

LOOKING GLASS LABS LTD.

Unaudited Condensed Interim Consolidated Financial Statements

Nine months ended April 30, 2023 and 2022

Expressed in Canadian Dollars

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Looking Glass Labs Ltd. have been prepared by and are the responsibility of management.

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

LOOKING GLASS LABS LTD.

Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	April 30, 2023 \$	(Audited) July 31, 2022 \$
ASSETS			
Current assets			
Cash and cash equivalents		68,585	308,035
Accounts receivable		95,313	215,152
Digital assets	6	23,172	154,302
Prepaid expenses		224,181	307,079
		411,251	984,568
Non-current assets			
Right-of-use asset	10	269,270	396,819
Property and equipment	8	41,825	60,636
Deferred contract costs	18	385,487	385,487
Note receivable	7	229,730	-
Intangible assets	9	1,331,355	2,284,458
Goodwill	3,9	-	3,488,996
		2,668,918	7,600,964
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11,14	1,403,044	907,646
Due to related parties	14	14,233	14,233
Loans payable	12	1,317,522	40,000
Lease liabilities – current portion	10	176,065	164,544
		2,910,864	1,126,423
Non-current liabilities			
Lease liabilities	10	110,355	243,919
Deferred revenue	18	2,608,218	2,604,555
		5,629,437	3,974,897
SHAREHOLDERS' EQUITY			
Share capital	13	17,281,170	13,322,675
Reserve	13	3,567,084	2,830,107
Warrant reserve		9,762	9,762
Accumulated other comprehensive loss		(66,788)	(25,387)
Deficit		(23,751,747)	(12,511,090)
		(2,960,519)	3,626,067
Total shareholders' (deficit) equity		(2,960,519)	3,626,067
Total liabilities and shareholders' (deficit) equity		2,668,918	7,600,964

Nature and Continuance of Operations (Note 1)

Approved by the board of directors and authorized for issue on June 14, 2023:

“James Henning”
James Henning, Director

“Kevin Cornish”
Kevin Cornish, Director

LOOKING GLASS LABS LTD.

Unaudited Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

		Three months ended		Nine months ended	
		April 30,	April 30,	April 30,	April 30,
		2023	2022	2023	2022
		\$	\$	\$	\$
Revenues					
NFT sales	18	-	-	-	6,245,675
Royalty income	18	344	116,320	5,512	477,602
Design services income		-	-	204,448	201,731
Total revenues		344	116,320	209,960	6,925,008
Cost of revenues		(23,632)	(361,923)	(45,636)	(707,697)
Gross profit		(23,288)	(245,603)	164,324	6,217,311
Expenses					
Amortization	8,9,10	84,395	71,895	253,191	129,291
Consulting fees	14	27,069	132,673	93,543	584,460
Corporate development fees	14	71,436	257,671	342,842	610,184
Development costs		-	352,151	136,035	1,228,748
Foreign exchange		(1,877)	59,447	(1,877)	59,447
Interest expense		36,966	10,135	75,379	17,686
Marketing		9,761	1,493,076	454,263	2,163,100
Office expenses		13,823	350,265	156,603	533,261
Professional fees	14	77,822	270,337	462,103	519,867
Stock-based compensation		123,030	4,940,807	2,412,991	5,103,796
Transfer agent and filing fees		-	36,172	123,085	195,843
Wages and salaries		109,614	281,581	975,360	495,577
Operating expenses		(552,039)	(8,256,210)	(5,483,518)	(11,641,260)
Other items					
Acquisition costs	3	-	(150,000)	-	(375,000)
Change in fair value of contingent liability	3	-	-	-	(835,766)
Change in revaluation of digital assets	6	(6,397)	(8,685)	(7,650)	394,793
Gain (loss) on use of digital assets	6	4,434	(170,556)	4,103	(292,692)
Gain on settlement of debt		27,001	-	27,001	5,000
Interest income		6,324	-	6,324	-
Impairment of intangibles	9	(1,895,186)	-	(1,895,186)	-
Loss on loss of control of subsidiary	5	(365,097)	-	(365,097)	-
Unrealized loss on investments		-	(27,540)	-	(51,277)
Impairment of goodwill	9	-	-	(3,488,996)	-
Net loss from continuing operations, net of tax		(2,804,248)	(8,858,594)	(11,038,695)	(6,578,891)
Loss from discontinued operations	5	(34,084)	(141,797)	(201,962)	(151,185)
Net loss		(2,838,332)	(9,000,391)	(11,240,657)	(6,730,076)
Foreign currency translation adjustment		-	-	(41,401)	-
Net comprehensive income (loss) for the period		(2,838,332)	(9,000,391)	(11,282,058)	(6,730,076)
Net loss per share:					
Basic and diluted loss from continuing operations		(0.02)	(0.08)	(0.09)	(0.07)
Basic and diluted loss from discontinued operations		(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding:					
Basic and Diluted		135,219,499	110,922,674	129,336,934	92,289,039

LOOKING GLASS LABS LTD.

Unaudited Condensed Interim Consolidated Statement of Shareholders' (Deficit) Equity

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

Share capital								
	Note	Number of shares	Amount \$	Reserve \$	Warrant reserve \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
Balance, July 31, 2021		34,545,601	456,899	-	-	-	(604,212)	(147,313)
Common shares issued for cash		26,100,000	4,010,000	-	-	-	-	4,010,000
Share issuance costs	3	145,950	(25,662)	-	9,762	-	-	(15,900)
Shares issued to acquire HOK	3	45,000,000	3,436,497	-	-	-	-	3,436,497
Shares issued for finder's fees		2,250,000	225,000	-	-	-	-	225,000
Shares issued to settle debt		200,000	20,000	-	-	-	-	20,000
Shares issued upon exercise of warrants		500,000	50,000	-	-	-	-	50,000
Shares issued upon exercise of options		99,999	17,441	(7,441)	-	-	-	10,000
Shares issued upon RSU conversion		4,450,000	3,115,000	(3,115,000)	-	-	-	-
Shares issued for earn out payment		2,592,205	2,000,000	-	-	-	-	2,000,000
Share-based compensation		-	-	5,103,796	-	-	-	5,103,796
Loss for the period		-	-	-	-	-	(6,730,076)	(6,730,076)
Balance, April 30, 2022		115,883,755	13,305,175	1,981,355	9,762	-	(7,334,288)	7,962,004
Balance, July 31, 2022		115,908,755	13,322,675	2,830,107	9,762	(25,387)	(12,511,090)	3,626,067
Shares issued to acquire Web 3.0	4	13,827,250	1,935,815	-	-	-	-	1,935,815
Shares issued upon exercise of options	11	1,466,665	255,806	(109,140)	-	-	-	146,666
Shares issued upon exercise of warrants	11	2,000,000	200,000	-	-	-	-	200,000
RSU conversion	11	8,384,998	1,566,874	(1,566,874)	-	-	-	-
Share-based compensation	11	-	-	2,412,991	-	-	-	2,412,991
Net loss for the period		-	-	-	-	(41,401)	(11,240,657)	(11,282,058)
Balance, April 30, 2023		141,587,668	17,281,170	3,567,084	9,762	(66,788)	(23,751,747)	(2,960,519)

LOOKING GLASS LABS LTD.

Unaudited Condensed Interim Consolidated Statements of Cash Flow

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

	Nine months ended	
	April 30, 2023	April 30, 2022
Operating activities		
Income (loss) for the period	(11,240,657)	(6,730,076)
Adjustments for non-cash items:		
Accretion	75,379	17,686
Change in fair value of contingent liability	-	835,766
Digital assets converted to fiat currency	110,633	6,516,226
Digital assets received for sales	(5,513)	(6,105,619)
Digital assets received for which revenue was deferred upon acquisition of HOK	-	(603,209)
Digital assets paid for services	22,907	975,163
Depreciation	362,053	129,291
Loss on use of digital assets	(4,103)	(394,793)
Accrued interest income	(6,324)	-
Impairment of goodwill	3,488,996	-
Impairment of intangibles	1,895,186	-
Loss on disposal of GZ	365,097	-
Revaluation of digital assets	7,650	292,692
Shares issued for acquisition costs	-	225,000
Share-based compensation	2,412,991	5,103,796
Gain on forgiveness of debts	-	(5,000)
Changes in non-cash working capital items:		
Amounts receivable	117,745	(192,878)
Prepaid expenses	47,898	(491,652)
Accounts payable and accrued liabilities	404,148	866,410
Due to related parties	-	(155,767)
Deferred revenue	3,218	308,656
Deferred contract costs	-	(385,487)
Net cash flows provided by (used in) operating activities	(1,942,696)	206,205
Investing activities		
Loans receivable	-	(100,539)
Repayment of contingent liability	-	(750,000)
Additions of internally developed software	(486,313)	(1,442,343)
Cash disposed of on sale of subsidiary	(268)	-
Purchase of equipment	-	(478,972)
Cash acquired from acquisition of subsidiary	804,460	225,558
Net cash flows used in investing activities	317,879	(2,546,296)
Financing activities		
Loans repaid	(293,750)	(105,000)
Loans received	1,519,000	40,000
Lease payments	(145,150)	(80,639)
Proceeds from share issuances	-	3,994,100
Proceeds from exercise of warrants and options	346,666	60,000
Net cash flows provided by financing activities	1,426,766	3,908,461
Effects of foreign exchange on cash	(41,399)	-
Change in cash	(198,051)	1,568,370
Cash, beginning	308,035	2,442
Cash, ending	68,585	1,570,812
Other Supplementary Information		
Cash paid during the year for interest	-	-
Cash paid during the year for income taxes	-	-

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

1. Nature and Continuance of Operations

Looking Glass Labs Ltd. (the "Company") was incorporated on June 19, 2015, under the laws of the province of British Columbia, Canada. On October 8, 2021, the Company changed its name from BluKnight Aquafarms Inc. to Looking Glass Labs Ltd. The Company changed its name from 1040426 BC Ltd to BluKnight Aquafarms Inc. on July 12, 2017. Looking Glass Labs is a Web3 innovation platform specializing in consumer engagement applications to leverage immersive metaverse environments and blockchain monetization strategies. Its leading brand, House of Kibaa ("HOK"), designs and curates a next-generation metaverse for 3D assets, which allows functional art and collectibles to exist simultaneously across different blockchain environments.

The head office, principal address, records office and registered address of the Company are located at 810 – 789 West Pender Street, Vancouver, BC.

Based on its planned expenditures and expected cash flows, the Company will need to secure new sources of working capital to continue operations for the next twelve-month period. Management's plan is to actively secure sources of funds, including possible equity and debt financing options, while at the same time focus on exercising careful cost control to sustain operations and, if necessary, the Company will curtail spending.

These financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. During the period ended April 30, 2023, the Company incurred a net comprehensive loss of \$11,282,058 (2022 – \$6,730,076), and had an accumulated deficit of \$23,751,747 (July 31, 2022 – \$12,511,090) and a working capital deficit of \$2,499,613 as at April 30, 2023 (July 31, 2022 – \$141,855).

The Company's ability to continue as a going concern and meet its corporate objectives may require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on terms advantageous to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue its existence.

2. Statement of Compliance and Significant Accounting Policies

These unaudited condensed interim consolidated financial statements were authorized for issue on June 14, 2023 by the directors of the Company.

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with IAS 34 – Interim Financial Reporting. These condensed interim consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended July 31, 2022. These condensed interim consolidated financial statements have been prepared following the same accounting policies as the Company's audited consolidated financial statements for the year ended July 31, 2022.

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

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

2. Statement of Compliance and Significant Accounting Policies (continued)

Basis of Presentation

These unaudited condensed interim consolidated financial statements have been prepared on an accrual basis and are based on historical cost, modified where applicable. The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the Company's functional currency.

Basis of Consolidation

The unaudited condensed interim consolidated financial statements include the accounts of the Company and its controlled entities. Control occurs when the Company is exposed to, or has the right to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. During the nine months ended April 30, 2023, the Company's wholly owned subsidiary HOK Vietnam Company Limited was dissolved. During the nine months ended April 30, 2023 the Company sold its wholly owned subsidiary Genzeroes Productions Inc. to a related party as described in Note 5. Details of controlled entities are as follows:

Name	Jurisdiction of Incorporation	Interest April 30, 2023	Interest July 31, 2022	Functional Currency
Genzeroes Productions Inc.	Canada	0%	100%	Canadian Dollars
HOK Vietnam Company Limited	Vietnam	0%	100%	Vietnamese Dong
HOK Technologies Inc.	Canada	100%	100%	Canadian Dollars
HOK BVI Technologies Inc.	British Virgin Islands	100%	100%	Canadian Dollars
Web 3.0 Holdings Inc.	Canada	100%	100%	Canadian Dollars

All inter-company transactions and balances have been eliminated in the consolidated financial statement presentation.

Functional and Presentation Currency

These unaudited condensed interim consolidated financial statements are presented in Canadian dollars. Each entity determines its own functional currency, and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances in foreign currencies

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at period-end exchange rates are recognized immediately in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Foreign Operations

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars from their functional currency at the exchange rate prevailing at the reporting date and their statements of loss and comprehensive loss are translated at the exchange rates approximating those in effect on the date transactions occurred. The exchange differences arising on the translation are recognized in other comprehensive income and accumulated in the foreign currency translation reserve in equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in earnings as part of the gain or loss on disposal.

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

2. Statement of Compliance and Significant Accounting Policies (continued)

Significant Accounting Judgments, Estimates and Assumptions

In preparing these condensed interim consolidated financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited consolidated financial statements for the year ended July 31, 2022.

The preparation of condensed interim consolidated financial statements requires that the Company's management make judgments and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual future outcomes could differ from present estimates and judgments, potentially having material future effects on the Company's condensed interim financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

New Standards Adopted

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. Business Combination

On September 29, 2021, the Company entered into a definitive share exchange agreement (the "HOK Purchase Agreement") (the "Agreement") to acquire all of the issued and outstanding securities of HOK Technologies Inc. ("HOK") in consideration for 45,000,000 common shares of the Company (each a "Consideration Share") payable to the existing shareholders of HOK (the "Vendors").

The Vendors are eligible to earn additional Consideration Shares (the "Earn-Out Shares") upon realization of certain revenue-related milestones achieved by HOK for the calendar years ending December 31, 2021 and December 31, 2022. At July 31, 2022, HOK had achieved all revenue related milestones for the calendar year ended December 31, 2021, and the Company paid the Vendors \$750,000 and is obligated to issue the \$2,000,000 of Earn-Out Shares. On February 25, 2022, the Company satisfied the share issuance obligation and issued 2,592,205 common shares.

The revenue-related milestones for the period commencing on January 1, 2022 and ending December 31, 2022 are either:

- \$1,500,000 of Earn-Out Shares and \$500,000 if, by no later than December 31, 2022, \$5,000,000 of revenue is achieved by HOK; or
- \$2,500,000 of Earn-Out Shares and \$500,000 if, by no later than December 31, 2022, \$10,000,000 of revenue is achieved by HOK.

The Company recorded the fair value of the additional consideration for revenue milestones as a contingent liability. At July 31, 2022 and April 30, 2023, the fair value of the remaining revenue-related milestone was \$0. The number of Earn-Out Shares issuable upon the achievement of revenue-related milestones were determined in accordance with the market value of the Company's common shares at such time, and were subject to the statutory four month and one day hold period.

In connection with the acquisition of HOK, the Company agreed to issue an aggregate of 200,000 common shares of the Company to extinguish certain of HOK's outstanding accounts payable. The Company paid a finder's fee of 2,250,000 common shares of the Company with a fair value of \$225,000 to certain qualified third parties on the closing of the Acquisition.

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

3. Business Combination (continued)

The acquisition of HOK constituted a business combination as HOK met the definition of a business under IFRS 3 - Business Combinations.

	\$
Purchase price:	
45,000,000 common shares	3,436,497
Contingent consideration	3,785,862
Total consideration paid	7,222,359
Cash	225,558
Accounts receivable	629
Digital assets	768,880
Equipment	2,316
Accounts payable and accrued liabilities	(87,559)
Income taxes payable	(15,785)
Deferred revenue	(603,209)
Due to related parties	(190,000)
Advances payable	(100,539)
Net assets acquired	291
Platform (Note 9)	540,000
Goodwill	6,682,068
Total	7,222,359

The Company determined that HOK's technology and business objectives were synergistic with the Company's business plans and objectives. Goodwill consists of an assembled workforce, cost synergies and future economic potential of HOK.

For the purposes of testing impairment, the recoverable amount of each CGU comprising goodwill was based on value in use. As at January 31, 2023, the Company recorded a total impairment of goodwill of \$6,682,068 (July 31, 2022 - \$3,193,072).

Advances payable include \$100,539 advanced to HOK by the Company for working capital.

During the nine months ended April 30, 2023 the Company recorded a net loss of \$2,648,981 in the Consolidated Statements of Loss and Comprehensive Loss in connection with HOK. During the period from October 1, 2021 to April 30, 2022, the Company recorded a net income of \$304,236 in the Consolidated Statement of Loss and Comprehensive Loss in connection with HOK.

Net loss for the Company would have been higher by approximately \$132,676, for the period ended April 30, 2022, if the acquisition had taken place on August 1, 2021. In connection with this transaction, the Company also issued 2,250,000 common shares with a fair value of \$0.10 per share as finders' fees. Finders' fees are considered acquisition costs under IFRS and are expensed through profit and loss. As a result, the \$225,000 fair value of the finders' fee shares have been recorded as acquisition costs.

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

4. Asset Acquisition

On August 9, 2022, the Company entered into a share purchase agreement to acquire all of the issued and outstanding securities of Web 3.0 Holdings Corp. ("Web 3.0"), a technology company that is addressing Business to Consumer and Business to Business infrastructure challenges within Web3 environments.

As consideration, the Company issued 13,827,250 common shares of the Company (each a "Consideration Share") on September 7, 2022 payable to the existing shareholders of Web 3.0 with a fair value of \$1,935,815. The acquisition of Web 3.0 does not constitute a business combination because this entity does not meet the definition of a business under IFRS 3 – *Business Combinations*. As a result, the transaction has been measured at the fair value of equity consideration issued to acquire these entities. The fair value of the consideration paid was determined based on the fair value of the assets received as determined based on IFRS 2 – *Share Based Payments*.

Purchase price:	\$
13,827,250 common shares	1,935,815
Total consideration paid	1,935,815
<hr/>	
Cash	804,460
Liabilities assumed	(200,000)
Net assets assumed	604,460
Acquired retail technology platform	1,331,355
	1,935,815

5. Disposal of GenZeroes and Discontinued Operations

On March 30, 2023, the Company has completed the sale of its subsidiary, GenZeroes Productions Inc., the GenX smart contract and all associated intellectual property (the "Related IP") (collectively, the "Assets"), to GZU Entertainment Inc. (the "Purchaser"). The Company's former Chief Product Officer Neil Stevenson-Moore was part of the Purchaser's group and resigned from the Company following the completion of the sale.

As consideration for the Assets the Company received a promissory note (the "Note") for \$800,000 bearing an interest rate of prime rate plus 1% and a five-year term to maturity, with the option by the Purchaser to extend the term for an additional five years. The Company shall also retain a 50% royalty in perpetuity on all net proceeds from the content owned by the entity GenZeroes Productions Inc., which relates to the already completed first season of the GenZeroes series. The Note shall be secured against the shares of GenZeroes Productions Inc. and the Related IP. As a condition of closing the Transaction, the Purchaser has also granted to the Company a non-exclusive and royalty-free license (the "IP License") to use the GenX collection's intellectual property for its metaverse product branded as Pocket Dimension and video game branded as Overlords. The term of the IP License is for a period from the closing date until the Note is fully paid.

During the period ended April 30, 2023, the Company recorded a loss on the deconsolidation of GenZeroes of \$365,097, which included \$268 of cash held by E3.

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

5. Disposal of GenZeroes and Discontinued Operations (continued)

The assets, liabilities and gain on loss of control of E3 after deconsolidation are presented below:

	\$
Assets	
Cash	\$ 268
Accounts receivable	2,094
Prepaid expenses	35,000
Intangible asset	659,892
Total Assets	697,254
Liabilities	
Accounts payable	\$ 108,751
Intercompany	1,167,847
Total Liabilities	1,276,598
Total	(579,344)
Intercompany payables forgiven	1,167,847
Accounting fair value of promissory note received (Note 7)	(223,406)
Loss on deconsolidation	365,097

The following table summarizes the assets and liabilities in the disposal group:

	At	
	April 30, 2023	July 31, 2022
Assets		
Cash	\$ -	\$ 34,098
Accounts receivable	-	6,508
Prepaid expenses	-	54,856
Intangible assets	-	670,354
Total assets of the disposal group	-	765,816
Current Liabilities		
Accounts payable	\$ -	\$ 110,827
Intercompany loans	-	1,032,398
Total liabilities of the disposal group	\$ -	\$ 1,143,225

The net loss from discontinued operations for the three and nine months ended April 30, 2023, and 2022 are presented below:

	Three months Ended		Nine months Ended	
	April 30, 2023	April 30, 2022	April 30, 2023	April 30, 2022
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses				
Amortization	\$ 26,396	\$ -	\$ 108,863	\$ -
Consulting fees	-	117,182	18,000	118,782
Marketing	-	-	16,151	6,399
Office expenses	178	24,615	51,438	26,004
Professional fees	7,510	-	7,510	-
Total expenses	\$ 34,084	\$ 141,797	\$ 201,962	\$ 151,185
Net loss from discontinued operations	(\$34,084)	\$(141,797)	\$(201,962)	\$(151,185)

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

5. Disposal of GenZeroes and Discontinued Operations (continued)

The consolidated statements of cash flows for the nine months ended April 30, 2022 were not restated to present the cash flows from the discontinued operations separately as the Company elected to provide this information in the present note. The cash flows from the discontinued operations of GenZeroes for the nine months ended April 30, 2023 and 2022 are presented in the following table:

	Nine months ended	
	April 30, 2023	April 30, 2022
Cash flows from operating activities	\$ (70,878)	\$ (177,794)
Cash flows used in financing activities	(98,401)	(539,745)
Cash flows from investing activities	135,449	738,803
Cash flows used during the period	\$ 33,830	\$ 21,264

6. Digital Assets

Digital assets are recorded at their fair value on the acquisition date or when they are received as revenues, and are revalued to their current market value at each reporting date. The fair value is determined using the spot rate based on the weighted average from www.yahoo.com on the date the tokens are received or recorded as a receivable.

Digital assets consist of Ethereum and USD-T/C (cryptocurrencies). Ethereum and USD-T/C earned and transacted during the period were as follows:

	\$	USD-T/C #	Ethereum #
Balance July 31, 2022	154,302	3,694.95	71.640
Digital assets received for revenues	5,513	-	2.758
Digital assets received for deferred revenues	444	-	0.261
Digital assets traded for cash	(110,633)	-	(55.000)
Digital assets paid for expenses	(22,907)	-	(10.765)
Revaluation of digital assets	(7,650)	-	-
Gain on sale of digital assets	4,103	-	-
Balance April 30, 2023	23,172	3,694.95	8.894

- i) Digital assets held are revalued each reporting period based on the fair market value of the price of Ethereum and USD-T/C on the reporting date. As at April 30, 2023, the price of Ethereum was \$2,607 resulting in a revaluation loss of \$7,650.

7. Promissory Note Receivable

As part of the sale of GenZeroes Productions Inc. as described in Note 5 the Company received a Promissory Note Receivable (the "Note") for \$800,000. The Note bears an interest rate of prime rate plus 1% and has a five-year term to maturity, with the option by the Purchaser to extend the term for an additional five years. The Note is secured against the shares of GenZeroes Productions Inc. and the Related IP.

The initial fair value of the Note on inception was determined to be \$223,406. The fair value of the instrument was estimated using a discounted cash flow model using a discount rate of 39%. At April 30, 2023, the company had recorded \$6,324 of interest and carrying value of the Note was \$229,730.

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

8. Property and Equipment

	Computer Equipment \$	Furniture and Fixtures \$	Total \$
Cost			
Balance, July 31, 2022	62,169	13,077	75,246
Additions	-	-	-
Balance, April 30, 2023	62,169	13,077	75,246
Accumulated depreciation			
Balance, July 31, 2022	(12,793)	(1,817)	(14,610)
Depreciation	(15,541)	(3,270)	(18,811)
Balance, April 30, 2023	(28,334)	(5,087)	(33,421)
Net book values			
Balance, July 31, 2022	49,376	11,260	60,636
Balance, April 30, 2023	33,835	7,990	41,825

9. Intangible Assets and Goodwill

As part of the acquisition of HOK as described in Note 3, the Company acquired a platform. HOK is creating a blockchain-based virtual world and metaverse to be utilized across environments as well as virtual reality social and gaming activities (the "Platform").

As part of the acquisition of Web 3.0 as described in Note 4, the Company acquired a retail technology platform currently in development (the "Platform Development").

The Company has also capitalized costs related to the creation of a live-action NFT based series produced by the Company. Acquired NFTs represent NFTs purchased by the Company from third parties for development purposes.

	Acquired NFTs \$	Film Series \$	Acquired Platform \$	Internally Generated Platforms \$	Acquired Platform Development \$	Total \$
Balance, July 31, 2022	48,973	670,354	475,714	1,089,417	-	2,284,458
Additions	-	98,401	-	387,912	1,331,355	1,817,668
Amortization	(48,973)	(108,863)	(57,857)	-	-	(215,693)
Disposed of	-	(659,892)	-	-	-	(659,892)
Impairment	-	-	(417,857)	(1,477,329)	-	(1,895,186)
Balance, April 30, 2023	-	-	-	-	1,331,355	1,331,355

Goodwill

	\$
July 31, 2021	-
Addition (Note 3)	6,682,068
Impairment	(3,193,072)
July 31, 2022	3,488,996
Impairment	(3,488,996)
April 30, 2023	-

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

9. Intangible Assets and Goodwill (continued)

The recoverable amount of the operating unit was determined based upon updated cash flow projections. The Company used discount rate of 39% for the current and previous value in use calculations. As at April 30, 2023, the Company recorded impairment of goodwill of \$3,488,996 (July 31, 2022 - \$3,193,072) and impairment of intangibles of \$1,895,186. The events and circumstances that led to the recognition of the impairment losses included a decrease in forecasted growth as a result of material uncertainties with respect to the Company's ability to raise capital for further development, decreased revenue projections as a result of a general downturn in the metaverse industry and in the blockchain industry.

10. Right-of-Use Assets and Lease Liabilities

The Company's primary leases consist of a research and development facility and an office space. The Company used an incremental borrowing rate of 9.5%. The following is a continuity schedule of right-of-use assets for the period ended April 30, 2023 and July 31, 2022:

	Office Lease
	\$
Right-of-use assets	
Balance, July 31, 2021	-
Additions	510,196
Depreciation	(113,377)
Balance, July 31, 2022	396,819
Depreciation	(127,549)
Balance, April 30, 2023	269,270

The following is a continuity schedule of lease liabilities for the period ended April 30, 2023 and July 31, 2022:

	Office Lease
	\$
Lease liabilities	
Balance, July 31, 2021	-
Additions	510,196
Interest	27,290
Payments	(129,023)
Balance, July 31, 2022	408,463
Interest	23,107
Payments	(145,150)
Balance, April 30, 2023	286,420
Less: current portion	(176,065)
Non-current portion	110,355

The undiscounted lease liabilities are as follows:

Period ended July 31,	\$
2023	96,767
2024	193,534
2025	16,128
Total lease payments	306,429

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

11. Accounts Payable and Accrued Liabilities

	April 30, 2023	July 31, 2022
	\$	\$
Accounts payable	841,918	414,589
Accrued liabilities	561,126	493,057
	1,403,044	907,646

12. Loans Payable

During the period ended April 30, 2023, the Company received loans of \$1,519,000 from arms-length parties and repaid \$293,750. At January 31, 2023, the Company had \$1,317,522 (July 31, 2022 - \$40,000) of loans payable, including \$52,272 in accrued interest. The loans are secured, bear interest at 10% per annum and are due on demand.

13. Share Capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At April 30, 2023, there were 141,587,668 (July 31, 2022 – 115,908,755) issued and fully paid common shares outstanding.

For the period ended April 30, 2023

On September 7, 2022, the Company issued 13,827,250 common shares with a fair value of \$1,935,815 pursuant to the acquisition of Web 3.0 as described in Note 4.

During the nine months ended April 30, 2023, the Company issued 1,466,665 common shares upon the exercise of 1,466,665 stock options for total proceeds of \$146,667 and the Company transferred \$109,140 from reserve to share capital.

During the nine months ended April 30, 2023, the Company issued 2,000,000 common shares upon the exercise of 2,000,000 warrants for total proceeds of \$200,000.

During the nine months ended April 30, 2023, the Company issued 8,384,998 common shares upon the conversion of 8,384,998 RSUs and the Company transferred \$1,566,874 from reserve to share capital.

For the period ended April 30, 2022

On September 15, 2021, the Company closed a non-brokered private placement of 7,500,000 units of the Company issued at a price of \$0.02 per unit for gross proceeds of \$150,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one warrant share for a period of 5 years at an exercise price of \$0.10 per share.

On September 29, 2021, the Company issued 11,600,000 common shares of the Company issued at a price of \$0.10 per common share in connection with a private placement.

On September 30, 2021, the Company issued 45,000,000 common shares of the Company with a fair value of \$3,436,497 in consideration for the acquisition of HOK as described in Note 3.

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

13. Share Capital (continued)

For the period ended April 30, 2022 (continued)

On September 30, 2021, the Company issued 2,250,000 common shares of the Company with a fair value of \$225,000 as finders fees for the acquisition of HOK as described in Note 3.

On September 30, 2021, the Company issued 200,000 common shares with a fair value of \$20,000 to settle \$20,000 of accounts payable.

On October 7, 2021, the Company issued 2,000,000 common shares of the Company at a price of \$0.10 per common share for proceeds of \$20,000 in connection with a private placement.

On November 10, 2021, the Company completed a non-brokered private placement of 5,000,000 units of the Company issued at a price of \$0.50 per unit for gross proceeds of \$2,500,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional share for a period of 60 months at an exercise price of \$1.25 per share. The Company paid finder's fees of \$15,900 in cash, issued 145,950 common shares and 31,800 in broker warrants with the same terms as the financing warrants. The grant date fair value of the finder warrants was measured at \$9,762. The warrants were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - \$0.50; exercise price - \$1.25; expected life - 5 years; volatility - 100%; dividend yield - Nil; and risk-free rate - 1.47 %.

On February 11, 2022, the Company issued 500,000 common shares upon the exercise of 500,000 warrants with an exercise price of \$0.10.

On February 25, 2022, the Company issued 2,592,205 common shares at a deemed price of approximately \$0.755 per share pursuant to the acquisition of HoK as described in Note 3. The shares were earned by the vendors as a result of HoK achieving a pre-determined revenue related milestone for the calendar year ended December 31, 2021.

During the nine months ended April 30, 2022, the Company issued 99,999 common shares upon the exercise of 99,999 options with an exercise price of \$0.10. Upon exercise the Company reclassified the grant date fair value of the options of \$7,441 from reserves.

During the nine months ended April 30, 2022, the Company issued 4,450,000 common shares upon the exercise of 4,450,000 restricted stock units. Upon exercise the Company reclassified the grant date fair value of the Restricted Stock Units of \$3,115,000 from reserves.

Warrants

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

	Number of Warrants Issued	Weighted Average Exercise Price
Balance, July 31, 2021	-	-
Issued	12,531,800	0.56
Exercised	(500,000)	(0.10)
Balance, July 31, 2022	12,031,800	0.58
Exercised	(2,000,000)	0.10
Balance, April 30, 2023	10,031,800	0.68

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

13. Share Capital (continued)

Warrants (continued)

Details of warrants outstanding as April 30, 2023 are as follows:

Expiry Date	Number of Warrants Outstanding and Exercisable	Exercise Price
September 15, 2026	5,000,000	0.10
November 10, 2026	5,031,800	1.25
	10,031,800	

Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to directors, officers, employees and consultants to acquire up to 20% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 5 years prior to listing on an exchange, and 10 years after being listed on an exchange. Vesting periods are determined by the Board of Directors.

On September 13, 2022, the Company granted incentive stock options to its officers and consultants to purchase an aggregate of 9,693,750 common shares at an exercise price of \$0.14 per common share for up to five years. The options vest 1/8 every three months over 24 months. The total grant date fair value of the options was measured at \$1,374,038 and \$536,633 was recorded in the current period. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - \$0.18; exercise price - \$0.14; expected life - 5 years; volatility - 100%; dividend yield - \$0; and risk-free rate - 3.23%.

On June 1, 2022, the Company granted an aggregate of 50,000 incentive share purchase options to a consultant. Each share purchase option is exercisable for a period of two years at an exercise price of \$0.25 per common share of the Company. The options vest 4 months after the grant date. The grant date fair value of the options was measured at \$5,534 and \$2,812 was recorded during nine months ended April 30, 2023 (2022 - \$Nil). The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - \$0.22; exercise price - \$0.25; expected life - 2 years; volatility - 100%; dividend yield - \$0; and risk-free rate - 2.79%.

On April 13, 2022, the Company granted an aggregate of 250,000 incentive share purchase options to two consultants. Each share purchase option is exercisable for a period of five years at an exercise price of \$0.75 per common share of the Company. The options vest 50,000 options over a period of 4 months and 200,000 options vest over a period of 18 months, in one-third tranches of equal size, after the passing of each successive six-month period. The grant date fair value of the options was measured at \$130,153 and \$58,443 was recorded during the nine months ended April 30, 2023 (2022 - \$9,545). The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - \$0.70; exercise price - \$0.75; expected life - 5 years; volatility - 100%; dividend yield - \$0; and risk-free rate - 2.51%.

On April 11, 2022, the Company granted an aggregate of 100,000 incentive share purchase options to two consultants. Each share purchase option is exercisable for a period of two years at an exercise price of \$0.75 per common share of the Company. The options vest over a period of 4 months. The grant date fair value of the options was measured at \$37,670 and \$3,396 was recorded during the nine months ended April 30, 2023 (2022 - \$5,867). The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - \$0.72; exercise price - \$0.75; expected life - 2 years; volatility - 100%; dividend yield - \$0; and risk-free rate - 2.62%.

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

13. Share Capital (continued)*Stock options (continued)*

On February 7, 2022, the Company granted an aggregate of 5,000,000 incentive share purchase options to its directors, officers, employees and consultants. Each share purchase option is exercisable for a period of five years at an exercise price of \$0.65 per common share of the Company. The options vest over a period of 18 months, in one-third tranches of equal size, after the passing of each successive six-month period. The grant date fair value of the options was measured at \$2,428,863 and \$889,126 was recorded during the nine months ended April 30, 2023 (2022 - \$610,102). The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - \$0.65; exercise price - \$0.65; expected life – 5 years; volatility – 100%; dividend yield – \$0; and risk-free rate – 1.68%.

On October 14, 2021, the Company granted incentive stock options to its officers and consultants to purchase an aggregate of 6,000,000 common shares at an exercise price of \$0.10 per common share for up to five years. The options vest 1/3 on April 14, 2022, 1/3 on October 14, 2022 and 1/3 on October 14, 2023. The grant date fair value of the options was measured at \$446,482 and \$90,583 was recorded during the nine months ended April 30, 2023 (2022 - \$283,433). The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - \$0.10; exercise price - \$0.10; expected life – 5 years; volatility – 100%; dividend yield – \$0; and risk-free rate – 1.18%.

During the period ended April 30, 2023, the Company recorded \$1,580,993 (2022 - \$920,004) of share-based compensation related to the issuance of options. The following is a summary of the Company's option activity for the period ended April 30, 2023.

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2021	-	-
Granted	11,450,000	0.37
Exercised	(99,999)	0.10
Outstanding, July 31, 2022	11,350,001	0.37
Granted	9,693,750	0.14
Expired	(5,968,750)	(0.14)
Exercised	(1,466,665)	(0.10)
Outstanding, April 30, 2023	13,608,336	0.33
Exercisable, April 30, 2023	5,487,494	0.30

Details of options outstanding and exercisable as at April 30, 2023 are as follows:

Expiry date	Number of Options		Exercise Price
	Outstanding	Exercisable	
April 11, 2024	100,000	100,000	0.75
June 1, 2024	50,000	50,000	0.25
October 14, 2026	2,933,336	2,866,662	0.10
February 7, 2027	4,925,000	1,641,665	0.65
March 16, 2027	50,000	50,000	0.80
April 13, 2027	250,000	116,667	0.75
September 13, 2027	5,300,000	662,500	0.14
	13,608,336	5,487,494	

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

13. Share Capital (continued)

Restricted Stock Units (“RSUs”)

The Company has adopted a Restricted Stock Unit (“RSU”) plan (“RSU Plan”). The purpose of the RSU Plan is to secure for the Company and its shareholders the benefits of incentive inherent in share ownership by certain directors, officers, other key employees and consultants of the Company (“Participants”) who, in the judgment of the Board, will be responsible for its future growth and success. RSUs granted pursuant to this RSU Plan will be used to compensate Eligible Persons who have forgone salary to assist the Company in cash management in exchange for the grant of RSUs and incentive stock options under the Company’s stock option plan.

Under the terms of the plan, RSUs are granted to Participants and the RSUs expire the earlier of 5 years from the date of vesting of the RSU and 10 years from the grant date. Each RSU gives the Participant the right to receive one common share of the Company. The aggregate number of common shares that may be reserved for issuance, at any time, under this Plan and under any other share compensation arrangement adopted by the Company, including the Company’s incentive stock option plan, shall not exceed up to a maximum of 20% of the issued and outstanding Shares at the time of grant pursuant to awards granted under all share compensation plans.

At April 30, 2023, 3,375,002 RSUs were outstanding (July 31, 2022 – 2,125,000).

On November 25, 2022, 1,500,000 RSUs outstanding under the RSU plan were converted to common shares.

On December 14, 2022, 1,100,000 RSUs outstanding under the RSU plan were converted to common shares.

On December 21, 2022, 133,332 RSUs outstanding under the RSU plan were converted to common shares.

On December 30, 2022, 16,666 RSUs outstanding under the RSU plan were converted to common shares.

On January 3, 2023, 5,125,000 RSUs outstanding under the RSU plan were converted to common shares.

On January 27, 2023, 510,000 RSUs outstanding under the RSU plan were converted to common shares.

On January 26, 2023, pursuant to its shareholder approved restricted share unit (“RSU”) plan (the “RSU Plan”), the Company has granted 3,010,000 RSUs to directors, officers and consultants of the Company. 2,500,000 RSUs are subject to vesting four months from the grant date with 510,000 RSUs vesting immediately. The RSUs had a fair value of \$150,500, based on the closing price of the Company’s common shares on the date of grant. During the nine months ended April 30, 2023, the Company recorded \$125,123 (2022 - \$Nil) of stock-based compensation relating to the number of vested RSUs.

On December 29, 2022, pursuant to its shareholder approved restricted share unit (“RSU”) plan (the “RSU Plan”), the Company has granted 5,125,000 RSUs to consultants of the Company, vesting immediately. The RSUs had a fair value of \$384,375, based on the closing price of the Company’s common shares on the date of grant which the Company recorded as stock-based compensation during the period ended April 30, 2023.

On September 13, 2022, pursuant to its shareholder approved restricted share unit (“RSU”) plan (the “RSU Plan”), the Company has granted 1,500,000 RSUs to a consultant of the Company, vesting immediately. The RSUs had a fair value of \$270,000, based on the closing price of the Company’s common shares on the date of grant which the Company recorded as stock-based compensation during the period ended April 30, 2023.

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

13. Share Capital (continued)

Restricted Stock Units (“RSUs”) (continued)

On April 13, 2022, pursuant to its shareholder approved restricted share unit (“RSU”) plan (the “RSU Plan”), the Company has granted an aggregate of 5,925,000 RSUs to directors and officers of the Company. The RSUs are subject to vesting, upon predetermined corporate milestones that need to be satisfied as a condition of vesting. The vested RSUs shall entitle the eligible parties the ability to acquire one common share in the capital of the Company underlying each such RSU upon such holder delivering a notice of acquisition to the Company in accordance with the RSU Plan for a period of five years from issuance (the “Term”). Any unvested RSUs after expiry of the Term will be deemed automatically cancelled without further act or notice by the Company. The RSUs had a fair value of \$4,147,500, based on the closing price of the Company’s common shares on the date of grant. During the nine months ended April 30, 2023, the Company recorded \$52,501 (2022 - \$4,045,417) of stock-based compensation relating to the number of vested RSUs.

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options, warrants or RSUs are exercised, at which time the corresponding amount will be transferred to share capital.

14. Related Parties

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities:

	April 30, 2023	July 31, 2022
	\$	\$
Amounts owed to directors and former directors of the Company	64,296	29,895
	64,296	29,895

Related party transactions

During the nine months ended April 30, 2023, the Company paid and/or accrued accounting, management, and consulting fees of \$241,917 (2022 - \$283,167) to the Company’s key management. During the nine months ended April 30, 2023, the Company also incurred stock-based compensation to key management personnel related to the grant of options and RSUs of \$270,608 (2022 - \$327,677).

On March 30, 2023, the Company has completed the sale of its subsidiary, GenZeroes Productions Inc., the GenX smart contract and all associated intellectual property, to GZU Entertainment Inc. (the “Purchaser”). The Company’s former Chief Product Officer Neil Stevenson-Moore was part of the Purchaser’s group and resigned from the Company following the completion of the sale.

All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties.

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

15. Financial Risk and Capital Management

(a) Fair value measurements:

Financial hierarchy:

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly from observable market data; and

Level 3: Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets and liabilities measured at fair value as at April 30, 2023 and July 31, 2022:

	As at April 30, 2023		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash and cash equivalents	68,585	-	-
Digital assets	-	23,172	-
Promissory note receivable	-	-	229,730

	As at July 31, 2022		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash and cash equivalents	308,035	-	-
Digital assets	-	154,302	-

Promissory note receivable

Promissory note receivable was measured using Level 3 fair values. The fair value of promissory note receivable at the period end has been calculated using a discounted cash flow model with a discount rate of 39%. A 5% increase in the discount rate would result in a decrease of the fair value of the promissory note receivable of \$36,000 (5% decrease would result in a \$45,000 increase in fair value).

Digital assets and risk management

Digital assets are measured using Level 2 fair values, determined by taking the rate from www.yahoo.com.

Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and 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.

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

15. Financial Risk and Capital Management (continued)

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 solely consist of Ethereum. As April 30, 2023, 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 \$2,317. Financial risk management:

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and a promissory note receivable owed from a related party. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The credit risk is considered moderate.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. As at April 30, 2023, the Company has cash of \$68,585 (July 31, 2022 - \$308,035) and digital assets of \$23,172 (July 31, 2022 - \$154,302) available to apply against short-term business requirements and current liabilities of \$2,910,864 (July 31, 2022 - \$1,126,423).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk. The Company is exposed to market risk of its digital assets held. As at April 30, 2023, management concludes the exposure to market risk is not material.

16. Segmented Information

The Company operates within two geographic areas, Canada and Vietnam and has one operating segment, which is the design, development, and sale of exclusive Non-Fungible Tokens ("NFTs").

	Canada	Vietnam	Total
	\$	\$	\$
Nine months ended April 30, 2023			
Revenue	209,960	-	209,960
Net Loss	(11,194,030)	(46,627)	(11,240,657)
Nine months ended April 30, 2022			
Revenue	6,925,008	-	6,925,008
Net loss	(6,401,796)	(328,280)	(6,730,076)
Three months ended April 30, 2023			
Revenue	344	-	344
Net Loss	(2,838,332)	-	(2,838,332)

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

16. Segmented Information (continued)

Three months ended April 30, 2022			
Revenue	116,320	-	116,320
Net Gain (loss)	(8,889,695)	(110,696)	(9,000,391)
As at April 30, 2023			
Total non-current assets	2,257,667	-	2,257,667
As at July 31, 2022			
Total non-current assets	6,006,397	609,999	6,616,396

17. Capital Management

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its business and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing and related party loans.

Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management since the year ended July 31, 2022.

The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital for the development of its business and will need to raise additional capital by obtaining equity financing through private placements or debt financing. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

18. Revenues

The Company's main sources of revenue is the sale of digital goods to customers and design services revenue. Design services revenue consists of Web 3 development initiatives for third parties. The following is a breakdown of revenues earned:

	Three Months ended April 30,		Nine Months ended April 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
NFT sales	-	-	-	6,245,675
Royalty income	344	116,320	5,512	477,602
Design services income	-	-	204,448	201,731
	344	116,320	209,960	6,925,008

Deferred Revenue

The Company receives payments based on the payment terms established in its contracts. Such payments are initially recorded to deferred revenue and are recognized into revenue as the Company satisfies its performance obligations. Deferred revenue consists of payments received from the Company's virtual land product (its "Pocket Dimension") in advance of revenue recognition. As of April 30, 2023, the aggregate amount of revenue allocated to unsatisfied performance obligations of \$2,608,218 (July 31, 2022 - \$2,604,555) is included in deferred revenue.

LOOKING GLASS LABS LTD.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2023 and 2022

(Expressed in Canadian Dollars)

18. Revenues (continued)

Deferred Contract Costs

The Company defers contract costs that are direct and incremental to obtaining user contracts. At April 30, 2023 and July 31, 2022, the Company had deferred \$385,487 of contract costs consisting of commissions paid for communication services provided in connection with the Company's Pocket Dimension sales. These costs will be amortized over the estimated period of time the corresponding products are available to the user in proportion to the revenue recognized.

Please refer to note 19, the Company will begin to amortize the deferred revenue and contract costs in the fourth quarter of 2023.

19. Subsequent Events

On May 29, 2023, the Company announced the public release of its Pocket Dimension product.

On June 1, 2023, the Company announced that it has entered into debt settlement agreement with an arm's-length creditor to eliminate an aggregate of \$367,500 of indebtedness of the Company through the issuance of an aggregate of 7,350,000 common shares in the capital of the Company.