

## **Web3 Ventures Inc. (formerly, La Jolla Capital Inc.)**

### **Management Discussion and Analysis**

For the year ended June 30, 2022 and 2021

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This Management Discussion and Analysis ("MD&A") of Web3 Ventures Inc. (formerly, La Jolla Capital Inc.) (the "Company" or "Web3") ("La Jolla") and before that MicroCoal Technologies Inc. and previous to that Carbon Friendly Solutions Inc. ("MicroCoal"), has been prepared by management as of October 24, 2022 and should be read in conjunction with the consolidated financial statements for the year ended June 30, 2022 and related notes thereto of the Company.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Readers are also advised to read the Company's audited financial statements and accompanying notes for the year ended June 30, 2022, (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards. Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in the Company's presentation currency which is Canadian dollars.

Our financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.

All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.

Where we say "we", "us", "our", the "Company" we mean La Jolla Capital Inc., as it may apply.

### **FORWARD LOOKING INFORMATION**

The following discussion contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. These forward-looking statements may include, among other things, statements concerning plans, objectives and future economic prospects, expectations, beliefs, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements and industry result, to be materially different from what is said or implied with such forward-looking statements.

### **OVERVIEW AND DESCRIPTION OF BUSINESS**

The Company was incorporated on April 6, 1990 as a provincial company under the laws of British Columbia, and on June 19, 1997 the Company continued as a federal corporation under the Canada Business Corporation Act. The Company changed its name to La Jolla Capital Inc. on May 21, 2015. The Company changed its name to Web3 Ventures Inc. on April 25, 2022 and continues to be a reporting issuer in the Provinces of British Columbia, Alberta and Ontario. The Company currently intends to apply to list the shares with the CSE once it has met the listing criteria. The Company is an investment holding firm focused on incubating, accelerating and developing projects and applications for Web 3.0.

### **STRATEGIC INVESTMENTS**

#### **BY-LINES**

On April 28, 2022, the Company completed a strategic investment in encrypted wallet-to-wallet on-chain messaging company By-Lines. Founded by a team from Harvard, By-Lines is building the missing communications platform for web3, making it possible to send and receive encrypted messages to and from any crypto wallet and supporting integrations with web2 platforms like Telegram and Discord.

By-Lines is focused on more than simply attaching a wallet identity to chat - they are building a web3 native messaging experience: DAOs can suddenly send all of their token holders a DM or an airdrop, their members can vote inside their group chat, and a user can spin up a chat with all the people who hold a specific token or NFT, allowing effortless token-gated access to communities and channels, unlocking significant utility and value on the decentralized web.

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#### Column

On June 9, 2022, the Company announced the completion of a strategic investment in Column, a decentralized social media network focused on generating, socially-validating, and incentivizing high-quality, topic-specific discussions.

With past experience from Amazon, Facebook, Spotify, and multiple technology startups, Column's core team is leveraging web3 to influence and build an intelligent social community, giving content and therefore users a value.

Billed as a decentralized intelligence network, Column's platform revolves around the concept of empowering users to pull signal from noise, positioning high-quality content from subject matter experts to the top of a reader's feed, or 'Column'. For example, a reader looking to track emerging technologies could join a 'Column' for that topic, and instantly receive a content stream on that subject from authors that the platform's users have deemed reputable.

Columns are sensibility-specific rooms: they can be public or private. In them, you can follow professional fields, discover new ideas, share information, and discuss. Typically, they are invite-only. Members of the platform can join as many Columns as they want. Some Columns are large and public, others are small and private. Columns persist for as long as they are useful. Some Columns may encompass a whole field and will last for decades, and some may be more temporary.

Web3 Ventures' core investment pillars are identity, communication, and gaming. Web3 believes that the future of social media will be driven and heavily-influenced by decentralized communities, and Column offers a unique model that incentivizes the creation of community, as well as the digital identity aspect of reputational currency and community content validation. Column's network and its further development has them well positioned to capitalize on these trends, and Web3 sees multiple synergistic partnership and collaborative opportunities to accelerate Column's user adoption through the projects, companies, and applications that Web3 is developing and accelerating internally.

#### NFTs

On June 18, 2022, the Company announced that it has acquired 150 NFTs from the PunkScape collection, a digital identity and immersive land project. This investment represents a 1.50% stake in the fixed supply of all existing and outstanding PunkScape non-fungible tokens.

PunkScape is an NFT collection of 10,000 unique banner landscapes stored on the Ethereum Blockchain that are sold on OpenSea, LooksRare, and major NFT marketplaces. PunkScape is a metaverse space for digital-art that takes aim at the existing Web2 configurable "locations" - locations like banners on Twitter, LinkedIn, and so forth—and carries them into the Web3 space. Every Scape is digital land, a home for your digital assets and identity. <https://punkscape.xyz/intro> / <https://opensea.io/collection/punkscapes>

Launched in September 2021, PunkScape has a passionate community base of 3,000+ token holders, including notable members such as Tobi Lütke, CEO of Shopify (\$SHOP) and Jack Butcher, founder of leading media platform Visualize Value. Since launch, the PunkScape collection has over 1,600 Ethereum in secondary sales volume. Focused on providing interactive digital real estate and immersive experience applications, PunkScapes are designed to integrate with social profile banner sections such as Twitter, Discord, LinkedIn, OpenSea, the Ethereum Name Service, and more.

In addition to potential market price appreciation of the PunkScape NFTs that Web3 Ventures has acquired, Web3 will earn royalty revenue from their PunkScape NFTs through Gallery27, an internally developed daily auction platform that utilizes AI technology to mint generative art derivatives of PunkScape NFTs. Web3 and other collection holders earn a 50% royalty on the winning bids.

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#### **FINANCINGS AND SHARE CONSOLIDATION**

On May 24, 2022, the Company closed a non-brokered private placement of 18,375,000 units of the Company issued at a price of \$0.02 per unit for gross proceeds of \$367,500. Each unit is comprised of one common share and one transferable share purchase warrant. Each warrant entitles the holder to purchase one share for a period of five years at an exercise price of \$0.10 per share.

On May 17, 2022, the Company closed a non-brokered private placement of 53,125,000 units of the Company issued at a price of \$0.02 per unit for gross proceeds of \$1,062,500. Each unit is comprised of one common share and one transferable share purchase warrant. Each warrant entitles the holder to purchase one share for a period of five years at an exercise price of \$0.10 per share.

On April 22, 2022, the Company closed a non-brokered private placement of 22,000,000 units of the Company issued at a price of \$0.005 per unit for gross proceeds of \$110,000. Each unit is comprised of one common share and one transferable share purchase warrant. Each warrant entitles the holder to purchase one share for a period of five years at an exercise price of \$0.10 per share.

On April 19, 2022, the Company consolidated all of its issued and outstanding common shares on the basis of every ten old common shares into one new common share. Unless otherwise noted, all share information has been retroactively adjusted to reflect this consolidation.

On February 25, 2022, the Company closed a non-brokered private placement of 400,000 common shares of the Company issued at a price of \$0.50 per share for gross proceeds of \$200,000. Proceeds from the Offering will be used for repayment of related party debt and general working capital.

#### **BOARD UPDATES**

The Company also announced the appointment of Stan Fainzilberg and Kirill Kompaniyets as directors of the Company. The Board of Directors has also appointed Mr. Kompaniyets as the Company's Interim Chief Financial Officer effective February 25, 2022. Mr. Aman Thindal has resigned as a director and Mr. Damanjit Gahunia has resigned as a director and as the Chief Financial Officer effective immediately to pursue other business opportunities.

Stan Fainzilberg is a lawyer and partner with a Toronto law firm. Mr. Fainzilberg is a fierce advocate for his clients, representing them before the Superior Court of Ontario and the Human Rights Tribunal of Ontario.

Kirill Kompaniyets is a lawyer, recruiter, and business owner. He has experience with respect to public companies and capital markets. After beginning his legal career as a student at a prominent Toronto law firm, he spent 4 years as a legal recruitment manager. In 2021 Mr. Kompaniyets started his recruitment firm, focused on executive and legal recruitment where he's advised public companies. Mr. Kompaniyets was called to the Ontario Bar in 2020.

On June 14, 2022, the Company announced the addition of Neer Sharma to its Advisory Board. A Forbes 30 Under 30 Award recipient in building consumer tech and a former analyst at Rothschild, Mr. Sharma has extensive experience founding and operating technology companies. Mr. Sharma currently serves as Head of Product at mayk.it, a platform that enables users to create and mint audio NFTs directly from their mobile device, and was the co-founder of HaikuJAM, a social writing game that he helped scale to millions of users across India.

On June 14, 2022, the Company announced the addition of Zach Rosen to its Advisory Board. A Berkeley alum and experienced founder that has built and scaled a startup to eight figures in revenue, Mr. Rosen is a founder at Brydge, a startup that enables dApps (decentralized applications) to deploy on one chain and accept payments from the rest. Mr. Rosen holds previous experience in both software engineering and investment banking.

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#### SELECTED ANNUAL INFORMATION FOR THE PAST THREE YEARS

The following table summarizes selected financial data for the Company for each of the three most recently completed financial years. The information set forth below should be read in conjunction with the Financial Statements. Financial Statements for all years presented are prepared in accordance with IFRS.

Years ended June 30:	2022	2021	2020
	\$	\$	\$
Revenues	Nil	Nil	Nil
Gross profit (loss)	Nil	Nil	Nil
Operating expense	692,462	137,797	145,389
Other income (expense)	225,254	Nil	Nil
Net income (loss) for the year	(467,208)	(137,797)	(145,389)
Earnings (loss) per share	(0.04)	(0.03)	(0.03)
Total assets	502,872	1,363	1,444
Total long-term liabilities	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

During fiscal 2022, the Company ceased seeking operational opportunities and commenced operations focused on incubating, accelerating and developing projects and applications for the decentralized web. This resulted in an increase of operating expenses, net loss and total assets for 2022.

During fiscal 2021 and 2020, net losses, loss per share and total assets remained consistent due to attempts to preserve cash spending on general and administrative expenses and the fact that the Company is still seeking operational opportunities.

#### RESULTS OF OPERATIONS

	Years Ended,	
	June 30, 2022	June 30, 2021
<b>Expenses</b>		
Consulting and management fees	\$ 354,942	\$ 96,000
Foreign exchange gain	(216)	-
Investor relations	135,038	-
Office expense	2,649	97
Professional fees	80,791	41,700
Share-based compensation	102,309	-
Transfer agent and filing fees	16,949	-
<b>Operating expenses</b>	<b>(692,462)</b>	<b>(137,797)</b>
<b>Other income (expenses)</b>		
Bad debt expense	(32,215)	-
Gain on revaluation of digital assets	(136)	-
Loss on use of digital assets	(6,180)	-
Write off of liabilities	263,785	-
<b>Net income (loss) for the period</b>	<b>467,208</b>	<b>(137,797)</b>
Other comprehensive income (loss)		
Foreign currency translation adjustment	(1,699)	7,382
<b>Total comprehensive income (loss) loss</b>	<b>\$ (468,907)</b>	<b>\$ (130,415)</b>

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#### RESULTS OF OPERATIONS (CONTINUED)

During the year ended June 30, 2022, the Company incurred consulting fees of \$354,942 (2021 – \$96,000) and recorded professional fees of \$80,791 (2021 - \$41,700). The Company also incurred investor relations expenses of \$135,038 (2021 - \$Nil), stock-based compensation of \$102,309 (2021 - \$Nil) and transfer agent and filing fees of \$16,949 (2021 - \$Nil). During fiscal 2022, the Company ceased seeking operational opportunities and commenced operations focused on incubating, accelerating and developing projects and applications for the decentralized web. This resulted in a general increase of operating expenses. The Company also granted 10,825,000 stock options to advisors and consultants in fiscal 2022 compared to no stock option grants in fiscal 2021 which resulted in an increase in stock-based compensation in fiscal 2022.

During the year ended Just 30, 2022, the Company incurred bad debt expense of \$32,215, and losses on digital assets of \$6,316. The Company also wrote off \$82,734 of loans payable and \$181,051 of trade payables and accrued liabilities resulting in a gain on the write off of liabilities of \$263,785. Total loss from operations was \$467,208 (2022 - \$137,797).

#### Cash Flow Analysis

##### *Operating Activities*

During the year ends June 30, 2022 and 2021, cash used in operating activities was \$1,322,152 and \$10,356, respectively. This increase was the result of commencing and increasing operations. See also discussions under results of operations.

##### *Investing Activities*

During the year ended June 30, 2022, the Company made its initial investments in decentralized web projects and as a result purchased digital assets of \$79,990 and investments of \$96,430. During the year ended June 30, 2021, there were no investing activities by the Company.

##### *Financing Activities*

During the year ended June 30, 2022 and 2021, cash provided by financing activities was \$1,827,500 (2021 - \$10,000) being \$27,500 (2021 - \$10,000) from loans received and \$1,800,000 (2021 - \$Nil) as proceeds from private placement.

#### SUMMARY OF QUARTERLY RESULTS

	Q4 2022	Q3 2022	Q2 2022	Q1 2022
	\$	\$	\$	\$
Total assets	502,872	4,354	3,290	1,345
Net income (loss)	(602,317)	(26,899)	196,601	(34,593)
Income (loss) per share - post consolidation	(0.36)	(0.05)	0.45	(0.08)

  

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
	\$	\$	\$	\$
Total assets	1,363	1,399	1,399	11,167
Net loss	(34,518)	(34,518)	(33,984)	(34,777)
Loss per share - post consolidation	(0.01)	(0.01)	(0.01)	(0.01)

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#### **SUMMARY OF QUARTERLY RESULTS (CONTINUED)**

Over the quarters from Q1 2021 to Q3 2022 operational expenses have remained fairly consistent due to attempts to preserve cash spending on general and administrative expenses and the fact that the Company is still seeking operational opportunities. Net income during the second quarter of 2022 was the result of the Company recognizing a gain upon the write off of \$231,634 of liabilities. Total assets in quarter one of 2021 was higher than the other quarters, as a loan was made shortly before quarter end. Liabilities over the eight quarters have increased as a result of the decrease in cash to fund operations.

During Q4 2022, net loss and total assets increased as the Company ceased seeking operational opportunities and commenced operations focused on incubating, accelerating and developing projects and applications for the decentralized web.

#### **LIQUIDITY AND CAPITAL RESOURCES**

At June 30, 2022, the Company had cash of \$329,932 (June 30, 2021 - \$1,004) and working capital of \$265,081 (working capital deficiency June 30, 2021 - \$1,168,321).

On May 24, 2022, the Company closed a non-brokered private placement of 18,375,000 units of the Company issued at a price of \$0.02 per unit for gross proceeds of \$367,500. Each unit is comprised of one common share and one transferable share purchase warrant. Each warrant entitles the holder to purchase one share for a period of five years at an exercise price of \$0.10 per share.

On May 17, 2022, the Company closed a non-brokered private placement of 53,125,000 units of the Company issued at a price of \$0.02 per unit for gross proceeds of \$1,062,500. Each unit is comprised of one common share and one transferable share purchase warrant. Each warrant entitles the holder to purchase one share for a period of five years at an exercise price of \$0.10 per share.

On April 22, 2022, the Company closed a non-brokered private placement of 22,000,000 units of the Company issued at a price of \$0.005 per unit for gross proceeds of \$110,000. Each unit is comprised of one common share and one transferable share purchase warrant. Each warrant entitles the holder to purchase one share for a period of five years at an exercise price of \$0.10 per share.

On February 25, 2022, the Company closed a non-brokered private placement of 400,000 common shares of the Company issued at a price of \$0.50 per share for gross proceeds of \$200,000.

The Company is currently not generating any cash flows and as a result the Company is dependent on external and related party financing to fund its costs. The Company does not have any working capital and will need to raise additional capital in order to meet its obligations. Companies in this stage typically rely upon equity and debt financing to fund operations. The Company was not listed on any stock exchanges at the date of this Management Discussion and Analysis. There is no certainty with respect to the Company's ability to raise capital.

As at June 30, 2022, the Company had loans in the aggregate amount of \$Nil (June 30, 2021 - \$82,734) payable to an unrelated party and \$52,742 (June 30, 2021 - \$49,104) payable to previous directors of the Company. The loans are unsecured, non-interest bearing and are due on demand.

At June 30, 2021, the Company expects that it will be able to obtain funding from investors in order to meet its obligations. Additional financing will need to be obtained for the planned development in the normal course of operations.

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#### **Outstanding Share Data**

The authorized share capital consists of an unlimited number of common shares without par value.

As at the date of this report, there were 97,333,241 common shares outstanding, 10,825,000 options outstanding and 96,500,000 warrants exercisable.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not utilize off-balance sheet arrangements.

#### **TRANSACTIONS WITH RELATED PARTIES**

The Directors and Executive Officers of the Company are as follows:

Stan Fainzilberg	Director and CEO
Kirill Kompaniyets	Director and Chief Financial Officer
Gerald Kelly	Director

Former Directors and Executive Officers of the Company are as follows:

Eugene Beukman	Former Director and CEO
Damanjit Gahunia	Former Director and Chief Financial Officer
Aman Tindal	Former Director and Corporate Secretary

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

During the year ended June 30, 2022, the Company accrued accounting and corporate service fees of \$49,500 (2021 - \$36,000) to a company controlled by a former director of the Company.

During the year ended June 30, 2022, the Company accrued consulting fees of \$83,025 (2021 - \$96,000) to directors of the Company.

During the year ended June 30, 2022, the Company recorded stock-based compensation of \$2,706 (2021 - \$Nil) to directors of the Company.

As at June 30, 2022, the Company owed \$1,000 to the current CFO of the Company.

As at June 30, 2022, the Company owed \$78,932 to various previous directors and their companies, and \$1,000 to the current CFO of the Company, which is included in accounts payable and accrued liabilities.

As at Jun 30, 2022, the Company had loans payable of \$52,742 to directors of the Company.

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#### FOURTH QUARTER RESULTS

The following table summarizes selected financial data for the fourth quarter of the Company for each of the two most recently completed financial years. The information set forth below should be read in conjunction with the Financial Statements.

	Three-month period ending	
	June 30, 2020	June 30, 2021
<b>Expenses</b>		
Consulting and management fees	297,942	24,000
Foreign exchange gain	(216)	-
Investor relations	122,133	-
Office expense	2,594	18
Professional fees	48,849	10,500
Share based compensation	102,309	-
Transfer agent and filing fees	16,949	-
Bad debt expense	(32,215)	-
Gain on revaluation of digital assets	(136)	-
Loss on use of digital assets	(6,180)	-
Write off of liabilities	27,151	-
<b>Net loss for the period</b>	<b>(579,180)</b>	<b>(34,518)</b>
Other comprehensive loss		
Foreign currency translation adjustment	-	1,083
<b>Total comprehensive loss</b>	<b>\$ (579,180)</b>	<b>\$ (33,435)</b>

During Q4 2021 operational expenses were minimal due to attempts to preserve cash spending on general and administrative expenses and the fact that the Company is still seeking operational opportunities. During Q4 2022, operating expenses increased as the Company ceased seeking operational opportunities and commenced operations focused on incubating, accelerating and developing projects and applications for the decentralized web.

#### BASIS OF PRESENTATION

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The preparation of financial statements in compliance with IFRS requires management to make certain critical judgements and accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Actual results may differ from this estimate as the estimation process is inherently uncertain.



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#### **CHANGES IN ACCOUNTING STANDARDS**

As at the date of authorization of these financial statements, the IASB and the IFRS Interpretations Committee had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after October 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company had assessed that no material impact is expected upon the adoption of the following amendments on its consolidated financial statements:

##### *Amendments to IAS 1*

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. Early application is permitted.

##### *Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")*

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

##### *Amendments to IFRS 9 – Financial Instruments*

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendments to IFRS 9. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Company applies the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier adoption permitted. The Company does not believe that these amendments will have a material impact on the consolidated financial statements.

The Company continues to review changes to IFRS standards. There are no other pending IFRSs or IFRIC interpretations that are expected to be relevant to the Company's consolidated financial statements.

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#### **CHANGES IN ACCOUNTING STANDARDS NOT YET EFFECTIVE**

Other standards have been issued for future adoption. The Company is in the process of assessing the impact of these pronouncements but does not expect their impact to be material.

#### **FINANCIAL INSTRUMENTS RISK EXPOSURE**

As at June 30, 2022, the Company's financial instruments consist of cash, receivables, investments, accounts payable and loans payable. The carrying values of receivables, accounts payable and loans payable approximate their fair values because of their current nature. All financial assets and financial liabilities are recorded at fair value on initial recognition. All financial assets and financial liabilities are recorded at fair value on initial recognition.

The categories of the fair value hierarchy that reflect the significance of inputs used in making fair value measurements are as follows:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity);

There were no transfers between levels during the year ended June 30, 2022 or the year ended June 30, 2021.

Where the fair values of investments in private companies recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair value.

#### **Digital assets and risk management**

Cryptocurrency held by the Company is measured using Level 1 fair values, determined by taking the rate from yahoo.com. Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its sales of digital assets.

Digital assets have a limited history and the fair value historically has been relatively volatile. Historical performance of digital assets is not indicative of their future price performance. The Company's digital assets currently consist of Ethereum and NFTs. As June 30, 2022, had the market price of Ethereum increased or decreased by 10% with all other variables held constant, the corresponding digital assets value increase or decrease respectively would amount to \$24.

#### **Liquidity Risk**

At June 30, 2022, the Company held cash of \$329,932 (2021 - \$1,004), had working capital of \$265,081 (2021 - \$1,168,321 negative). At June 30, 2022, the Company expects that it will be able to obtain funding from investors in order to meet its obligations.

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#### **FINANCIAL INSTRUMENTS RISK EXPOSURE (CONTINUED)**

##### **Interest rate Risk**

Interest rate risk is the result that the fair values and future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company was not exposed to significant interest rate risk as loans payable were at fixed interest rates with short-term maturities.

##### **Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company was mainly exposed to credit risk from holding cash, which it mitigates from holding balances with major financial institutions.

##### **Currency Risks**

The Company is exposed to currency risk related to certain accounts payable and accrued liabilities and other payable amounts which were denominated in US\$. As at June 30, 2022, there were \$Nil US liabilities denominated in US\$ (2021 – US\$59,820).

#### **OTHER RISKS AND UNCERTANTIES**

The Company's principal activity is focused on incubating, accelerating and developing projects and applications for the decentralized web. Companies in this industry are subject to many and varied kinds of risk, including but not limited to, environmental, application prices, political and economic risk.

The decentralized web business is risky and most projects will not be successful. The Company may offer an opportunity to another company to acquire an interest in a project in return for funding all or part of the project. For the funding of project acquisitions and development that the Company conducts, the Company depends on the issue of shares from the treasury to investors. These stock issues depend on numerous factors including a positive decentralized web environment, positive stock market conditions, a company's track record and the experience of management.

The Company has no significant source of operating cash flow and no revenues from operations. The Company has not yet determined whether its projects are successful and are economically recoverable. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish successful projects.

There is no guarantee that the Company will be able to contribute or obtain all necessary resources and funds for the applications development needed for the decentralized web, and may fail to meet its incubating, accelerating and developing projects and applications for the decentralized web commitments. The projects that the Company has an interest in is in the development stages only, are without known commercial success. The process of incubating, accelerating and developing projects and applications for the decentralized web involves a high degree of risk and few projects, that are developed, are ultimately developed into income producing projects.

The process of incubating, accelerating and developing projects and applications for the decentralized web. The Company's projects may not result in any discoveries of commercial viable projects. If the Company's efforts do not result in any discovery of commercial viable projects, the Company will be forced to look for other commercially viable projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to the discharge of hazardous material and other matters.

## **Web3 Ventures Inc. (formerly, La Jolla Capital Inc.)**

### **Management Discussion and Analysis**

For the year ended June 30, 2022 and 2021

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#### **OTHER RISKS AND UNCERTANTIES (CONTINUED)**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

#### **FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES**

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. They are also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's audited financial statements of the Company for the period ended June 30, 2022 (together the "Annual Filings").

The Chief Executive Officer and Chief Financial Officer of the Company have filed the Venture Issuer Basic Certificate with the Interim and Annual Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

#### **CAUTIONARY STATEMENT**

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration plans and our other future plans and objectives are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, (i) estimates of projects and scope of projects and programs, and (ii) estimates of stock-based compensation expense. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statement. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date of statements are made, and the Company endeavors to update corporate information and material facts on a timely basis. Forward-looking statements are subject to risks, uncertainties and other actors, including risks associated with incubating, accelerating and developing projects and applications for the decentralized web, price volatility in the decentralized web commodities we seek, and operational and political risks.