LOOKING GLASS LABS LTD.

Consolidated Financial Statements

Years ended July 31, 2023 and 2022

Expressed in Canadian Dollars

WDM CHARTERED PROFESSIONAL ACCOUNTANTS

Independent Auditor’s Report

SERVICE

INTEGRITY

TRUST

To the Shareholders of:
LOOKING GLASS LABS LTD.

Opinion

We have audited the consolidated financial statements of Looking Glass Labs Ltd. and its subsidiaries (collectively the “Company”), which comprise the consolidated statements of financial position as at July 31, 2023, and 2022 and the consolidated statements of loss and comprehensive loss, changes in shareholders’ equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2023, and 2022 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $12,545,912 during the year ended July 31, 2023, and as of that date, had accumulated losses since inception of $25,211,782. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended July 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Revenue from Contracts with Customers and Deferred Revenue from NFT Sales
Key Audit Matter Description

The total revenues of the Company for the year ended July 31, 2023, amount to $654,957. The Company recognizes revenue from consulting contracts with customers and deferred revenue recognized from sales of Non-Fungible Tokens (“NFT’s”) in accordance with IFRS 15 "Revenue from Contracts with Customers" as disclosed in Significant Accounting Policies Note 2. This standard introduces a principles-based framework for recognizing revenue based on the transfer of control of promised goods or services. We considered this to be a key audit matter due to materiality and the judgments and estimates made by management in determining the timing of deferred revenue recognition.

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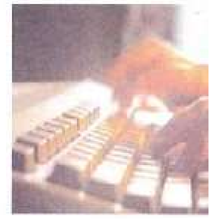
Further disclosure regarding the Company's revenue and deferred revenue is described in Notes 2 and 18 to the consolidated financial statements.



Audit Response

We responded to this matter by conducting a detailed assessment of the Company's revenue recognition process. Our audit work in relation to this included, but was not restricted to, the following:

- Understanding of Contracts and Revenue Streams: We obtained an understanding of the Company's contracts with customers, including the Terms of Service Agreement, the Company's smart contract deployed on the blockchain related to prior year's NFT sales, and performed analysis to identify all revenue streams to determine timing of revenue recognition.
- Evaluation of Performance Obligations: We evaluated management's identification and separation of performance obligations in contracts, ensuring that obligations are appropriately accounted for.
- We performed testing of revenue recognized per revenue stream and obtained evidence of the respective performance obligation being fulfilled.
- Allocation of Transaction Price: We assessed the allocation of transaction price to performance obligations, including variable consideration and constraint assessment.
- Our testing included agreeing amounts to customer contracts, invoices and cash receipts, and verifying the timing of revenue recognition.
- We performed analytical review of deferred revenue recognized based on evidence obtained of performance obligations being fulfilled.
- Review of Disclosures: We scrutinized the completeness and accuracy of revenue-related disclosures, ensuring they meet the requirements of IFRS 15.

Evaluation of Indicators of Impairment for Goodwill and Indefinite-Lived Intangible Assets
Key Audit Matter Description

The carrying value of goodwill and indefinite-lived intangible assets of the Company was $Nil as of July 31, 2023. The carrying value of goodwill and indefinite-lived intangible assets is tested annually for impairment and is material to the financial position of the Company. The carrying value of goodwill and indefinite-lived intangible assets are considered a key audit matter due to the significance of the carrying values and management judgment involved in assessing the recoverable value during impairment testing under IAS 36 Impairment of Assets. As such, a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment was required.

Further disclosure regarding the Company's intangible assets and goodwill is described in Notes 2 and 9 to the consolidated financial statements.

Audit Response

We responded to this matter by assessing whether the Company should recognize any impairment to goodwill and indefinite-lived intangible assets, evaluating key assumptions in management's models and methodologies applied. Our audit work in relation to this included, but was not restricted to, the following:

- Confirmed the methodologies in models used were consistent with accepted valuation approaches.
- Evaluated and challenged management's key underlying assumptions and projections.
- Reperformed calculations within the valuation models and evaluated the resulting estimates.
- Scrutinized the appropriateness, accuracy and completeness of the disclosures ensuring that users of the consolidated financial statements are provided with reliable information in the notes to the consolidated financial statements.

Promissory Note Receivable
As part of the sale of its subsidiary GenZeroes Productions Inc., the Company received a Promissory Note Receivable for $800,000. The note represents a contractual promise by a borrower to repay a specified amount at a future date, with interest. The key audit matter pertains to the valuation involving significant management estimates, recoverability of the Promissory Note, as well as the adequacy of the disclosures regarding the terms of the note and any associated risks. The carrying value of the promissory note receivable was $Nil as of July 31, 2023.

Further disclosure regarding the promissory note receivable is provided in Notes 2 and 7 to the consolidated financial statements.

Audit Response
We responded to this matter by addressing the valuation of the Promissory Note Receivable, the reasonableness of management assumptions used in the valuation, as well as by obtaining evidence of recoverability of the promissory note receivable. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained an understanding and examined the terms of the agreement associated with the promissory note, including reviewing the instrument, terms, interest and repayment schedules and applicable guarantees as well as evidence of its existence.
- Assessed and reperformed the valuation of the promissory note, evaluating management's inputs and assumptions used to ensure it is recorded at fair value.
- Assessed the promissory note for recoverability by examining available evidence on the financial position of the borrower, to determine the borrower's ability to meet the contractual obligations.
- Performed assessment of indicators for provision of expected credit losses associated with the promissory note receivable, to ensure correct carrying amount.

Other Information
Management is responsible for the other information. The other information comprises Management's Discussion and Analysis. Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Emphasis of Matter – Restated Comparative Information
We draw attention to Note 22 to the consolidated financial statements, which explains that certain comparative information presented for the year ended July 31, 2022, has been restated. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mike Kao.

WDM

Chartered Professional Accountants

Vancouver, B.C.
November 1, 2023

LOOKING GLASS LABS LTD.
Consolidated Statements of Financial Position
As at July 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	2023 $	2022 $ *As restated - Note 22*
ASSETS			
Current assets			
Cash and cash equivalents		**46,979**	308,035
Accounts receivable		**110,658**	215,152
Digital assets	6	**21,951**	154,302
Prepaid expenses		**73,790**	307,079
		253,378	984,568
Non-current assets			
Right-of-use assets	10	**226,754**	396,819
Property and equipment	8	**35,553**	60,636
Deferred contract costs	18	**321,240**	385,487
Intangible assets	9	**-**	2,311,768
Goodwill	3,9	**-**	3,323,409
Total assets		**836,925**	7,462,687
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11,14	**1,137,010**	907,646
Due to related parties	14	**14,233**	14,233
Loans payable	12	**1,374,415**	40,000
Lease liabilities – current portion	10	**176,065**	164,544
		2,701,723	1,126,423
Non-current liabilities			
Lease liabilities	10	**67,854**	243,919
Deferred revenue	18	**2,170,910**	2,604,555
Total liabilities		**4,940,487**	3,974,897
SHAREHOLDERS' (DEFICIENCY) EQUITY			
Share capital	13	**17,444,673**	13,339,178
Reserve	13	**3,720,574**	2,830,107
Warrant reserve	13	**9,762**	9,762
Accumulated other comprehensive loss		**(66,789)**	(25,387)
Deficit		**(25,211,782)**	(12,665,870)
Total shareholders' (deficiency) equity		**(4,103,562)**	3,487,790
Total liabilities and shareholders' (deficiency) equity		**836,925**	7,462,687

Nature and Continuance of Operations (Note 1)
Subsequent Events (Note 24)

Approved by the board of directors and authorized for issue on November 1, 2023:

"James Henning"	*"Kevin Cornish"*
James Henning, Director	Kevin Cornish, Director

LOOKING GLASS LABS LTD.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	2023 $	2022 $ *As restated - Note 22*
Revenues			
NFT sales	18	434,093	6,245,675
Royalty income	18	5,534	496,964
Design services income	18	215,330	262,599
Total revenues		654,957	7,005,238
Cost of revenues		(109,884)	(723,250)
Gross profit		545,073	6,281,988
Expenses			
Amortization	9	106,830	84,301
Depreciation	8,10	195,147	133,941
Consulting fees	14	104,547	521,980
Corporate development fees	14	421,768	757,269
Development costs	19	140,034	1,855,368
Foreign exchange loss		1,942	21,172
Interest expense		113,163	27,290
Marketing	20	456,463	2,506,255
Office expenses		322,572	829,800
Professional fees	14	603,166	720,237
Stock-based compensation	13,14	2,566,481	5,970,048
Transfer agent and filing fees		170,279	216,088
Wages and salaries		922,784	854,844
Operating expenses		**6,125,176**	**14,498,593**
Loss before other items for the year		**(5,580,103)**	**(8,216,605)**
Other income (loss)			
Acquisition costs	3	-	(375,000)
Change in fair value of contingent liability	3	-	533,450
Change in revaluation of digital assets	6	2,860	(355,158)
Impairment of goodwill	9	(3,323,409)	-
Impairment losses	7,9	(3,277,799)	(4,104,000)
Interest income	7	24,516	-
Loss on use of digital assets	6	(7,650)	(41,264)
Gain on settlement of debt	13	220,500	5,000
Loss on disposal of equipment	8	-	(330,560)
Loss on control of subsidiary	5	(428,307)	-
Other income (loss)		(14,815)	(62,362)
Loss from continuing operations		**(12,384,207)**	**(12,946,499)**
Loss from discontinued operations		**(161,705)**	**(377,409)**
Loss before income tax		**(12,545,912)**	**(13,323,908)**
Deferred income tax recovery		**-**	1,262,250
Net loss for the year		**(12,545,912)**	**(12,061,658)**
Loss per share from:			
Continuing operations		(6.79)	(8.92)
Discontinued operations		(0.09)	(0.29)
Total loss per share, basic and diluted		**(6.88)**	**(9.21)**
Weighted average number of common shares outstanding:			
Basic and diluted		1,823,531	1,309,875

LOOKING GLASS LABS LTD.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	**2023** **$**	2022 $ *As restated - Note 22*
Net loss		**(12,545,912)**	**(12,061,658)**
Other comprehensive loss			
Exchange differences on translation of foreign operations from continuing operations		(41,402)	(25,387)
Net comprehensive loss for the year		**(12,587,314)**	**(12,087,045)**

LOOKING GLASS LABS LTD.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the years ended July 31, 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	24	460,807	456,899	-	-	-	(604,212)	(147,313)
Common shares issued for cash	13	348,000	4,010,000	-	-	-	-	4,010,000
Share issuance costs	13	1,946	(25,662)	-	9,762	-	-	(15,900)
Shares issued to acquire HOK	3	600,000	3,453,000	-	-	-	-	3,453,000
Shares issued for finder's fees	3	30,000	225,000	-	-	-	-	225,000
Shares issued to settle debt	13	2,667	20,000	-	-	-	-	20,000
Shares issued upon exercise of warrants	13	6,667	50,000	-	-	-	-	50,000
Shares issued upon exercise of options	13	1,133	17,441	(7,441)	-	-	-	10,000
Shares issued upon RSU conversion	13	59,667	3,132,500	(3,132,500)	-	-	-	-
Shares issued for earn out payment	13	34,563	2,000,000	-	-	-	-	2,000,000
Share-based compensation	13	-	-	5,970,048	-	-	-	5,970,048
Net loss for the year		-	-	-	-	(25,387)	(12,061,658)	(12,087,045)
Balance, July 31, 2022 *(as restated - Note 22)*		**1,545,450**	**13,339,178**	**2,830,107**	**9,762**	**(25,387)**	**(12,665,870)**	**3,487,790**
Shares issued to acquire Web 3.0	4	184,363	1,935,815	-	-	-	-	1,935,815
Shares issued to settle debt	13	98,000	147,000	-	-	-	-	147,000
Shares issued upon exercise of options	13	19,556	255,806	(109,140)	-	-	-	146,666
Shares issued upon exercise of warrants	13	26,667	200,000	-	-	-	-	200,000
RSU conversion	13	111,800	1,566,874	(1,566,874)	-	-	-	-
Share-based compensation	13	-	-	2,566,481	-	-	-	2,566,481
Net loss for the year		-	-	-	-	(41,402)	(12,545,912)	(12,587,314)
Balance, July 31, 2023		**1,985,836**	**17,444,673**	**3,720,574**	**9,762**	**(66,789)**	**(25,211,782)**	**(4,103,562)**

Subsequent to July 31, 2023, the Company completed a one-for-seventy-five common share consolidation (Note 24).
All references to share capital and per share data have been adjusted retrospectively to reflect the Company's share consolidation.

LOOKING GLASS LABS LTD.
Consolidated Statements of Cash Flows
For the years ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

	2023	2022
	$	$
		(As restated - Note 22)
Operating activities		
Net loss for the year	(12,545,912)	(12,061,658)
Adjustments for non-cash items:		
Interest expense	113,155	27,290
Change in fair value of contingent liability	-	(533,450)
Digital assets converted to fiat currency	110,634	7,525,411
Digital assets received for sales	(5,534)	(6,125,611)
Digital assets received for which revenue was deferred upon acquisition of HOK	-	(603,209)
Digital assets paid for services	22,907	1,114,263
Impairment of goodwill	3,323,409	-
Impairment losses	3,277,799	4,104,000
Deferred income tax recovery	-	(1,262,250)
Interest income	(24,516)	-
Amortization	207,746	107,416
Depreciation	195,148	133,941
(Gain) loss on use of digital assets	7,650	41,264
Loss on loss of control of subsidiary	428,307	-
Change in revaluation of digital assets	(2,860)	355,158
Shares issued for acquisition costs	-	225,000
Share-based compensation	2,566,481	5,970,048
Gain on forgiveness of debts	(220,500)	(5,000)
Loss on sale of equipment	-	330,560
Changes in non-cash working capital items:		
Amounts receivable	104,923	(214,523)
Prepaid expenses	261,425	(307,079)
Accounts payable and accrued liabilities	493,056	764,547
Due to related parties	-	(155,767)
Deferred revenue	(434,092)	308,649
Deferred contract costs	64,247	(385,487)
Net cash flows used in operating activities	(2,056,527)	(646,486)
Investing activities		
Loans receivable	-	(100,539)
Repayment of contingent liability	-	(750,000)
Additions of internally developed software	(451,339)	(1,848,185)
Purchase of equipment	-	(505,499)
Sale of equipment	-	92,664
Cash received pursuant to acquisition of a subsidiary	804,460	225,558
Cash disposed on loss on control of a subsidiary	(268)	-
Net cash flows provided by (used in) investing activities	352,853	(2,886,001)
Financing activities		
Loans (repaid), net	(293,750)	(65,000)
Lease payments	(112,895)	(129,023)
Loans received	1,544,000	-
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	1,484,021	3,860,077
Increase (decrease) in cash	(219,653)	327,590
Effects of foreign exchange on cash	(41,403)	(21,997)
Cash, beginning of the year	308,035	2,442
Cash, end of the year	**46,979**	**308,035**

LOOKING GLASS LABS LTD.
Consolidated Statements of Cash Flows
For the years ended July 31, 2023 and 2022
(Expressed in Canadian Dollars)

	2023	2022
	$	$
		(As restated - Note 22)
Other Supplementary Information		
Cash paid during the year for interest	-	-
Cash paid during the year for income taxes	-	-

1. Nature and Continuance of Operations

Looking Glass Labs Ltd. (formerly BluKnight Aquafarms Inc.) (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 digital platform specializing in non-fungible token ("NFT") architecture, immersive extended reality ("XR") metaverse design, and virtual asset royalty streams. 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 NFT blockchain environments. The HOK studio provides utilities and platform tools that enable users to showcase their individual style and NFT collections within a proprietary metaverse.

The head office, principal address, records office and registered address of the Company are located at 1890 – 1075 West Georgia Street, Vancouver BC.

Currently, based on its planned expenditures and expected cash flows, the Company will need to secure new sources of working capital to continue operations beyond a 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. If necessary, the Company will curtail spending.

These consolidated 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 year ended July 31, 2023, the Company incurred a net comprehensive loss of $12,587,314 (2022 – $12,087,045), and had an accumulated deficit of $25,211,782 (2022 – $12,665,870) and a working capital deficiency of $2,448,346 as at July 31, 2023 (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 consolidated financial statements were approved and authorized for issue on November 1, 2023 by the directors of the Company.

Statement of Compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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

The significant accounting policies set out in Note 2 have been applied consistently to all periods presented.

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

Basis of Presentation

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

Basis of Consolidation

The 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. Details of controlled entities are as follows:

Name	Jurisdiction of Incorporation	Interest 2023	Interest 2022	Functional Currency
Genzeroes Productions Inc.	Canada	0%	100%	Canadian Dollars
HOK Vietnam Company Limited	Vietnam	0%	100%	Vietnamese Dong
Web 3.0 Holdings Corp. (inactive)	Canada	100%	100%	Canadian Dollars
HOK Technologies Inc.	Canada	100%	100%	Canadian Dollars
HOK BVI Technologies Inc.	British Virgin Islands	100%	100%	Canadian Dollars

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

Functional and Presentation Currency

These 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.

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

Significant Accounting Judgments, Estimates and Assumptions

The preparation of consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments and estimates in applying the Company's consolidated financial statements include the following:

Going concern
The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty involves significant judgment based on historical experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances.

Deferred tax assets
The ability of the Company to recognize deferred tax assets involves judgment of the probability that the Company will be able to generate taxable income in the future.

Digital assets
Digital assets are considered to be an identifiable non-monetary asset without physical substance. Management has determined that the digital assets are accounted for as intangible assets in accordance with IAS 38 Intangible Assets.

Digital currency valuation
Digital assets consist of cryptocurrency denominated assets (Note 6). Digital assets are carried at their fair market value determined by the spot rate based on the hourly volume weighted average from www.etherscan.io. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital assets would have a significant impact on the Company's earnings and financial position. In addition, management estimates that selling costs will be nominal. Digital currency 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 digital assets.

Stock-based compensation
The fair value of stock-based compensation requires estimates of assumptions that are used in the Black-Scholes option pricing model. The Company also uses judgment to estimate probability of achieving vesting conditions of restricted stock units ("RSUs").

Business combinations
Judgment is required to determine if the Company's acquisition represented a business combination or an asset purchase. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position. In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

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

Leases
Determining whether a lease contract contains an identified asset, whether the Company has the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create economic incentive to exercise renewal options.

Recoverability of long-lived assets
The Company assesses at each reporting date if the intangible asset has indicators of impairment. In determining whether the intangible asset is impaired, the Company assesses certain criteria including observable decreases in value, significant changes with adverse effect on the entity, a change in market interest rates, and evidence of technological obsolescence. The application of the Company's accounting policy for intangible asset expenditures requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which are based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized in excess of recoverable value is written off to profit or loss in the period the new information becomes available.

Estimated useful life of long-lived assets
Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

Revenue recognition
Management has exercised significant judgment in determining appropriate accounting treatment for the recognition of income, including whether contracts meet the definition of a contract within the scope of IFRS 15 - Revenue from Contracts with Customers.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits that are redeemable or with original maturities of three months or less.

Leases

The Company accounts for leases under IFRS 16 - Leases. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets.

Deferred Contract Costs

The Company defers contract costs that are direct and incremental to obtaining user contracts. Deferred contract costs consist of commissions paid for communication services provided in connection with the Company's virtual land NFT sales. These fees for initial contracts are amortized over the estimated period of time the corresponding products are available to the user in proportion to the revenue recognized. The Company classifies deferred contract costs as short-term or long-term based on when the Company expects to recognize the expense. Short-term and long-term deferred contract costs are included on the Company's consolidated statements of financial position. Deferred contract costs are periodically reviewed for impairment.

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

Financial Instruments

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost.

The Company determines the classification of financial assets at initial recognition. The classification of a debt instrument is driven by the Company's business model for managing its financial assets and their contractual cash flow characteristics. Equity instruments that are held-for trading are classified as at FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost – Financial assets and liabilities classified as amortized cost include cash, accounts receivable, loan receivable, accounts payable and accrued liabilities and loan payable. Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL - Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Financial assets through other comprehensive income ("FVTOCI") - Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not currently hold any financial instruments designated as FVTOCI.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

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

Financial Instruments (continued)

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 - Inputs for assets or liabilities that are not based on observable market data.

Equipment

Equipment consists of computer equipment and furniture and fixtures and is recorded at cost and depreciated annually at rates calculated to depreciate the assets over their estimated useful lives. Computer equipment and furniture and fixtures are depreciated over a useful life of 3 years.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit ("CGU") or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

The goodwill balance is assessed for impairment annually or when facts and circumstances indicate that it is impaired. Goodwill is tested for impairment at a CGU level by comparing the carrying value to the recoverable amount, which is determined as the greater of fair value less costs of disposal and value in use. Any excess of the carrying amount over the recoverable amount is the impaired amount. The recoverable amount estimates are categorized as Level 3 according to the fair value hierarchy. Impairment charges are recognized in the consolidated statements of loss and comprehensive loss. Goodwill is reported at cost less any accumulated impairment. Goodwill impairments are not reversed.

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

Intangible Assets

The Company owns intangible assets consisting of an acquired NFT's intellectual property, an internally generated film series, acquired platform and internally generated platforms. Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in connection with a business combination are initially recorded at fair value. Following initial recognition, intangible assets are carried at initial carrying value less any accumulated amortization and any accumulated impairment losses.

Acquired NFTs consist of NFTs purchased by the Company from third parties which allows the Company to use their intellectual property for development purposes and are carried at cost.

Investment in a film series includes the unamortized costs of producing a live-action NFT based series produced by the Company. Projects in development are written off at the earlier of the date they are determined not to be recoverable or when abandoned.

Certain costs incurred in connection with the development of internally generated digital platforms are capitalized to intangible assets as development costs. Intangible assets are recorded at cost, which consists of directly attributable costs necessary to create such intangible assets, less accumulated amortization and accumulated impairment losses, if any. The costs mainly include the compensation paid to the software developers.

Costs of producing a film series and costs to develop digital platforms are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product;
- it can be demonstrated how the product will generate future economic benefits;
- adequate technical, financial, and other resources to complete the development and to use or sell the products are available; and
- the expenditure attributable to the product during its development can be reliably measured.

The costs of auxiliary items and accessories that are not sold are expensed as these items are not expected to generate future economic benefits.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in operations as incurred. Intangible assets with finite lives are amortized over the lower of contractual period or useful economic life and assessed for impairment at each reporting date or whenever there is an indication that the intangible asset may be impaired.

The amortization method and amortization period of an intangible asset with a finite life is reviewed at least quarterly. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

Intangible assets with finite useful lives are amortized over their estimated useful lives of 1-7 years.

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

Impairment of Non-Financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit, or "CGU"). An impairment loss is recognized for the amount, if any, by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use (being the present value of expected future cash flows of the asset or CGU). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized, with the exception of goodwill and indefinite lived intangible assets.

Business Combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the fair value equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Goodwill represents the difference between total consideration paid and the fair value of the net-identifiable assets acquired. Acquisition costs incurred are expensed in the consolidated statements of loss and comprehensive loss.

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Capital Stock

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Unit Offerings

The Company records proceeds from unit offerings consisting of common shares and equity classified share purchase warrants as share capital. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrant reserve.

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

Share-based Payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of stock options granted to employees is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees, including finders' warrants, share-based payments are measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued.

Income Tax

(i) Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred Income Tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Loss per Share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share. Under this method, the dilutive effect on loss per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be antidilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

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

Revenue Recognition

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), provides revenue recognition requirements and established principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer.
2. Identifying the performance obligations within the contract.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligations.
5. Recognizing revenue when/as performance obligation(s) are satisfied.

The Company's revenue recognition policies for its three streams of revenue are as follows:

1. For NFT sales, an assessment is made at the execution of each contract to determine whether:
   i) the performance obligations are satisfied over time, or
   ii) the performance obligations are satisfied at a point in time.

   For NFT sales for which the NFT represents the sole performance obligation, the Company recognizes its revenue at a point in time. The Company grants its NFT holders non-exclusive, non-sublicensable, non-transferrable, revocable, limited license to use its products. When performance obligations are satisfied at a point in time, revenue is recognized when all of the aforementioned recognition criteria are met.

   For NFT sales for which the NFT must be combined with additional promises to create a single performance obligation, the combined performance obligation is recognized over time as the Company transfers the benefits to the customer.

2. Royalty revenue is accrued for royalty streams when the amount of revenue can be reliably measured based on relevant agreements and statements received from third party agents, and the underlying sales activity generating the royalty revenue has occurred.

3. Revenue from design services is recognized over time as the Company fulfills all performance obligations related to the services provided.

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 "Definitive Agreement") (the "Agreement") to acquire all of the issued and outstanding securities of HOK Technologies Inc. ("HOK") in consideration for 600,000 common shares of the Company (each a "Consideration Share") payable to the existing shareholders of HOK (the "Vendors").

(Expressed in Canadian Dollars)

3. Business Combination (continued)

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 ended 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 34,563 shares as described in Note 13.

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, the fair value of the remaining revenue-related milestone was $0 and the Company recorded a gain on the change in fair value of the contingent liability of $533,450. The number of Earn-Out Shares issuable upon the achievement of revenue-related milestones will be determined in accordance with the market value of the Company's common shares at such time, and will be 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 2,667 common shares of the Company to extinguish certain of HOK's outstanding accounts payable. The Company paid a finder's fee of 30,000 common shares of the Company with a fair value of $225,000 to certain qualified third parties in connection with the closing of the Acquisition.

The acquisition of HOK constituted a business combination as HOK met the definition of a business under IFRS 3 - Business Combinations. Certain values in the following purchase price allocation are restated (Note 22).

	$
Purchase price:	
600,000 common shares	3,453,000
Contingent consideration	3,283,450
Total consideration paid (Note 22)	**6,736,450**
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
Acquired IP (Note 22)	4,104,000
Platform (Notes 9 and 22)	571,000
Goodwill (Note 22)	3,323,409
Deferred income tax liability	(1,262,250)
Total	**6,736,450**

(Expressed in Canadian Dollars)

3. Business Combination (continued)

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. The accounting for this acquisition has been provisionally determined at July 31, 2022. The fair value of total consideration has been provisionally determined and subject to adjustment. Upon completion of a comprehensive valuation and finalization of the purchase price allocation, the amounts above may be adjusted retrospectively to the acquisition date in future reporting periods.

For the purposes of testing impairment, the recoverable amount of each CGU comprising goodwill was based on value in use. As at July 31, 2023, the Company recorded an impairment of goodwill of $3,323,409 (2022 - $Nil (Restated – Note 22)).

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

During the period from October 1, 2021 to July 31, 2022, the Company recorded a net income of $1,077,244 in the Consolidated Statements of Loss and Comprehensive Loss in connection with HOK.

Net loss for the Company would have been higher by approximately $132,962, for the period ended July 31, 2022, if the acquisition had taken place on August 1, 2021. In connection with this transaction, the Company also issued 30,000 common shares with a fair value of $7.50 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.

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 184,363 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 the entity. The fair value of the consideration paid was determined based on the fair value of the assets received in accordance with IFRS 2 – *Share Based Payments*.

Purchase price:	$
184,363 common shares	1,935,815
Total consideration paid	1,935,815
Cash	804,460
Net assets assumed	804,460
Acquired retail technology platform	1,131,355
	1,935,815

On July 31, 2023, the Company recorded impairment of the retail technology platform of $1,131,355 as described in Note 9.

(Expressed in Canadian Dollars)

5. Disposal of GenZeroes and Discontinued Operations

On March 30, 2023, the Company completed the sale of its subsidiary, GenZeroes Productions Inc. ("GenZeroes"), 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 year ended July 31, 2023, the Company recorded a loss on the deconsolidation of GenZeroes of $428,307, which included $268 of cash held by GenZeroes.

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

	$
Assets	
Cash	268
Accounts receivable	594
Prepaid expenses	35,000
Intangible asset	632,839
Total Assets	668,701
Liabilities	
Accounts payable	39,968
Intercompany payables	1,167,847
Total Liabilities	**1,207,815**
Net liabilities	(539,114)
Intercompany payables forgiven	1,167,847
Accounting fair value of promissory note received (Note 7)	(200,426)
Loss on deconsolidation	**428,307**

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

	July 31, 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**

(Expressed in Canadian Dollars)

5. Disposal of GenZeroes and Discontinued Operations (continued)

The net loss from discontinued operations for the years ended July 31, 2023, and 2022 are presented below:

	Year Ended	
	July 31, 2023 $	July 31, 2022 $
Revenues	-	-
Expenses		
Amortization	100,916	23,116
Consulting fees	24,000	69,600
Marketing	16,151	237,561
Office expenses	13,128	44,992
Professional fees	7,510	2,140
Total expenses	**161,705**	**377,409**
Net loss from discontinued operations	**(161,705)**	**(377,409)**

The consolidated statement of cash flows for the year ended July 31, 2022 was 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 years ended July 31, 2023 and 2022 are presented in the following table:

	Year ended	
	July 31, 2023 $	July 31, 2022 $
Cash flows used in operating activities	(105,878)	(351,062)
Cash flows used in investing activities	(63,401)	(693,470)
Cash flows provided by investing activities	135,449	1,032,398
Decrease in cash	**(33,830)**	**(12,134)**

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.finance.yahoo.com on the date the tokens are received or recorded as a receivable.

(Expressed in Canadian Dollars)

6. Digital Assets (continued)

Digital assets consist of Ethereum and USD-T/C (cryptocurrencies). Ethereum and USD-T/C earned and transacted during the years ended July 31, 2023 and 2022 were as follows:

		USD-T/C	Ethereum
	$	#	#
Balance, on acquisition at September 30, 2021	768,880	-	201.94
Digital assets received for revenues	6,125,611	2,602.76	1,460.02
Digital assets received for deferred revenues	2,295,907	42,525.00	585.10
Digital assets traded for cash	(7,525,411)	-	(1,905.39)
Digital assets paid for expenses	(1,114,263)	(241,277.15)	(209.15)
Digital assets exchanged for digital assets	-	199,844.34	(60.88)
Gain on sale of digital assets	(41,264)	-	-
Revaluation of digital assets	(355,158)	-	-
Balance, July 31, 2022	**154,302**	**3,694.95**	**71.64**
Digital assets received for revenues	5,534	-	2.76
Digital assets received for deferred revenues	446	-	0.26
Digital assets traded for cash	(110,634)	-	(55.00)
Digital assets paid for expenses	(22,907)	-	(10.77)
Gain on sale of digital assets	(7,650)	-	-
Revaluation of digital assets	2,860	-	-
Balance, July 31, 2023	**21,951**	**3,694.95**	**8.89**

i) During the year ended July 31, 2023, the Company exchanged its digital assets for cash, and other services totaling $111,285 (2022 - $8,639,674) with a cost of $118,935 (2022 - $8,598,410), which resulted in a realized loss on sale of $7,650 (2022 - $41,264).

ii) 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 July 31, 2023, the price of Ethereum was $2,467 (2022 - $2,154) resulting in a revaluation gain of $2,860 (2022 loss - $355,158).

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 $200,426. The fair value of the instrument was estimated using a discounted cash flow model using a discount rate of 39%. At July 31, 2023, the Company had recorded $23,522 of interest and carrying value of the Note was $223,948. The Company had recorded an impairment equal to the carrying value of the Note due to uncertain collectability.

(Expressed in Canadian Dollars)

8. Property and Equipment

	Computer Equipment $	Furniture and Fixtures $	Total $
Cost			
Balance, July 31, 2021	-	-	-
Additions	174,297	331,202	505,499
Disposals	(112,128)	(318,125)	(430,253)
Balance, July 31, 2022	**62,169**	**13,077**	**75,246**
Additions	-	-	-
Balance, July 31, 2023	**62,169**	**13,077**	**75,246**
Accumulated depreciation			
Balance, July 31, 2021	-	-	-
Depreciation	(17,693)	(2,871)	(20,564)
Disposals	4,900	1,054	5,954
Balance, July 31, 2022	**(12,793)**	**(1,817)**	**(14,610)**
Depreciation	(20,723)	(4,360)	(25,083)
Balance, July 31, 2023	**(33,516)**	**(6,177)**	**(39,693)**
Net book values			
Balance, July 31, 2022	**49,376**	**11,260**	**60,636**
Balance, July 31, 2023	**28,653**	**6,900**	**35,553**

During the year ended July 31, 2022, the Company sold equipment with a carrying value of $423,224 for proceeds of $92,664 which resulted in a loss on disposal of $330,560.

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").

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 (Restated – Note 22) $	Internally Generated Platforms $	Acquired IP (Restated – Note 22) $	Total $
Balance, July 31, 2021	-	-	-	-	-	-
Additions	65,298	693,470	571,000	1,089,417	4,104,000	6,523,185
Amortization	(16,325)	(23,116)	(67,976)	-	-	(107,417)
Impairment	-	-	-	-	(4,104,000)	(4,104,000)
Balance, July 31, 2022	**48,973**	**670,354**	**503,024**	**1,089,417**	**-**	**2,311,768**
Additions	-	63,401	-	387,912	1,131,355	1,582,668
Amortization	(48,973)	(100,916)	(57,857)	-	-	(207,746)
Disposals	-	(632,839)	-	-	-	(632,839)
Impairment	-	-	(445,167)	(1,477,329)	(1,131,355)	(3,053,851)
Balance, July 31, 2023	-	-	-	-	-	-

(Expressed in Canadian Dollars)

9. Intangible Assets and Goodwill (continued)

Goodwill

	$
July 31, 2021	**-**
Addition (Note 3) (Restated – Note 22)	3,323,409
July 31, 2022	**3,323,409**
Impairment	(3,323,409)
July 31, 2023	**-**

The recoverable amount of the operating unit was determined based upon updated cash flow projections. The Company used a discount rate of 39% for the current and previous value in use calculations. As at July 31, 2023, the Company recorded impairment of goodwill of $3,323,409 (2022 - $Nil) and impairment of intangibles of $3,036,077 (2022 - $Nil). 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 and blockchain industries.

10. Right-of-Use Assets and Lease Liabilities

The Company's primary leases consist of a research and development facility and a 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 years ended July 31, 2023 and 2022:

Right-of-use assets	Office Lease $
Balance, July 31, 2021	**-**
Additions	510,196
Depreciation	(113,377)
Balance, July 31, 2022	**396,819**
Depreciation	(170,065)
Balance, July 31, 2023	**226,754**

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

Lease liabilities	Office Lease $
Balance, July 31, 2021	**-**
Additions	510,196
Interest	27,290
Payments	(129,023)
Balance, July 31, 2022	**408,463**
Interest	28,990
Payments	(193,534)
Balance, July 31, 2023	**243,919**
Less: current portion	(176,065)
Non-current portion	67,854

(Expressed in Canadian Dollars)

10. Right-of-Use Assets and Lease Liabilities (continued)

The undiscounted lease liabilities are as follows:

Year ended July 31,	$
2024	193,534
2025	64,511
Total lease payments	258,045

11. Accounts Payable and Accrued Liabilities

	2023	2022
	$	$
Accounts payable	**541,074**	414,589
Accrued liabilities	**595,936**	493,057
	1,137,010	907,646

12. Loans Payable

At July 31, 2021 and 2020, $105,000 in loans payable remained outstanding. During the year ended July 31, 2022, the Company paid $100,000 and the remaining balance of $5,000 loan was forgiven and recorded as a gain on settlement of debt.

During the year ended July 31, 2022, the Company received loans of $40,000 from a private company. The loans were unsecured, non-interest bearing and due on demand.

During the period ended July 31, 2023, the Company received loans of $1,544,000 from arm's-length parties and repaid $293,750. At July 31, 2023, the Company had $1,374,415 (2022 - $40,000) of loans payable, including $84,165 in accrued interest. The loans are unsecured, 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 July 31, 2023, there were 1,985,836 (2022 – 1,545,450) issued and fully paid common shares outstanding.

For the year ended July 31, 2023

On September 7, 2022, the Company issued 184,363 common shares with a fair value of $1,935,815 pursuant to the acquisition of Web 3.0 as described in Note 4.

On June 1, 2023, the Company issued 98,000 common shares with a fair value of $147,000 to settle $367,500 of accounts payable. The Company recorded a gain on settlement of debt of $220,500.

13. Share Capital (continued)

During the year ended July 31, 2023, the Company issued 19,556 common shares upon the exercise of 19,556 stock options for total proceeds of $146,667 and the Company transferred $109,140 from reserve to share capital.

During the year ended July 31, 2023, the Company issued 26,667 common shares upon the exercise of 26,667 warrants for total proceeds of $200,000.

During the year ended July 31, 2023, the Company issued 111,800 common shares upon the conversion of 111,800 RSUs and the Company transferred $1,566,874 from reserve to share capital.

For the year ended July 31, 2022

On September 15, 2021, the Company closed a non-brokered private placement of 100,000 units of the Company issued at a price of $1.50 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 common share for a period of 5 years at an exercise price of $7.50 per share.

On September 29, 2021, the Company issued 154,667 common shares of the Company at a price of $7.50 per common share for proceeds of $1,160,000 in connection with a private placement.

On September 30, 2021, the Company issued 600,000 common shares of the Company with a fair value of $3,453,000 in consideration for the acquisition of HOK as described in Note 3.

On September 30, 2021, the Company issued 30,000 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 2,667 common shares with a fair value of $20,000 to settle $20,000 of accounts payable.

On October 7, 2021, the Company issued 26,667 common shares of the Company at a price of $7.50 per common share for proceeds of $200,000 in connection with a private placement.

On November 10, 2021, the Company completed a non-brokered private placement of 66,667 units of the Company issued at a price of $37.50 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 $93.75 per share. The Company paid finder’s fees of $15,900 in cash, issued 1,946 common shares and 424 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 - $37.50; exercise price - $93.75; expected life - 5 years; volatility – 100%; dividend yield - Nil; and risk-free rate – 1.47 %.

On February 11, 2022, the Company issued 6,667 common shares upon the exercise of 6,667 warrants with an exercise price of $7.50.

On February 25, 2022, the Company issued 34,563 common shares at a deemed price of approximately $57.86 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.

On May 27, 2022, the Company issued 333 common shares upon the exercise of 333 restricted stock units (RSUs).

(Expressed in Canadian Dollars)

13. Share Capital (continued)

During the year ended July 31, 2022, the Company issued 1,133 common shares upon the exercise of 1,133 options with an exercise price of $7.50. Upon exercise the Company reclassified the grant date fair value of the options of $7,441 from reserves.

During the year ended July 31, 2022, the Company issued 59,667 common shares upon the exercise of 59,667 RSUs. Upon exercise the Company reclassified the grant date fair value of the RSUs of $3,132,500 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	167,091	42.00
Exercised	(6,667)	(7.50)
Balance, July 31, 2022	160,424	43.50
Exercised	(26,667)	7.50
Balance, July 31, 2023	133,757	51.00

Details of warrants outstanding as of July 31, 2023 are as follows:

Expiry Date	Number of Warrants Outstanding and Exercisable	Exercise Price
September 15, 2026	66,666	7.50
November 10, 2026	67,091	93.75
	133,757	

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 October 14, 2021, the Company granted incentive stock options to its officers and consultants to purchase an aggregate of 80,000 common shares at an exercise price of $7.50 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 April 14, 2023. The grant date fair value of the options was measured at $446,482. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - $7.50; exercise price - $7.50; expected life – 5 years; volatility – 100%; dividend yield – $0; and risk-free rate – 1.18%.

13. Share Capital (continued)

On February 7, 2022, the Company granted an aggregate of 66,667 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 $48.75 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. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - $48.75; exercise price - $48.75; expected life – 5 years; volatility – 100%; dividend yield – $0; and risk-free rate – 1.68%.

On March 16, 2022, the Company granted an aggregate of 667 incentive share purchase options to a consultant. Each share purchase option is exercisable for a period of five years at an exercise price of $60.00 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 $29,980. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - $60.00; exercise price - $60.00; expected life – 5 years; volatility – 100%; dividend yield – $0; and risk-free rate – 2.02%.

On April 11, 2022, the Company granted an aggregate of 1,333 incentive share purchase options to two consultants. Each share purchase option is exercisable for a period of two years at an exercise price of $56.25 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. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - $54.00; exercise price - $56.25; expected life – 2 years; volatility – 100%; dividend yield – $0; and risk-free rate – 2.62%.

On April 13, 2022, the Company granted an aggregate of 3,333 incentive share purchase options to two consultants. Each share purchase option is exercisable for a period of five years at an exercise price of $56.25 per common share of the Company. The options vest 667 options over a period of 4 months. The grant date fair value of the options was measured at $130,153. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - $52.50; exercise price - $56.25; expected life – 5 years; volatility – 100%; dividend yield – $0; and risk-free rate – 2.51%.

On June 1, 2022, the Company granted an aggregate of 667 incentive share purchase options to a consultant. Each share purchase option is exercisable for a period of two years at an exercise price of $18.75 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. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - $16.50; exercise price - $18.75; expected life – 2 years; volatility – 100%; dividend yield – $0; and risk-free rate – 2.79%.

On September 13, 2022, the Company granted incentive stock options to its officers and consultants to purchase an aggregate of 129,250 common shares at an exercise price of $10.50 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 $629,919 was recorded in the current period. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - $13.50; exercise price - $10.50; expected life – 5 years; volatility – 100%; dividend yield – $0; and risk-free rate – 3.23%.

(Expressed in Canadian Dollars)

13. Share Capital (continued)

During the year ended July 31, 2023, the Company recorded $2,566,481 (2022 - $5,970,048) of share-based compensation related to the issuance of options. The following is a summary of the Company's option activity for the years ended July 31, 2023, and 2022.

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2021	-	-
Granted	152,667	27.75
Exercised	(1,334)	7.50
Balance, July 31, 2022	151,333	27.75
Granted	129,250	10.50
Cancelled	(94,583)	(12.75)
Exercised	(19,556)	(7.50)
Balance, July 31, 2023	166,444	24.75
Exercisable, July 31, 2023	104,222	26.25

Details of options outstanding and exercisable as at July 31, 2023 are as follows:

Expiry date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price
April 11, 2024	1,333	1,333	56.25
October 14, 2026	34,778	34,778	7.50
February 7, 2027	59,000	39,333	48.75
March 16, 2027	667	667	60.00
April 13, 2027	3,333	2,444	56.25
June 1, 2024	667	667	18.75
September 13, 2027	66,666	25,000	10.50
	166,444	104,222	

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 at 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.

13. Share Capital (continued)

For the year ended July 31, 2023

During the years ended July 31, 2023 and 2022, the Company issued 111,800 (2022 – 59,667) common shares upon the exercise of 111,800 (2022 – 59,667) restricted stock units. Upon exercise the Company reclassified the grant date fair value of the RSUs of $1,566,874 (2022 - $3,132,500) from reserves, as per below:

On November 25, 2022, 20,000 RSUs outstanding under the RSU plan were converted to common shares.

On December 14, 2022, 14,667 RSUs outstanding under the RSU plan were converted to common shares.

On December 21, 2022, 1,778 RSUs outstanding under the RSU plan were converted to common shares.

On December 30, 2022, 222 RSUs outstanding under the RSU plan were converted to common shares.

On January 3, 2023, 68,333 RSUs outstanding under the RSU plan were converted to common shares.

On January 27, 2023, 6,800 RSUs outstanding under the RSU plan were converted to common shares.

On January 26, 2023, pursuant to its shareholder approved restricted stock unit ("RSU") plan (the "RSU Plan"), the Company has granted 40,133 RSUs to directors, officers and consultants of the Company. 33,333 RSUs are subject to vesting four months from the grant date with 6,800 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 year ended July 31, 2023, the Company recorded $150,500 (2022 - $Nil) of stock-based compensation relating to the number of vested RSUs.

On December 29, 2022, pursuant to its shareholder approved restricted stock unit ("RSU") plan (the "RSU Plan"), the Company has granted 68,333 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 year ended July 31, 2023.

On September 13, 2022, pursuant to its shareholder approved restricted stock unit ("RSU") plan (the "RSU Plan"), the Company has granted 20,000 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 year ended July 31, 2023.

For the year ended July 31, 2022

On April 13, 2022, pursuant to its shareholder approved restricted stock unit ("RSU") plan (the "RSU Plan"), the Company has granted an aggregate of 79,000 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 year ended July 31, 2023, the Company recorded $14,193 $34,999 (2022 - $4,062,917) of stock-based compensation relating to the number of vested RSUs.

(Expressed in Canadian Dollars)

13. Share Capital (continued)

On February 16, 2022, pursuant to its shareholder approved restricted stock unit ("RSU") plan (the "RSU Plan"), the Company has granted an aggregate of 9,000 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 $573,750, based on the closing price of the Company's common shares on the date of grant. The Company recorded $138,375 of stock-based compensation relating to the number of RSUs expected to vest.

As at July 31, 2023, 30,667 restricted stock units were issued under the RSU plan.

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

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

	2023 **$**	2022 $
Amounts owed to directors of the Company	89,808	29,895
	89,808	29,895

Related party transactions

During the year ended July 31, 2023, the Company paid and/or accrued accounting, management, corporate development and consulting fees of $286,167 (2022 - $413,917) to the Company's key management.

During the year ended July 31, 2023, the Company also incurred stock-based compensation to key management personnel related to the grant of options of $241,085 (2022 - $479,785).

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.

(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 July 31, 2023 and 2022:

	As at July 31, 2023		
	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Cash and cash equivalents	46,979	-	-
Digital assets	-	21,951	-

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

Digital assets and risk management

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

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 solely of Ethereum. As of July 31, 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 $2,195.

(b) Financial risk management:

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

(Expressed in Canadian Dollars)

15. Financial Risk and Capital Management (continued)

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. 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 low.

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 July 31, 2023, the Company has cash of $46,979 (2022 - $308,035) and digital assets of $21,951 (2022 - $154,302) available to apply against short-term business requirements and current liabilities of $2,701,723 (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 July 31, 2023, it is management's conclusion that 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 $
Year ended July 31, 2023			
Revenue	654,957	-	654,957
Net Loss	(11,889,286)	(656,626)	(12,545,912)
Year ended July, 2022 *(As restated – Note 22)*			
Revenue	7,005,238	-	7,005,238
Net Loss	(11,387,474)	(674,184)	(12,061,658)
As at July 31, 2023			
Total non-current assets	583,547	-	583,547
As at July 31, 2022 *(As restated – Note 22)*			
Total non-current assets	5,868,120	609,999	6,478,119

(Expressed in Canadian Dollars)

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 during the year ended July 31, 2023.

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 source of revenue is the sale of digital goods to customers. The following is a break-down of revenues earned:

	Year ended July 31,	
	2023	2022
	$	$
NFT sales	**434,093**	6,245,675
Royalty income	**5,534**	496,964
Design services income	**215,330**	262,599
	654,957	7,005,238

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 NFT sales in advance of revenue recognition. As of July 31, 2023, the aggregate amount of revenue allocated to unsatisfied performance obligations of $2,170,910 (2022 - $2,604,555) is included in deferred revenue.

Deferred Contract Costs

The Company defers contract costs that are direct and incremental to obtaining user contracts. At July 31, 2023, the Company had deferred $321,241 (2022 - $385,487) of contract costs consisting of commissions paid for communication services provided in connection with the Company's virtual land NFT 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.

19. Development Costs

During the year ended July 31, 2023, the Company incurred $140,034 (2022 - $1,855,368) of development costs which consist primarily of software and platform development costs which were expensed as incurred as they did not meet the criteria for capitalization. The Company capitalizes software and platform development costs incurred for items to be sold, leased or otherwise marketed after technological feasibility of the software is established or for development costs that have alternative future uses.

(Expressed in Canadian Dollars)

20. Marketing Expenses

During the year ended July 31, 2023, the Company incurred $456,463 (2022 - $2,506,255) of marketing and sales expenses which consist of advertising, marketing and promotional expenses. These costs consist mainly of digital advertising and promotion designed to raise awareness and interest in the Company's projects.

21. Contingencies

During the year ended July 31, 2023, a claim was commenced against the Company by Thanh Khiet Nguyen against Looking Glass Labs Ltd. The claim is brought against the Company, its directors and former directors, and third parties for conspiracy to extract all of the value out of the Plaintiff's former company and is brought under section 227 of the BC Business Corporations Act.

The Company intends to vigorously defend itself against the claim made. As set out in the Company's response to civil claim, it believes that the allegations are without merit.

22. Restatement

The consolidated financial statements as at and for the year ended July 31, 2022 have been amended to correct for errors related to the valuation of assets acquired as part of the HOK acquisition described in Note 3. The Company identified an additional intangible asset consisting of the internet protocol of various NFTs. The recognition of the additional intangible asset identified resulted in a change in the fair value of goodwill and other intangible assets acquired as part of the acquisition. It also resulted in a revision of the related amortization and impairment associated with the intangible assets and goodwill.

The Company also failed to recognize the deferred tax liability associated with these intangible assets and the subsequent recovery of the deferred tax liability that resulted from the amortization recorded of the intangible assets as well as subsequent losses incurred.

Amended and restated consolidated statement of financial position:

	As at July 31, 2022		
	As previously reported	Restatement	**As restated**
	$	$	**$**
Intangible assets	2,284,458	27,310	**2,311,768**
Goodwill	3,488,996	(165,587)	**3,323,409**
Share capital	13,322,675	16,503	**13,339,178**
Deficit	(12,511,090)	(154,780)	**(12,665,870)**
Total shareholders' equity	3,626,067	(138,277)	**3,487,790**
Total liabilities and shareholders' equity	7,600,964	(138,277)	**7,462,687**

(Expressed in Canadian Dollars)

22. Restatement (continued)

Amended and restated consolidated statement of comprehensive loss:

	For the year ended July 31, 2022		
	As previously reported	Restatement	**As restated**
	$	$	**$**
Amortization	(80,611)	(3,690)	**(84,301)**
Impairment of intangible	-	(4,104,000)	**4,104,000**
Impairment of goodwill	(3,193,072)	3,193,072	**-**
Change in fair value of contingent liability	1,035,862	(502,412)	**533,450**
Deferred tax recovery	-	1,262,250	**1,262,250**
Net loss	(11,906,878)	(154,780)	**(12,061,658)**
Total loss per share, basic and diluted	(9.09)	(0.13)	**(9.21)**

Amended and restated consolidated statement of cash flows:

	For the year ended July 31, 2022		
	As previously reported	Restatement	**As restated**
	$	$	**$**
Net loss	(11,906,878)	(154,780)	**(12,061,658)**
Change in fair value of contingent liability	1,035,862	(502,412)	**533,450**
Impairment of goodwill	(3,193,072)	3,193,072	**-**
Deferred tax recovery	-	1,262,250	**1,262,250**
Impairment of intangible	-	(4,104,000)	**(4,104,000)**
Amortization	(80,611)	(3,690)	**(84,301)**
Net cash flows from operating activities	(646,486)	-	**(646,486)**

The material impact of the correction of the audited consolidated financial statements for the year ended July 31, 2022 related to the restated purchase price allocation was to increase intangible assets by $27,310, decrease goodwill by $165,587, increase share capital by $16,503 and increase deficit by $154,780. The restatement also increased amortization by $3,690, increased the impairment of intangible assets by $4,104,000, decreased the impairment of goodwill by $3,193,072, decreased change in fair value of contingent liability by $502,412, and increased the deferred tax recovery by $1,262,250.

23. Income Taxes

A reconciliation of income taxes at statutory tax rates is as follows:

		2023		**2022**
Net (loss) for the year	$	(12,545,912)	$	(13,323,908)
Statutory tax rate		27%		27%
Expected income taxes (recovery)		(3,387,396)		(3,597,456)
Impact on the difference between statutory tax rate and foreign tax rate		(32,487)		64,293
Permanent differences		2,611,015		1,452,092
Change in benefit not recognized		808,868		818,821
Deferred income tax recovery	$	-	$	(1,262,250)

(Expressed in Canadian Dollars)

23. Income Taxes (continued)

The Company has approximately $5,330,793 of non-capital losses available, which begin to expire through to 2043 and may be applied against future taxable income. The Company also has approximately $992,849 of capital losses that may be carried forward and applied against future capital gains. At July 31, 2023, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in future years. The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	2023	2022
Non-capital and capital losses	$ 5,827,218	$ 4,058,616

During the year ended July 31, 2022, the Company also recognized a deferred tax liability of $1,262,250 for the temporary differences of the intangible assets acquired in the HOK acquisition. The Company recorded a recovery of the deferred tax asset during fiscal 2022 as a result of the impairment recorded on the intangible assets as well as subsequent losses incurred.

24. Subsequent Events

On August 28, 2023, the primary lease of the Company was terminated (Note 10) and the respective right-of-use asset balance in the amount of $211,443 was derecognized.

On October 6, 2023, the Company consolidated all of its issued and outstanding common shares on the basis of one new common share for every 75 old common shares. Unless otherwise noted, all share, option, loss per share and warrant information have been retroactively adjusted to reflect this consolidation.