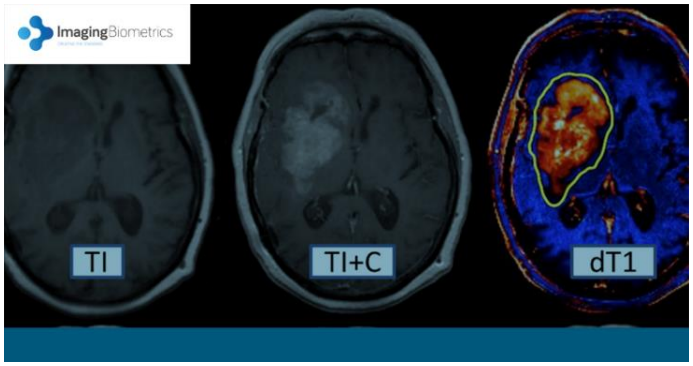
Furthermore, MRI technology has not been immune to error. The University of Vermont and the University of Southern California Medical Center teamed up for research that determined 69% of interpretations of MR images had at least one discrepancy. The study was based on 357 body MRI reports that were captured between January 2015 and December 2108. Most of the errors were a misidentification of a finding, the type of error that could lead to incorrect or delayed treatment plans. With such high stakes, practitioners have called for software solutions that can enhance diagnostic image results, speed interpretation and reduce error.

IB Clinic with IB Neuro - IB's products are aimed at overcoming challenges in medical imaging. Designed as an independent software plug-in, the *IB Clinic* suite of software applications, is fully compatible with images generated by both magnetic resonance imaging (MRI) and computed tomography (CT) technology. The *IB Clinic* suite includes IB's flagship application introduced in 2007, called *IB Neuro*, which analyzes specialized perfusion scans based on a particular MRI sequence. *IB Clinic – Container Edition* can be used in various computing environments, including PC, UNIX and macOS.

IB Diffusion and IB DCE - In 2008, IB introduced its second application *IB Diffusion* for analysis of images rendered by diffusion MRI exams. The most recently introduced application *IB DCE* is used for perfusion MRI analysis. It is intended for scans of the whole body, but provides the most accurate measurement of blood brain leakage in the medical imaging market.

For the uninitiated to medical imaging using MRI scanners, diffusion weighted MRI measures the mobility of water molecules to get information on soft tissues in the body such as the presence of macromolecules, the permeability of membranes, and the equilibrium of intracellular and extracellular water. The perfusion weighted MRI scan shows the amount of blood taken up in certain areas of the brain. Perfusion MRI helps physicians recognize areas of increased vascularity that is often associated with diseased tissue, making easier the diagnosis and assessment of brain tumors, stroke and neurodegenerative diseases.

IB Delta - The *IB Delta* suite is used to generate quantitative 'Delta T1 maps', which help to streamline routine radiology workflows, saving time and expense while delivering automated results comparable to expert interpretations of scan images. The proprietary application features an AI-based image standardization approach that simplifies the interpretation of images by removing complexity related to the specific magnetic resonance acquisition technique and scanner type.



Marketing Strategy

Investors might be dismayed to learn Imaging Biometrics has no dedicated business development, marketing or sales staff. Nonetheless, IB has accumulated thirty-five customer relationships and have lost only one customer in the last five years. The exceptional retention rate is largely the result of 'high touch' customer relationship management that involves senior management and two well-qualified software developers who joined IB in the last year. Through professional consulting contracts IB also has access to experts in coding for artificial intelligence applications and aspects of its.

IB accumulated its impressive customer base largely through a building network of market partners and affiliates, most of which already have assembled a team of sophisticated marketing and sales personnel. Adoption of IB's software applications often requires a highly technical discussion subsequent to IB's affiliates and partners making the initial introductions. At this point IB's senior officers field questions and coordinate the participation of its own software developers as well as and contracted experts to answer a prospective customer's questions in detail.

We believe the arrangement of leveraging the marketing and sales infrastructure of partners and affiliates has been an economical customer acquisition strategy. It has also meant that IB has reached in a shorter time frame a wider audience via its partner's installed base and customer lists than what might have been possible if IB had tried to build its own marketing and sales organization.

IB is also building on relationships with customers among widely recognized cancer centers. For example, in November 2021, MD Anderson Cancer Center adopted *IB Clinic – Container Edition*. MD Anderson at the University of Texas is widely regarded as the top cancer treatment facility in the U.S. IB leadership is actively courting other cancer centers in the U.S. The National Cancer Institute has designated 71 cancer treatment facilities in the U.S. as meeting rigorous standards for cancer treatment and research.

IB executives court potential customers through electronic messaging, podcasts and a social media presence. The team participates in medical equipment trade shows and medical seminars focused diagnostic imaging. Additionally, a member of the management team may participate in grand rounds at key hospitals where recognized experts discuss particular clinical issues related to a particular patient. To elevate recognition of its brand name and products, IB actively cultivates relationships with clinical researchers who may mention IB in research papers published in scientific journals.

Market partnerships. We believe four market partnerships are particularly important to IB.

IB has a well-established relationship with TeraRecon, an independent provider of advanced image processing using CT, MRI and positional emission tomography (PET) technologies. TerraRecon has been quick to adopt artificial intelligence applications such as those of IB to bundle with its various medical visualization solutions. TeraRecon features IB in its 'partner showcase' among industry leaders such as IBM's Watson Health. Yole Development, an industry research firm, rated TeraRecon as one of the key enablers in the adoption of artificial intelligence technology in the medical field because of its relationships with hospitals and radiology companies. Crunchbase, a business intelligence platform, reports that TeraRecon recorded US$37.5 million in total sales in 2021. Owned by SymphonyAI Group, a portfolio of business-to-business AI companies, TeraRecon claims 1,500 installations in the U.S.

Blackford Analysis Ltd. also lists IB as a platform partner. A spin-out from the University of Edinburgh, Blackford offers a curated marketplace to access, compare and management medical image analysis applications. Blackford partners with AI technology and application providers like IB to ensure multiple imaging applications are available for its end users. Business intelligence resource RocketReach.com estimates Blackford Analysis' annual revenue is near US$6.0 million. Notably, it's revenue run rate could change dramatically beginning yet in 2022. In December 2020, Blackford announced a development and license agreement with Bayer AG (BAYN: DE) to establish a digital platform for medical imaging. In announcing the collaboration, Bayer representatives indicated its arrangement with Blackford will accelerate its own innovations. In May 2022, Bayer announced a global launch event on June 30, 2022, for its new 'Calantic Digital Solutions' to automate routine radiology department tasks. 'Calantic' is among Bayer's registered trademarks.

QMenta offers a cloud-based platform to streamline the medical imaging workflow for running clinical trials. Like the others, QMenta counts IB among its 'official partners' and has incorporated all IB's modules, including *IB Neuro*, *IB Delta*, *IB Diffusion* and *IB DCE* on its platform. Business intelligence resource GrowJo.com estimates QMenta's annual revenue is near US$4.8 million per year.

Arterys, Inc. is a medical imaging platform combining AI with cloud computing. It claims the first U.S. FDA approval for cloud computing and deep learning in a clinical setting. Its platform is intended to unify access to different AI imaging tools in one interface to save time in image review and analysis. IB has a commercial distribution partnership with Arterys that allows end users to access all the IB modules through the Arterys cloud-based marketplace. GrowJo estimates Arterys annual revenue is near $19.3 million.

In addition to the four affiliations highlighted above, IB lists Aycan Medical Systems, Envoy, SNRTech, Medimsight, Acton Engineering and Cortechs.ai as resellers of the various *IB Clinic* modules.

NEW PRODUCT DEVELOPMENT - horizontal and vertical growth plans

In 2021, Imaging Biometrics leadership made the important strategic decision to expand horizontally through the development of a therapeutic candidate in the neuro-oncology field.

To that end IB is sponsoring a Phase I clinical trial focused on the use of Gallium Maltolate (GaM) as a treatment for glioblastoma, a tumor of the brain. GaM is a metal-based compound with anticancer attributes. GaM tricks cancer cells into consuming GaM instead of iron, thereby starving the tumor and retarding cancer growth. Prior FDA-approved clinical trials demonstrated low toxicity, providing encouragement for further study of GaM as a brain cancer treatment.

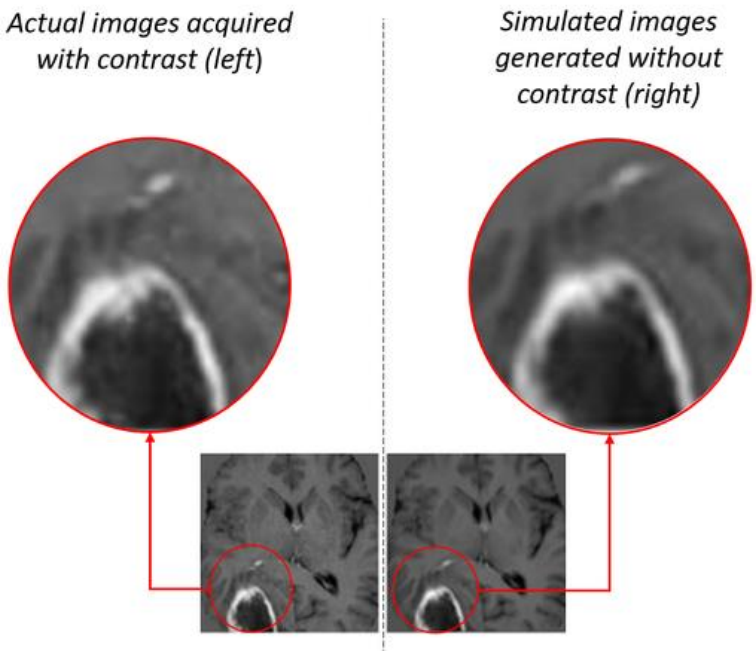
After receiving in June 2021, approval by the U.S. FDA for an investigation new drug (IND) application, the clinical trial is being conducted by the Medical College of Wisconsin. Patient enrollment commenced in April 2022, and will ultimately consist of 16 to 24 patients. The first dose of GaM compound was administered orally in early May 2022. The trial calls for two-month MRI scan intervals to measure results. IB plans to apply for orphan drug status for the GaM compound, since it is aimed at a relatively rare brain disease. Approval of orphan drug status by the U.S. FDA could extend market exclusivity and improve investment returns.

Imaging Biometrics has a deep pipeline of applications under development to extend its AI-based medical imaging solutions portfolio.

Among the most advanced is *IB Zero G*, an application for automated processing of images captured without the use of gadolinium-based contrast agent. In June 2021, IB was awarded U.S. patent protection for the AI technology embedded in the *IB Zero G* module.

In the fully automated application, medical images made without the use of contrast agents are accepted as inputs. The application then produces an image series that mimics contrast-enhanced images in comparable diagnostic quality. *IB Zero G* is compatible with all MRI systems.

IB leadership expects *IB Zero G* to appeal to end users that need to eliminate gadolinium-based contrast agents. Gadolinium is a heavy metal that when injected into patients is useful in highlighting abnormal tissue. However, it stays in the body and could accumulate in those patients requiring numerous scans over an extended period to manage long-term post-surgical care. Additionally, eliminating the need for contrast agents shortens the amount of time a patient must be in the MRI scanner and reduces overall testing costs.



IB has recently prepared a pre-market 501(k) application to the U.S. FDA, which is expected to be submitted in the near-term. The application claims *IB Zero G* is safe, effective and substantially equivalent to a legally marketed device. IB leadership expects a favorable response within three months, enabling commercial introduction of *IB Zero G* before the end of 2022.

Imaging Biometrics has entered into a joint venture with the Mayo Clinic to develop a brain lesion tracking platform, which IB has named *IB Trax*. The Mayo Clinic will provide direct clinical input for use by IB's quantitative technologies. The objective is an automated platform to track both metastatic and primary brain tumors over time. Currently, radiologists review MRI scans manually, which is time consuming and prone to error. The *IB Trax* application will systematically identify, quantify and report changes to lesion volumes over time. IB leadership estimates there are over two million MRI exams that could be automatically processed through *IB Trax* instead of occupying the time of radiologists.

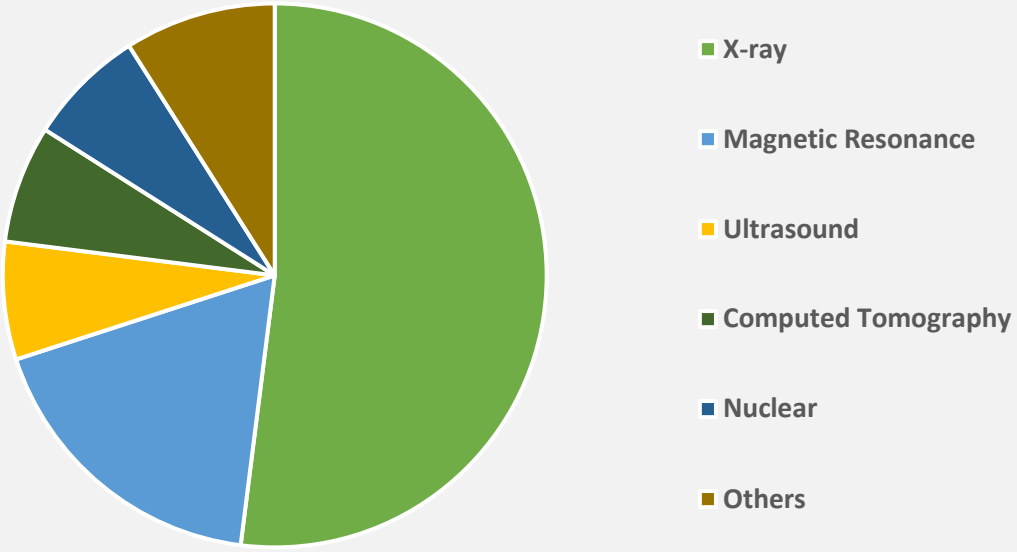
IB has developed a novel perfusion imaging sequence combined with a post-image processing method called *Spiral Perfusion Imaging with Consecutive Echoes* or *SPICE*. The approach generates two sets of output with one MRI scan: dynamic contrast-enhanced (DCE) and dynamic susceptibility contrast (DSC). Importantly, with IB's *SPICE* application the MRI exam requires half of the gadolinium-based contrast agent as is usually required. This 'dual-echo' technology received patent protection in the European Union in September 2021, and was previously awarded patent protection in the U.S. IB leadership expects *SPICE* to be well received in the medical imaging market because it has the potential to reduce contrast agent costs, simplify workflows in radiology departments and save time in arriving at a diagnosis. Improved image quality is expected to be particularly well received in neuro- and oncology-treatment settings.

Using inputs from *IB Delta T1* and *IB Neuro* perfusion maps and technology from the *IB Zero G* application, IB is developing a new module to generate automated *Fractional Tumor Burden (FTB)* maps. Such maps can be used to make clinical decisions on high-grade brain tumors that present challenges in distinguishing brain tumor progression from treatment effect. *IB FTB* will enable volumetric assessment of change in tumors and will simplify visualization of classification volumes.

MARKET OPPORTUNITY - medical imaging installed base large and growing

Medical imaging has become an indispensable tool in health care by allowing physicians to better understand medical conditions inside the body. According to the World Health Organization (WHO), approximately 3.6 billion diagnostic procedures are performed worldwide every year using medical images. Emphasis on controlling chronic disease and early diagnosis as well as advances in treatment planning are driving need for diagnostic imaging services and demand for more and better imaging equipment and software. The introduction of technologically advanced imaging equipment is one of the factors contributing to favorable imaging market trends. For example, artificial intelligence-based systems make rapid diagnosis and predictive analysis possible. Particularly in developed countries, AI-enabled applications are increasing medical image system utilization and stoking demand for more imaging solutions.

Chart I: Global Diagnostic Imaging Market



Source: Expert Market Research, Fortune Business Insights; 2020

Imaging Biometrics applications are particularly helpful with diseases of the brain and nervous system, a disease state of significant size and growth. According to the National Center for Biotechnology Information, in 2017, the U.S. the incidence rate for primary brain and nervous system tumors in adults was approximately 24 per 100,000 persons. About one-third of tumors or 8 out of 100,000 tumors were malignant. Worldwide the incidence of malignant brain and nervous system tumors is about 5.6 out of 100,000 patients. An aging population, air pollution and ionizing radiation are cited as factors leading to an increase in brain and nervous system disease.

There are several alternatives available to physicians. X-ray technologies remain the most prevalent, but Magnetic Resonance Imaging or MRI has climbed from just a dozen units in the early 1980s when it was introduced to tens of thousands of units in use around the world. The technology now represents the second most popular diagnostic imaging resource behind X-ray.

Magnetic Resonance Imaging

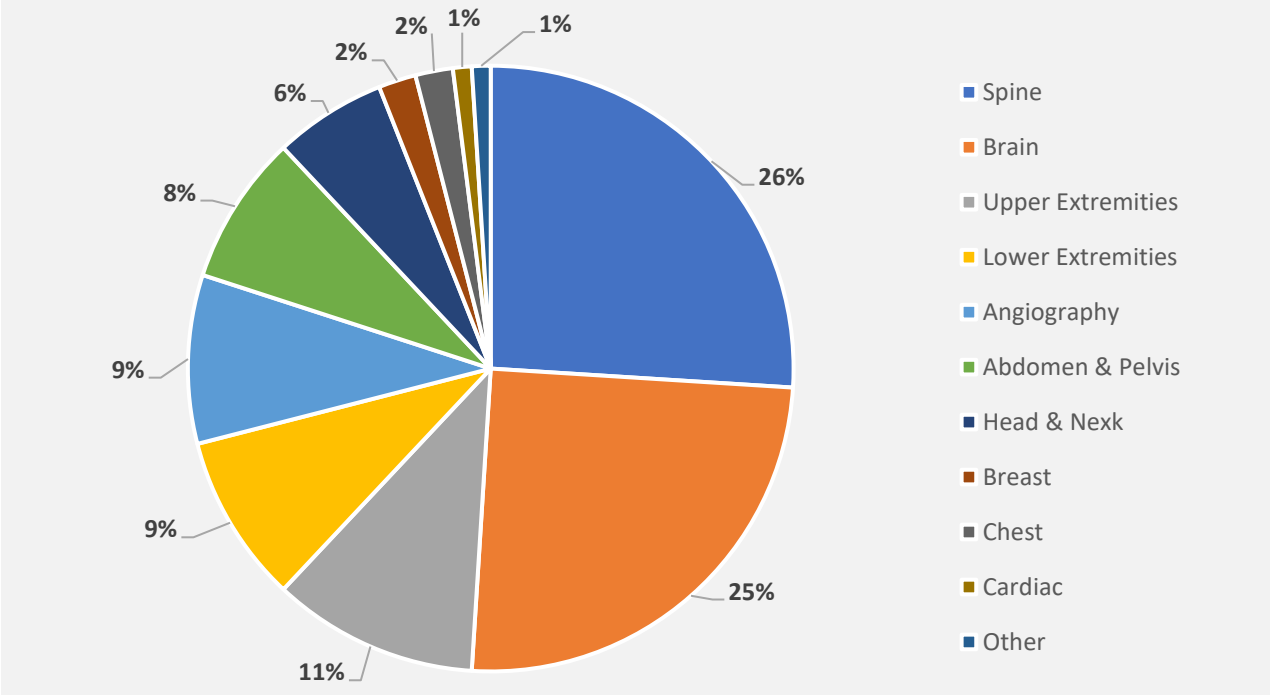
Medical equipment using MRI technology produces detailed three-dimensional anatomical images of the human body. The images are used by medical practitioners for disease detection, diagnosis and treatment monitoring. The MRI scanner is particularly useful in examining non-bony body parts or soft tissues in the body. Thus, physicians often turn to MRI to help patients who have brain, spinal cord or nerve disease or damage. It can also be used in examining muscles, ligaments and tendons.

The Magnetic Resonance Journal reports that approximately, 26% of MRI examinations are performed on the spine and 25% on the brain. The balance of exams involved upper extremities, lower extremities, abdomen and pelvis, chest and breast. Data from the European Magnetic Resonance Forum (EMRF) reveal that examinations of the spine and brain represent just over half of exams performed on MRI unit. Diagnosis of problems in the upper extremities is also facilitated by use of images generated on MRI units. These three organ groups account for two thirds of total MRI exams.

According to the National Center for Biotechnology Information, there are over 13,000 MRI systems in use in the United States alone. Worldwide the installed based is over 50,000 units. The Magnetic Resonance Journal estimates that approximately, 5,000 new machines are placed each year as both new installations and replacement machines. Japan has the highest per capital number of MRI units, followed by Switzerland and the U.S. in second and third places.

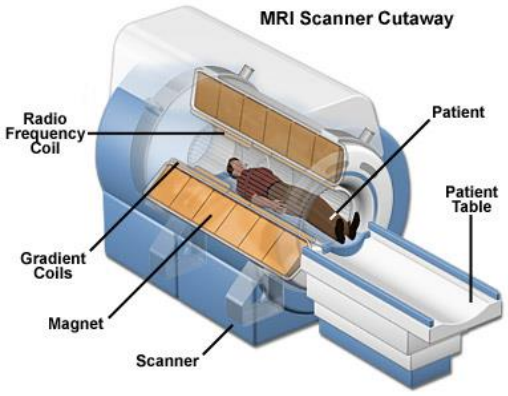
Thus, the largest markets for MRI machines and by extension Imaging Biometrics is the United State, Europe and Japan. The U.S. and Europe purchase approximately 25% of the new units sold each year and Japan purchases approximately 15% of the new units.

Chart II: Magnetic Resonance Imaging Exams by Organ



Source: European Magnetic Resonance Forum

IMAGING TECHNOLOGY BASICS

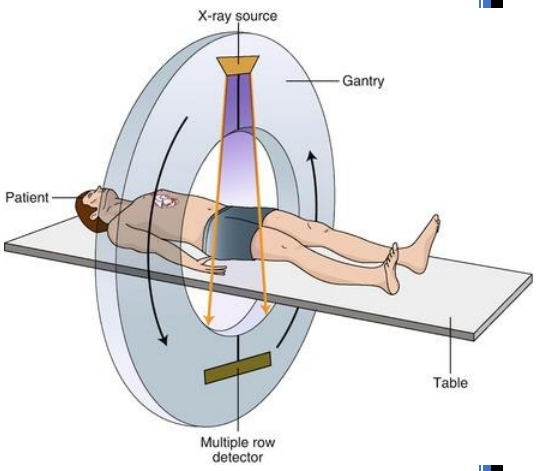


MRI machines use powerful magnets to produce a magnetic field that is strong enough to induce a resonance effect in hydrogen atoms in the body. When a patient is placed in the examination area of the machine, a radiofrequency current is pulsed through the patient's body, protons in the hydrogen atoms are stimulated. The protons spin out of equilibrium and struggle against the pull of the magnetic field. When the radiofrequency field is turned off, sensors in the MRI machine detect the energy released as the protons realign with the magnetic field.

Realignment of the hydrogen protons with the magnetic field is the key to producing the desired images. The MRI sensors measure the time it takes for the protons to realign with the magnetic field and the amount of energy released. These two measures vary depending upon the position and the chemical nature of the molecules. With this 'magnetic' data an image is created, providing the visualization of the body's internal structures. Physicians can tell the difference between various types of tissues.

Modern MRI scanners can be adjusted to generate scans with a particular appearance by changing the number of radiofrequency pulses and gradient. The results of such adjustments are at least five different groups of MRI sequences, includingT1 weighted, T2 weighted, or diffusion weighted. T1 weighted sequences rely on scans using gadolinium-based contrast agents.

Contrast agents are often used to accelerate the proton realignment step in the MRI scanning process. The result is a brighter image that improves physicians' analysis. The contrast agent is injected into the patient intravenously. A silvery-white rare earth element called gadolinium is frequently used because its side effects are usually mild such as injection site pain, nausea, itching or rash.



Computed Tomography or CT scans are composed of a series of X-ray images taken from different angles around the patient's body. X-ray beams pass through the body and are absorbed in different amounts depending upon the density of the material. Computer analysis of the captured data provides a detailed three-dimensional view of the bones, blood vessels and soft tissues inside the body. Contrast agents are also used with CT scans, either in an oral solution or an intravenous injection. The most common contrast agents for CT scans are barium- and iodine-based depending upon patient needs.

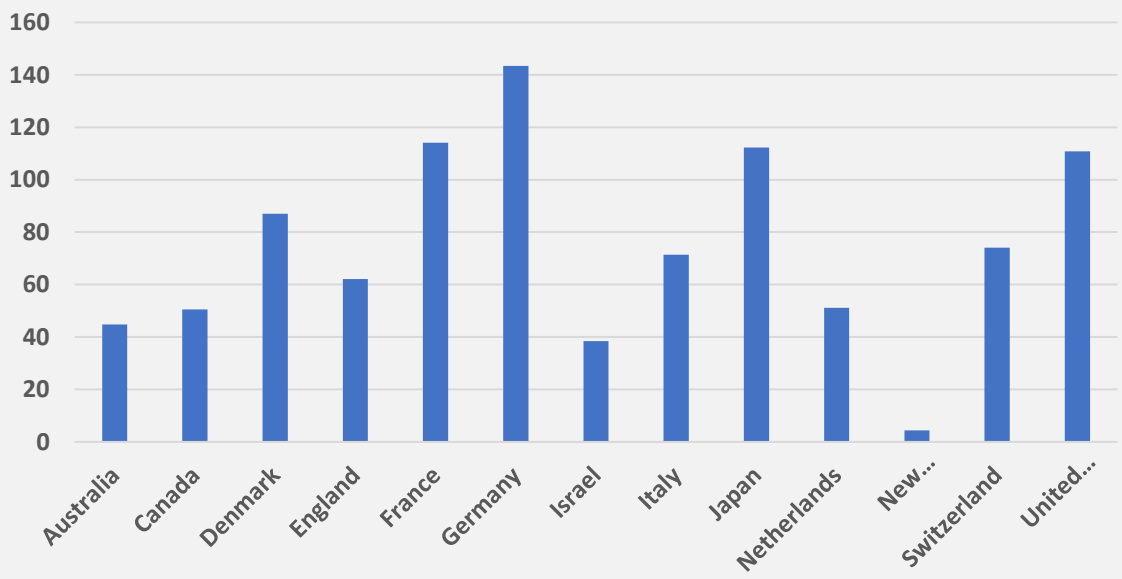
Computed Tomography

Another diagnostic tool, with which Imaging Biometrics offers software applications can be used, is Computed Tomography or CT. It is sometimes called Computed Axial Tomography or CAT scan. Since its introduction to modern medicine in the 1970s, CT technology has become a popular diagnostic tool for diseases of the muscle and bone, such as bone tumors and fractures. The CT scan helps define the location of a tumor, infection or blood clot. It can also be used to guide various procedures during surgery or a biopsy. CT scans can also be used to detect and monitor cancer, heart disease or liver disease.

Doctors may turn to a CT scan for patients for which an MRI exam is not advised. The powerful magnets in the MRI units can interact with any metal in the vicinity. Patients who have metal implants, such as pacemakers, drug infusion pumps, or cochlear implants, among other common medical devices, should not be exposed to the magnets in an MRI.

According to the National Center for Biotechnology Information (NCBI), there are approximately 8,000 CT scan units in use in the U.S. and possibly over 30,000 worldwide. Over 80 million CT scans were performed in 2020 in the U.S. alone. This compares to 3 million in 1980, when the technology was still new.

Chart III: Magnetic Resonance Imaging Exams by National Population*



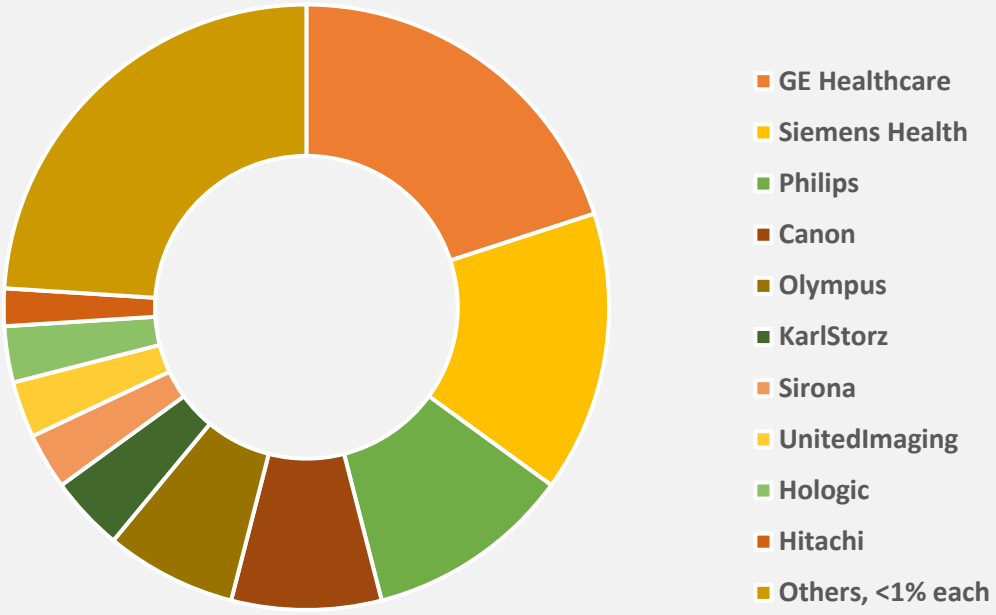
*Exams per 1,000 population
**Data not available for Brazil, China, India, Singapore, Sweden or Taiwan where MRI units are known to be in use.

Source: The OECD, 2019

COMPETITIVE POSITION - turning foes into friends

According to industry research firm Grand View Research, in 2020 the value of the global magnetic resonance imaging market was US$5.3 billion. Grandview estimates the market could grow at a compound annual rate of 6.0% through 2028. The increasing prevalence of diseases related to the spine, brain tumors and stroke are the principal drivers of MRI demand. The availability of effective diagnostic procedures such as visualization software are helping to fuel interest in MRI for diagnosis and treatment planning. Advancements in analytical software, including diffusion imaging, perfusion imaging and neuroimaging, are also expected to boost interest in MRI systems.

Chart IV: Medical Imaging Equipment Producers Market Share



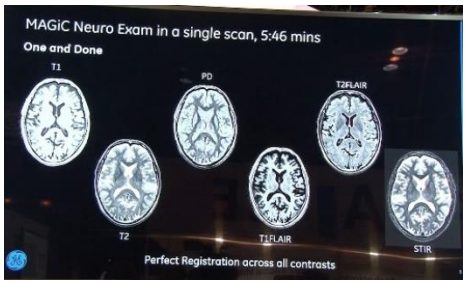
Source: Yole Development, 2020

The adoption of advanced software application to work with MRI scans, especially those with embedded artificial intelligence (AI) algorithms, represents a potential threat to incumbent players in the medical imaging sector. However, for others with an established AI technology base like Imaging Biometrics, it is a lucrative opportunity. AI has the potential to change diagnostic practices and treatment procedures to enable more personalized and effective health care. Yole Development estimates the total market for AI tools could reach $2.9 billion by 2025, representing a 36% compound annual growth rate between 2019 and 2015. Yole included in this measure of market opportunity not only the improved image capture and reconstruction applications such as those produced by Imaging Biometrics, as well as noise reduction, screening, diagnostic and treatment planning.

Fast growing markets nearly always inspires new contestants. This means there is likely no safe harbor for Imaging Biometrics even with its highly proprietary and innovative solutions. The Company must face off against both direct and indirect competition composed of a wide variety of players, from multinationals to disruptive start-ups.

The Giant

The Healthcare subsidiary of General Electric (GE: NYSE) is among the top producers of MRI equipment. As such GE Healthcare is more ally than competitor for Imaging Biometrics. However, GE Healthcare also offers software to enhance the imaging results, which could put it in direct competition the Company.

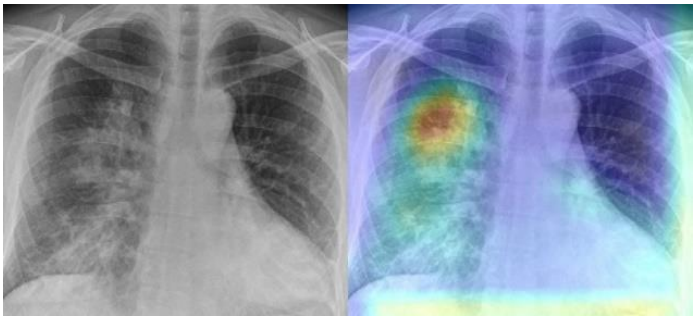


GE's Magnetic Resonance Image Compilation Software (MAGiC) was approved by the U.S. Federal Drug Administration (FDA) in 2016. GE Healthcare partnered with SyntheticMR based in Sweden to develop the software to accelerate brain scans. The software manages various contrasts for different views of the brain. It was compatible with all GE MRI machines already installed prior to 2016 and now comes already installed on all GE MRI units.

The IB team notes that GE's application has not yet presented a threat to IB's market penetration or customer conversion efforts. The IB software applications appear to be sufficiently robust to gain customer interest even among users of GE's imaging equipment. Since IB's applications are equipment-agnostic, its applications are still marketable alongside GE's offering.

Rising Players

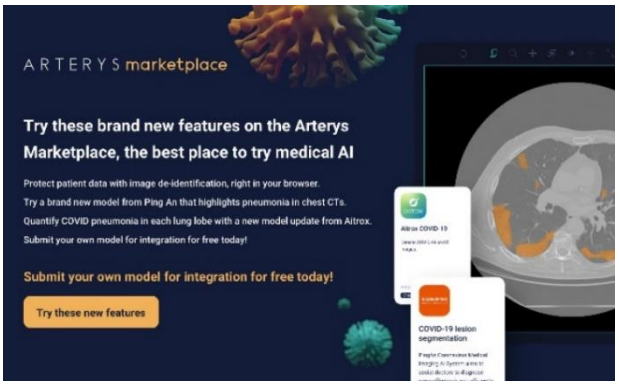
Behold.ai is typical of a well populated group of newcomers to the medical imaging field, many of which are bringing sophisticated artificial intelligence technologies to the sector. It uses AI-driven applications to help radiologists accelerate lung cancer diagnosis using medical images of the chest. Its 'red dot' algorithm is based on deep learning models using over 30,000 chest X-rays with detailed annotations from certified radiologists.



The marketing message of Behold.ai is similar to that of Imaging Biometrics - invest to accelerate and reduce errors in the diagnostic process. Behold.ai is not a direct competitor in the sense that it offers the same product. However, it is vying for a share of the medical imaging equipment investment budget at hospital or clinic where IB is calling, illustrating the intense indirect competition in the field.

Contender Turned Ally

Arterys, Inc. introduced the first application to visualize and quantify blood flow in the body using MRI. It was also the first applicant to receive FDA approval for clinical cloud-based deep learning in healthcare. Besides first move status, Arterys has excellent results to brag about in its sales pitch. The Arterys AI-driven lung application helps to reduce missed detections by as much as 70%.



Fortunately, for Imaging Biometrics, Arterys took a turn in 2019, launching the first viewer-based AI marketplace for medical imaging. Developers can share their AI-driven content on the Arterys Marketplace, which is accessed by users through an Internet browser. In August 2020, IB entered into a non-exclusive distribution agreement with Arterys so potential customers can access IB's solutions for trial and purchase on the Arterys Marketplace. This makes Arterys more ally than contestant, exposing IB applications to hospital or clinic customers that are already disposed to make an investment in new imaging technology.

OWNERSHIP AND LEADERSHIP

IQ-AI Ltd. is led by its chairman, Trevor Brown, a real estate developer and investor. Brown has extensive experience in executive management and entrepreneurship through a series of leadership positions in public companies, including Feedback plc, MRS plc and Remote Monitored Systems, plc. He currently holds director positions at Chamberlin plc and Braveheart Investment Group plc.

One of the holding company's non-executive directors, Vinod Kaushal, brings significant pharmaceutical industry experience to IQ-AI. He was part of the team at AstraZeneca plc (AZN: Nasdaq) that launched the highly successful Losec and Prilosec products. Kaushal was previously head of global marketing at Novo Nordisk and held key positions at Fresenius Kabi, General Electric Health's Amersham subsidiary and Royal Numico/Danone. Additionally, he has been involved in several pharmaceutical and healthcare transactions and investments. Kaushal holds degrees in biochemistry and business. He is a member of the Remuneration Committee.

Brett Skelly was appointed to the board of IQ-AI in 2021. He is affiliated with GBAC Ltd, an accounting firm in South Yorkshire, UK, which provides business planning, account preparation and auditing services. Skelly has been instrumental in mergers and acquisitions as well as management buyout transactions. He is the holding companies accounting officer and is a member of the Remuneration Committee.

Table II: Insider and Significant Ownership

Name	Position	Stock	Experience/Education
T. Brown	Chairman, Director	32.2	Real estate investment
M Schmainda*	CEO, Director	9.1**	Medical imaging entrepreneurship
V. Kaushal	Director, I, 1	-0-	Health care industry management, drug launch
B. Skelly	Director, I, 1	-0-	Investment banking, finance
T. Dondlinger***	CFO, COO**	-0-	Operations, finance
Offices and Directors as a Group		41.3 M	22.6% of outstanding ordinary shares
5% Holders as a Group		61.9 M	33.9% of outstanding ordinary shares

** CEO of Imaging Biometrics*
***Shareholding of K. Schmainda, spouse of M Schmainda; excludes 6.0 million options granted to M. Schmainda in January 2022*
***CFO and COO of Imaging Biometrics*

I Independent Director
1 Remuneration Committee

Source: Company Reports and Crystal Equity Research Estimates

As the co-founder of Imaging Biometrics, Michael Schmainda, is the fourth member of IQ-AI's board of directors. He has been involved with multiple pursuits in the medical imaging markets for over two decades. Prior to founding Imaging Biometrics, Schmainda held various positions of leadership with 3M Corporation in the life sciences sector. He was president and chief operating officer of Prism Clinical Imaging, a developer of clinical solutions for treatment planning and management of brain tumors and other neurological disorders. Schmainda is the husband of Dr. Kathleen Schmainda, co-founder of Imaging Biometrics.

Significant Shareholders

Kathleen Schmainda, Phd. is a co-founder of Imaging Biometrics and was centrally involved in the development of IB's software products and service. Subsequent to the acquisition of Imaging Biometrics she holds 9.1 million shares of IQ-AI Ltd, which is noted in Table II above listing insider under M. Schmainda, the co-founder of Imaging Biometrics and Director of IQ-AI Ltd. The K. Schmainda position is also included in the aggregation of 5% holders.

Dr. Schmainda is a professor of biophysics at the Medical College of Wisconsin where magnetic resonance imaging methods to assess brain tumors is a focus of her laboratory. She holds multiple advanced degrees in biomedical, electrical and medical engineering from Marquette University, the Massachusetts Institute of Technology and Harvard University. In 2020, she was elected as a Fellow of the International Society of Magnetic Resonance in Medicine. Dr. Schmainda is listed as 'inventor' in several patents awarded by the U.S. patent office for related to magnetic resonance imaging and use of gadolinium contract agent as well as perfusion imaging.

HISTORIC FINANCIAL PERFORMANCE

As a holding company IQ-AI Ltd. reports the results of its investments on a consolidated basis. The functional currency of its principal investment, Imaging Biometrics, is the U.S. dollar, which is translated in the Company's reporting currency the Great Britain pound. The Company does not disclose the results of Imaging Biometrics in its functional currency. For the purposes of discussion, we have displayed the Company's historic results as reported in the Great Britain pound and then for the convenience of investors we provide a translation in U.S. dollars. The historic figures in the U.S. dollar may differ slightly from the actual, but undisclosed figures reported by Imaging Biometrics to its parent IQ-AI Ltd.

Historic financial results are shown in Tables IV through VII, beginning on page 25 of this report. We made adjustments in the balance sheet and income statement presentation to conform with the format generally familiar by U.S. investors. For example, the order of assets and liabilities is shown in a sequence from current to long-term.

Growth and Profitability - high margin business model

In the last fiscal year ending December 2021, IQ-AI reported GB£521,069 (US$716,835) in consolidated total revenue. Consolidated sales reported by the IQ-AI holding company are principally from its investment in Imaging Biometrics. IB's software license fees, subscriptions and maintenance contracts doubled in the year as the flagship software application *IB Clinic* gained traction in the market. The year included at least three new subscriptions. Approximately 95% of total sales is attributed to renewable subscriptions and contracts and is therefore considered recurring in nature.

In 2021, direct costs were 3.3% of total sales, leaving a gross profit margin of 96.7%. This compares to 3.3% direct costs and a gross profit margin of 96.7% in 2020. Management has guided for similar direct cost rates in the near future based on the exclusive software sales mix.

In 2021, consolidated operating expenses totaled GB£994,388 (US$1.4 million) composed largely of salaries, research and development costs, and corporate expenses. This compares to GB£933,462 (US$1.2 million) in the previous year, representing a 6.5% year-over-year increase. The modest increase in operating expenses suggests significant fixed components such as salaries, legal and professional services. Accordingly, we believe there is significant operating leverage in the current operating configuration. In keeping with public company reporting requirements in the U.K., the Company does not breakout details by expense categories.

The operating loss in the full year 2021, was GB£490,348 (US$674,597) compared to GB£685,722 (US$881,510) in the previous year. The operating profit margin increased to negative 94.1% compared to negative 269.6% in the previous year as higher sales provided better coverage for operating expenses.

Cash Flow - on the cusp of breakeven

In 2021, IQ-AI reported the use of GB£288,759 (US$397,246) in cash resources to support operations and corporate activities. This compares to GB£423,222 (US$543,290) in the previous year. The reduction in cash usage was largely due to a smaller net loss in the year 2021, as higher subscription and license fees from IB provided better coverage of fixed operating costs and expenses.

Balance Sheet - no leverage, ample cash resources

IQ-AI ended the year 2021 with GB£728,586 (US$969,019) in cash resources on a consolidated basis. We estimate working capital was approximately GB£413,988 (US$550,604) at the time. This compares to working capital of GB£180,894 (US$246,949) a year earlier. Working capital improvement was largely attributable to a small decrease in current liabilities and a significant increase in cash resources.

At the end of 2021, the Company's liabilities totaled GB£392,787 (US$522,407), which were classified exclusively as current liabilities. This compares to GB£361,589 (US$493,627) a year earlier. The increase in accounts payable was largely due to increased business activity. We believe the significantly slower pace of growth in accounts payable relative to sales growth is an element of the operating leverage in the software business model of Imaging Biometrics.

At the time shareholder equity was GB£1.19 million (US$1.58 million). This compares to shareholder equity of GB£1.07 million (US$1.46 million) a year earlier. The increase in shareholder equity was due largely to the issuance of common stock in the year 2021, which added GB£124,000 (US$164,920) to share capital and GB£496,000 (US$659,680) to share premium. The addition of new capital to shareholder equity in 2021, offset the net retained loss of GB£501,058 (US$689,305).

EARNINGS PROJECTION

Management provides little guidance for future sales, costs or expenses, which is expected to continue to derive largely from the contribution of Imaging Biometrics to its parent. Likewise, the IB team keeps details of its sales pipeline relatively close to the corporate vest. Accordingly, we have estimated financial performance in 2022 and 2023 largely on the basis of historic results in the last two years and management's global comments on its marketing and sales strategy. We have also taken into consideration the apparent prioritization of achieving profitability or at least positive cash flows over achieving an expanded topline. Thus, we expect the Company to continue its current business model with spare staffing coupled with the practice of leveraging the marketing and sales infrastructure of partners and affiliates.

We estimate revenue in the full year 2022, could reach GB£800,000, representing a 60% increase over the most recently reported year. First, since the Company's retention rate is near 95%, we expect all customer relationships to carry over into the current fiscal year. Second, we believe the Company signed at least three new subscriptions in 2021, each valued at approximately GB£50,000 to GB£150,000 (US$65,575 to US$199,500 at recent exchange rates). We believe the Company could sign an additional two subscriptions in the current year.

In the next fiscal year 2023, we anticipate continued sales activity at a similar pace. This assumption leads to a topline target of GB£1.15 million (US$1.5 million).

Movement with regard to IB's relationship with Blackford Analysis is not included and thus represents upside to our estimates. When more details on Blackfords' progress with its partner Bayer AG are available regarding timing and magnitude of first sales we expect to update our model accordingly. Furthermore, our sales estimates are based on existing commercial products only. The market launch of new technologies that are now awaiting further study or products awaiting FDA approval would represent upside to our estimates.

Our model reflects direct costs of 3.5% and thus a gross profit margin of 96.5% in the next two years. This is slightly more conservative than suggested by historic performance, wherein direct costs were 3.3% of total sales.

We have addressed consolidated operating expenses in the aggregate as reported by the Company. Our model reflects an 18% increase in operating expenses beginning in the year 2022, a significantly greater increase than in the previous year when operating expenses climbed by 14%. We expect incremental spending in 2022 and 2023, to support the Phase I clinical trial for IB's gallium maltolate-based therapeutic compound as a cancer treatment as well as other activities related to winning regulatory clearance for the new application *IB Zero G*.

The combined effects of our various cost and expense assumptions lead to an estimated net loss of GB£456,750 (US$599,028) in the year 2022 or GB£0.24 (US$0.32) per share. Cash usage in the year 2022, is estimated to be GB£378,814 (US$496,814). In the year 2023, we expect net loss of GB£240,250 (US$324,338) or GB£0.12 (US$0.16) per share. Cash usage in 2023, is estimated to be GB£154,579 (US$208,681). The details are presented in Great Britain pound can be seen in Table III on the next page.

We believe the significant operating leverage afford by IB's software licensing and subscription business model is likely to propel the Company to profitability sooner rather than later. Indeed, we estimate IB and hence the parent holding company is on the cusp of breakeven. If it were not for our assumption of increased spending to support new product development and commercialization in 2022, the operating loss in 2022 would be as much as 30% lower than is reflected in our published model. This suggests that with continued topline growth breakeven could be reached in as early as the year 2024.

Table III: Summary Historical and Projected Sales and Earnings				
GBX	2020 Actual	2021 Actual	*2022 Estimate*	*2023 Estimate*
Sales	£ 255,314	£ 521,069.	*£ 800,000*	*£ 1,150,000*
Gross profit	246,767	504,022	*772,000*	*1,109,750*
Gross Margin %	96.7%	96.7%	*96.5%*	*96.5%*
Operating income (Loss)	(686,695)	(490,366)	*(456,750)*	*(240,250)*
Earnings (Loss) per share	(0.48) p	(0.29) p	(0.24) p	(0.12) p
Cash flow from operations	£ (423,222)	£ (288,759)	*£ (378,814)*	*£ (154,579)*

Source: Company Reports and Crystal Equity Research Estimates

Capital Requirements

At the recent rate of cash usage, we estimate the Company can support its operations through the end of 2023. However, if the Phase I clinical trial of the gallium maltolate-based therapeutic compound is successful and IB is given the green light by the FDA for further study, we believe current cash resources might be exhausted much earlier than year-end 2023. Accordingly, we expect the Company to raise additional capital sometime in 2023. That said, we have not at this point reflected a capital raise in our projections presented in this report.

VALUATION

To say it is 'tricky' to place a value on early-stage biotechnology companies is an understatement. The high cost and lengthy time period of development as well as the binary nature of regulatory approval of therapeutic compounds are contributing elements to the valuation practice of using net risk adjusted value. To take the guess work out of the task, most investors rely on some version of discounted cash flow analysis of future sales from products still in the development. Arguably, the process adds as much uncertainty in projections and assumptions as it removes through a standard methodology.

Even if frustratingly difficult to apply, the discounted cash flow method is beguilingly simple in its description. First, forecast future cash flows from a medical device or therapeutic compound and then calculate the risk adjusted present value. As each product moves through development and reaches a milestone toward commercialization the risk decreases. Most therapies in the pre-clinical stage or assigned a value of zero, but a drug candidate approved for Phase I clinical trials has about a 10% chance of reaching regulatory approval in the U.S. Moving onto Phase II clinical trials elevates the approval likelihood to 16% and achieving Phase III gives a 50% change of reaching the commercial market.

COMPARABLE VALUATION METRICS

Business transaction metrics of comparable companies can serve as valuation guides for publicly traded shares. Biotechnology companies are typically compared on the basis of cash earnings with EBITDA (earnings before interest, depreciation and amortization) as the most popular metric.

12.5 Times EBITDA Research completed in April 2022 by business consulting firm Sage, found that biotechnology companies with strong revenue growth were valued in a range of 10.4 times EBITDA to 11.1 times EBITDA. Slower growth biotechs were capturing multiples of 6.2 times to 6.9 times EBITDA. Those with significant recurring revenue have been earning up to 20% higher valuation. *Since IB clearly falls in the fast growth category and has significant recurring sales, the implied multiple for the stock would be 12.5 times EBITDA based on the lower end of the range reported by Sage.*

7.20 Times EBITDA Forbes Insights provides a second resource on valuation implied by M&A activity. Forbes reports that deals in the pharmaceutical industry in the last twelve to eighteen months were mostly focused on targets under $150 million in revenue. Cash earnings multiples ranged from a low of 7.2 times EBITDA among slower growth operations to a high of 13.2 times EBITDA for larger, fast-growing operations. *The lower end of the range at 7.2 could be used as a multiple for IAIQ shares.*

15.80 Times EBITDA Yet a third resource is a survey completed in early 2022 by NIMBO, a business valuation firm. NIMBO found that recent merger and acquisition deals in the software and technology sectors in the U.S. ranged from 15.8 to 23.1 times cash earnings (EBITDA), which larger operations garnering higher consideration. While not specific to the healthcare industry, it does provide insight into multiples for the software sales and services business model. *Again, the lower end of the range or 15.80 could be used as a multiple for IAIQ shares.*

Average 11.80 Times EBITDA

Note: It is assumed that removal of the control premium implied in M&A valuation metrics is balanced by the addition of liquidity premium accorded to shares of publicly traded companies.

In the case of Imaging Biotech, its software products have moved through all regulatory steps and have proven marketability. In our view, there is no business risk adjustment necessary. The development project related to gallium maltolate as a cancer treatment has been approved for Phase I clinical trial work, suggesting that the intellectual property should contribute to the Company's overall value even at this early stage even after a risk adjustment.

For the sake of discussion, we have assumed that the GaM compound could achieve regulatory approval and contribute to sales within five years. This projected launch year provides the end of our five-year projection period, at which time we project GB£1.77 million in EBITDA on GB£5.05 million in total sales, implying and EBITDA margin of 35%. Note, this profitability measure is slightly lower than the typical range of 40% to 45% for profitable software business models, in large part due to the addition of revenue and expenses for the GaM therapeutic compound to the mix.

Using an EBITDA multiple of 11.80 derived from comparable biotechnology companies along with a risk-adjusting discount rate of 15% over the five-year projection period, we estimate the implied intrinsic value of IQAI is 6.50 GBp per share (US$0.0865). This is well above the current price of IQAI as it currently trades on the London Stock Exchange, confirming the view that the stock is undervalued against the Company's investment in the promising artificial intelligence technology of Imaging Biometrics.

The calculation also provides our target price for IQAI as it is logical that the stock should trade at least at its intrinsic value of 6.50 GBp (US$0.0865). Our target price represents 66% upside potential from the current price on the London Stock Exchange.

OUTLOOK

Admittedly, investing in companies with negative earnings and no history of profitable operation is a daunting proposition. That said, we believe the business risk is at least partially mitigated by the track record of leadership, the merits of the Company's investments in artificial intelligence-driven medical imaging technology, and the strong competitive position of Imaging Biometrics. The stock is presently trading well below our calculation of risk adjusted intrinsic value, suggesting overcompensation for perceived business risk.

Over the next year there are several potential catalysts for a favorable shift in sentiment.

- First, we expect the Company to report favorable comparisons in sales with its half year and full year reports for the year 2022. The reports should confirm expectations for growth as well as the Company's competitive position. The Company has typically published its half year report in August and full year report in May.
- Second, by the end of 2022, there is likely to be a public announcement of results for IB's current Phase I clinical trial focused gallium maltolate as a cancer treatment. Subsequently, it is possible there could be some action by the U.S. FDA such as approval for additional Phase I trials. Such action would provide further assurance that the GaM candidate 'has legs.'
- Third, there is potential to receive anecdotes related to the Company's market relationship with Blackford Analytics. We view this pact as a key driver of future market penetration, representing upside potential to our sales estimates and therefore valuation of IQAI.

Table IV: Historic and Projected Sales and Earnings - GBP as Reported

Great Britain Pound	2020A Year	2021 1H	2021 2H	2021A Year	2022 *1H*	2022 *2H*	*2022E Year*	*2023 1H*	*2023 2H*	*2023E Year*
Total revenue,	255,314	238,488	282,581	521,069	*275,000*	*525,000*	*800,000*	*550,000*	*600,000*	*1,150,000*
Cost of sales	8,547	4,070	12,977	17,047	*9,625*	*18,375*	*28,000*	*19,250*	*21,000*	*40,250*
Gross profit	246,767	234,418	269,604	504,022	*265,375*	*506,625*	*772,000*	*530,750*	*579,000*	*1,109,750*
Operating expenses:										
Administrative expense	933,462	436,247	558,141	994,388	*536,250*	*577,500*	*1,113,750*	*605,000*	*660,000*	*1,265,000*
Depreciation and amortization	-	-	-	-	*57,500*	*57,500*	*115,000*	*42,500*	*42,500*	*85,000*
Total operating expenses	933,462	436,247	558,141	994,388	*593,750*	*635,000*	*1,228,750*	*647,500*	*702,500*	*1,350,000*
Operating income (loss)	(686,695)	(201,829)	(288,537)	(490,366)	*(328,375)*	*(128,375)*	*(456,750)*	*(116,750)*	*(123,500)*	*(240,250)*
Other income (expense)										
Financing expense	(31,812)	(5,311)	(5,399)	(10,710)	-	-	-	-	-	-
Other income (expense)	973	5	13	18	-	-	-	-	-	-
Total other income (expense)	(30,839)	(5,306)	(5,386)	(10,692)	-	-	-	-	-	-
Income (loss) before income taxes	(717,534)	(207,135)	(293,923)	(501,058)	*(328,375)*	*(128,375)*	*(456,750)*	*(116,750)*	*(123,500)*	*(240,250)*
Provision for income taxes (benefit)	-	-	-	-	-	-	-	-	-	-
Net income (loss)	(717,534)	(207,135)	(293,923)	(501,058)	*(328,375)*	*(128,375)*	*(456,750)*	*(116,750)*	*(123,500)*	*(240,250)*
Net EPS (loss), pence	-0.48	-0.12	-0.17	-0.29	*-0.18*	-0.07	*-0.24*	*-0.06*	*-0.06*	*-0.12*
Weighted shares outstanding, diluted	*150.0 M*	*175.0 M*	*175.0 M*	*175.0 M*	*185.0 M*	*190.0 M*	*187.5 M*	*200.0 M*	*210.0 M*	*210.0 M*
SELECTED MEASURES:										
Sales growth, yr/yr	-4.7%			104.1%			*53.5%*			*43.8%*
Net income growth, yr/yr	16.3%			-30.2%			*-8.8%*			*-47.4%*
Gross margin	96.7%	98.3%	95.4%	96.7%	*96.5%*	*96.5%*	*96.5%*	*96.5%*	*96.5%*	*96.5%*
Administrative expense, % of sales	365.6%	182.9%	197.5%	190.8%	*195.0%*	110.0%	139.2%	110.0%	110.0%	110.0%
EBITDA, ₤₤	(570,191)			(356,892)			*(341,750)*			*(155,250)*
EBITDA margin	-223.3%			-68.5%			*-42.7%*			*-13.5%*

Table V: Historic and Projected Sales and Earnings - US Dollar Translation

US Dollar	2020A Year	2021 1H	2021 2H	2021A Year	2022 *1H*	2022 *2H*	*2022E Year*	*2023 1H*	*2023 2H*	*2023E Year*
Total revenue	327,747	328,088	388,747	716,835	*360,663*	688,538	1,049,200	742,500	810,000	1,552,500
Cost of sales	10,972	5,599	17,852	23,452	12,623	24,099	36,722	25,988	28,350	54,338
Gross profit	316,775	322,489	370,894	693,383	348,039	664,439	1,012,478	716,513	781,650	1,498,163
Operating expenses:										
Administrative expense	1,198,285	600,145	767,835	1,367,980	703,292	757,391	1,460,683	816,750	891,000	1,707,750
Depreciation and amortization	-	-	-	-	75,411	75,411	150,823	57,375	57,375	114,750
Total operating expenses	1,198,285	600,145	767,835	1,367,980	778,703	832,803	1,611,506	874,125	948,375	1,822,500
Operating income (loss)	(881,510)	(277,656)	(396,940)	(674,597)	(430,664)	(168,364)	(599,028)	(157,613)	(166,725)	(324,338)
Other income (expense)										
Financing expense	(40,837)	(7,306)	(7,427)	(14,734)	-	-	-	-	-	-
Other income (expense)	1,249	7	18	25	-	-	-	-	-	-
Total other income (expense)	(39,588)	(7,299)	(7,410)	(14,709)	-	-	-	-	-	-
Income (loss) before income taxes	(717,534)	(207,135)	(293,923)	(501,058)	*(328,375)*	*(128,375)*	*(456,750)*	*(116,750)*	*(123,500)*	*(240,250)*
Provision for income taxes (benefit)	-	-	-	-	-	-	-	-	-	-
Net income (loss)	(921,098)	(284,956)	(404,350)	(689,305)	(430,664)	(168,364)	(599,028)	(157,613)	(166,725)	(324,338)
Net EPS (Loss), available to shareholders	(0.0061)	(0.0016)	(0.0023)	(0.0039)	*(0.0023)*	*(0.0009)*	*(0.0032)*	*(0.0008)*	*(0.0008)*	*(0.0016)*
Weighted shares outstanding, diluted	150.0 M	175.0 M	175.0 M	175.0 M	*185.0 M*	*190.0 M*	*187.5 M*	*200.0 M*	*210.0 M*	*210.0 M*
SELECTED MEASURES:										
Sales growth, yr/yr	-4.7%			104.1%			*53.5%*			*43.8%*
Net income growth, yr/yr	16.3%			-30.2%			*-8.8%*			*-47.4%*
Gross margin	96.7%	98.3%	95.4%	96.7%	*96.5%*	*96.5%*	*96.5%*	*96.5%*	*96.5%*	*96.5%*
Administrative expense, % of sales	365.6%	182.9%	197.5%	190.8%	*195.0%*	110.0%	139.2%	110.0%	110.0%	110.0%
EBITDA, $$	(731,954)			(490,976)			*(448,205)*			*(209,588)*
EBITDA margin	-223.3%			-68.5%			*-42.7%*			*-13.5%*

Table VI: Historic and Projected Balances and Cash Flows - GBP as Reported

Great Britain Pound	2021 Dec	*2022 Dec*	*2023 Dec*
CURRENT ASSETS			
Cash & cash equivalents	728,586	*349,772*	*210,947*
Accounts receivable, net	78,189	*142,466*	*189,041*
Other current assets	-	-	-
Total current assets	806,775	*492,238*	*399,988*
LONG-TERM ASSETS			
Property, plant & equipment, net	4,440	*4,440*	*4,440*
Intangible assets, net	567,060	*452,060*	*367,060*
Goodwill	205,203	*205,203*	*205,203*
TOTAL ASSETS	1,583,478	*1,153,941*	*976,691*
CURRENT LIABILITIES			
Accounts payable	392,787	*420,000*	*483,000*
Revolving credit facility	-	-	-
Total current liabilities	392,787	*420,000*	*483,000*
LONG-TERM LIABILITIES			
Long-term debt	-	-	-
STOCKHOLDER'S EQUITY			
Common stock	1,825,076	*1,825,076*	*1,825,076*
Additional paid-in capital	20,547,343	*20,547,343*	*20,547,343*
Reserves	483,471	*483,471*	*483,471*
Retained earnings (deficit)	(21,665,199)	*(22,121,949)*	*(22,362,199)*
Total stockholders' equity	1,190,691	*733,941*	*493,691*
TOTAL LIABILITIES AND EQUITY	1,583,478	1,153,941	976,691
SELECTED MEASURES			
Working capital, ff	413,988	*72,238*	(83,012)
Debt-to-equity	-	-	-
SUPPLEMENTAL			
Cash from (used by) operations, ff	(288,759)	*(378,814)*	*(138,825)*

Table VII: Historic and Projected Balances and Cash Flows - USD as Translated

US Dollar	2021 Dec	*2022 Dec*	*2023 Dec*
CURRENT ASSETS			
Cash & cash equivalents	969,019	*472,193*	*284,778*
Accounts receivable, net	103,991	*192,329*	*255,205*
Other current assets	-	-	-
Total current assets	1,073,011	*664,521*	*539,984*
LONG-TERM ASSETS			
Property, plant & equipment, net	5,905	*5,994*	*5,994*
Intangible assets, net	754,190	*610,281*	*495,531*
Goodwill	272,920	*277,024*	*277,024*
TOTAL ASSETS	,,,2,106,026	*1,557,820*	*1,318,533*
CURRENT LIABILITIES			
Accounts payable	522,407	*567,000*	*652,050*
Revolving credit facility	-	-	-
Total current liabilities	522,407	*567,000*	*652,050*
LONG-TERM LIABILITIES			
Long-term debt	-	-	-
STOCKHOLDER'S EQUITY			
Common stock	2,427,351	2,463,853	2,463,853
Additional paid-in capital	27,327,966	27,738,913	27,738,913
Reserves	643,016	652,686	652,686
Retained earnings (deficit)	(28,814,715)	(29,864,631)	(30,188,969)
Total stockholders' equity	1,583,619	990,820	666,483
TOTAL LIABILITIES AND EQUITY	2,106,026	1,557,820	1,318,533
SELECTED MEASURES			
Working capital, $$	550,604	97,521	(112,066)
Debt-to-equity	-	-	-
SUPPLEMENTAL			
Cash from (used by) operations, $$	(397,246)	(496,814)	(187,414)

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ANALYST

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The analyst who is primarily responsible for this research and whose name is listed first on this front cover certifies that: 1) all of the views expressed in this research accurately reflect his or her professional views about any and all of the subject securities or issuers, and 2) no part of any of the analyst's compensation was, is or will be directly or indirectly related to the specific rating expressed by analyst in this research.

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Buy	Price appreciation expected 10% or more over a 12-month period.
Hold	Price appreciation/depreciation expected between 10% and –10% over 12 months.
Sell	Price depreciation expected 10% or more over a 12-month period.

CRYSTAL RESEARCH UNIVERSE

Buys	80%
Holds	5%
Sells	15%
Total	100%

HISTORICAL RECOMMENDATIONS AND TARGET PRICE: IQ-AI Ltd / IQAI.L or IQAIF / OTCQB

Report	Date	Price	Rating	Target Price
Initial	5/27/2022	3.90 GBp	Speculative Buy	6.50 GBp

DISCLOSURES

Name	Symbol: Exchange	Disclosures
IA-QI, Ltd.	IQAI: LSE	D

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G The securities covered in this report can be margined.

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