

LOOKINGGLASSLABS

NEWS RELEASE

Looking Glass Labs Announces 2023 Annual Financial Results

Vancouver, British Columbia – 2 November, 2023 / Global Newswire / – Looking Glass Labs Ltd. (“LGL” or the “Company”) (NEO: NFTX) (AQSE: NFTX) (OTC: LGSLF) (FRA: H1N), a leading Web3 platform specializing in non-fungible token (“NFT”) architecture, immersive metaverse environments, play-to-earn tokenization and virtual asset royalty streams, is pleased to announce that it has filed its audited financial results for the year ended July 31, 2023 under the Company’s profile on SEDAR+ at www.sedarplus.ca, the highlights of which are included in this news release.

Company Highlights (all amounts expressed in Canadian Dollars unless otherwise noted)

On July 4, 2023, the Company announced the results of the Annual General Meeting held on 4 July 4, 2023.

On June 1, 2023, the Company announced that it has entered into debt settlement agreement with an arm's-length creditor to eliminate an aggregate of \$367,500 of indebtedness of the Company through the issuance of an aggregate of 98,000 common shares in the capital of the Company.

On May 29, 2023, the Company announced the launch of its next version Pocket Dimension. LGL's Pocket Dimension metaverse is an online virtual space providing their owners and users a virtual space represented by one of eleven different environments including Archipelago, Countryside, Dale, Dunes, Fjord, Marsh, Savanna, Tundra, Woodland, Zen, and Genesis Moon. Each environment represents a unique representation of one of Earth's ecosystems, as described in each environment's name. Users of Pocket Dimension interact with other users through avatars. On November 1, 2022, LGL launched the alpha version of Pocket Dimension, followed by the launch of the beta version on February 21, 2023. The Company has followed up on the previous versions and launched its public release version of Pocket Dimension, (“V1.0”). V1.0 addresses various animation, rendering, collision, and build issues reported by users during the alpha and beta versions. The latest version has made improvements to ensure smoother gameplay and a more seamless experience. For a list of the latest improvements, please refer to the Pocket Dimension release notes at the following URL: <https://www.houseofkibaa.com/pocketdimension>

On May 23, 2023, the Company announced that Patrick O'Flaherty has resigned from its Board of Directors. In his place, LGL announced that Kevin Cornish has been appointed to the Board of Directors.

On March 30, 2023, the Company has completed the sale of its subsidiary, GenZeroes Productions Inc., the GenX smart contract and all associated intellectual property (the “Related IP”) (collectively, the “Assets”), to GZU Entertainment Inc. (the “Purchaser”).

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.

On January 26, 2023, the Company announced that it had granted 40,133 restricted share units (the "RSUs") to certain directors, officers and a consultant of the Company.

On January 25, 2023, the Company announced that Adam Deffett had resigned from its Board of Directors. In his place, LGL announced that James Henning had been appointed as an independent Director to the Board. Mr. Henning was also appointed as the chair of the audit committee.

On December 29, 2022, the Company announced that Carl Chow had resigned from its Board of Directors. In his place, LGL announced that Lucas Russell had been appointed to the Board of Directors.

On November 14, 2022, the Company announced that it had completed its admission to the Access segment of the AQSE Growth Market ("AQSE") and trading would commence at 8:00 A.M. GMT on Monday, November 14, 2022 ("Admission") under the ticker "NFTX". The Company's shares will also continue to trade on the NEO Exchange, now operating as Cboe Canada.

On September 13, 2022, the Company granted incentive stock options to 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 quarterly over 24 months.

On September 8, 2022, the Company announced the appointment of Ryan Lange as the Director of Partnership for House of Kiba. Ryan Lange is an entrepreneur known for his digital work and has worked with artists including but not limited to U2 and Migos.

On August 9, 2022, the Company entered into a share purchase agreement (the "SPA") to acquire 100% of Web 3.0 Holdings Corp. ("Web 3.0 Holdings"), a technology company that is addressing Business to Consumer ("BtoC") and Business to Business ("BtoB") infrastructure challenges within Web3 environments (the "Acquisition"). On September 7, 2022, pursuant to the SPA, the Company issued the shareholders of Web 3.0 Holdings, 184,363 common shares and acquired Web 3.0 Holdings. Web 3.0 Holdings has aggregated a portfolio of retail-focused engagement and optimization assets, including crossover digital identity code scripts and digital distribution product frameworks. The Acquisition will allow LGL full access to Web 3.0 Holding's proprietary retail technology platform. The Acquisition was an arm's-length transaction.

Ongoing Operations

The Company continues to work on establishing partnerships with media companies, marketing organizations, automotive brands, fashion companies and others, in order to create the most diverse and realistic metaverse experience for all users and brands. This is expected to allow brands to create further value by monetizing existing products, services and/or intellectual properties.

The Company specializes in consumer engagement applications to leverage immersive metaverse environments, gamification and Web 3.0/blockchain monetization strategies.

The Company's roadmap for 2023 and 2024 consists of furthering its Web 3.0 monetization strategies and finding additional avenues to utilize its developed metaverse environments.

Pocket Dimension Metaverse

The Pocket Dimension metaverse is a hyper-realistic digital world that is being built using the latest version of Unreal Engine in order to offer users a premium virtual experience. Pocket Dimensions feature 10 different environments. Pocket Dimension is a private virtual space that provides users the ability to explore the virtual space and socialize with other users, through avatars.

The Company released its Alpha version of its Pocket Dimension metaverse on November 1, 2022, its Beta version on February 21, 2023, and publicly released the Pocket Dimension metaverse on May 29, 2023

Content Creation

The Company has an in-house design and blockchain development team, available to provide consulting services such as NFT design and back-end solutions to third-party clients. The Company has successfully launched several Web 3.0 strategies for company's seeking to expand from traditional consumer markets to Web 3.0.

Crypto Assets and Safeguards

The Company stores its Ethereum cryptocurrency ("ETH"), the main cryptocurrency used in NFT markets, on physical hardware device often referred to as a "hardware wallet". The hardware device is similar looking to a USB thumb drive, except instead of saving data to the device, the devices store cryptocurrency offline. The Company does not hold any other cryptocurrencies beyond ETH. The seed phrase to be used to retrieve the contents of the wallet if the ledger device is physically lost is maintained by two officers of the Company. If the ledger device is lost, the officers of the Company may gain access of the wallet by providing the correct seed phrase. The redundancy is to ensure that the seed phrase is available if required at any time. On a weekly basis, the Company assesses the cryptocurrency market conditions and its quarterly budget requirements while it monitors and liquidates its ETH holdings into Canadian currency on at least a bi-weekly basis by transferring the required ETH on a cryptocurrency exchange for immediate sale for Canadian currency.

Asset Acquisition

On August 9, 2022, the Company entered into the SPA to acquire all of the issued and outstanding securities of Web 3.0 Holdings, a technology company that is addressing BtoC and BtoB infrastructure challenges within Web3 environments.

As consideration, the Company issued 184,363 common shares of the Company on September 7, 2022, payable to the existing shareholders of Web 3.0 holdings with a fair value of \$1,935,815. The acquisition of Web 3.0 Holdings did not constitute a business combination because this entity does not meet the definition of a business under IFRS 3 – Business Combination. As a result, the transaction was measured at the fair value of equity consideration issued to acquire these entities. The fair value of the consideration paid was determined based on the fair value of the assets received as determined based on IFRS 2 – Share Based Payments.

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

Financial Result of the Year Ended July 31, 2023

- Revenues in 2023 also decreased from \$7,005,238 in fiscal 2022 to \$654,957 in fiscal 2023 as a result of the general decrease in the cryptocurrency and NFT marketplace. This decreased both the number of sales, resales and the resale price of the Company's outstanding NFTs which resulted in a corresponding decrease in revenue and royalty revenue generated;
- Net comprehensive loss for the year ended July 31, 2023 was \$12,587,314, as compared to net comprehensive loss of \$12,087,045 reported for the same period of the prior year. The decrease in net loss was mainly the result of a decrease in stock-based compensation and operating expenses (particularly marketing costs) during the year ended July 31, 2023. This was offset by a decrease in sales as well as the recording of an impairment loss on intangible assets as described above during the year ended July 31, 2023.

- Net loss per share for the year ended July 31, 2023 was \$6.88 on a basic shares outstanding basis, as compared to \$9.21 for the same period of the prior year; and
- Total assets for the period ended July 31, 2023 decreased to \$836,925 from \$7,462,687 for the same period of the prior year.

LOOKING GLASS LABS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

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

LOOKING GLASS LABS LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

	2023	2022
	\$	\$
	<i>As restated - Note 22</i>	
Revenues		
NFT sales	434,093	6,245,675
Royalty income	5,534	496,964
Design services income	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	106,830	84,301
Depreciation	195,147	133,941
Consulting fees	104,547	521,980
Corporate development fees	421,768	757,269
Development costs	140,034	1,855,368
Foreign exchange loss	1,942	21,172
Interest expense	113,163	27,290
Marketing	456,463	2,506,255
Office expenses	322,572	829,800
Professional fees	603,166	720,237
Stock-based compensation	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	-	(375,000)
Change in fair value of contingent liability	-	533,450
Change in revaluation of digital assets	2,860	(355,158)
Impairment of goodwill	(3,323,409)	-
Impairment losses	(3,277,799)	(4,104,000)
Interest income	24,516	-
Loss on use of digital assets	(7,650)	(41,264)
Gain on settlement of debt	220,500	5,000
Loss on disposal of equipment	-	(330,560)
Loss on control of subsidiary	(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

For more information, please review the Company's audited financial statements and accompanying management discussion and analysis which are posted on www.sedarplus.ca.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

The Directors of LGL take responsibility for this announcement.

ABOUT LOOKING GLASS LABS

Headquartered in Vancouver, British Columbia, the Company specialises in consumer engagement applications to leverage immersive metaverse environments, gamification and Web 3.0 / blockchain monetisation strategies.

On behalf of

LOOKING GLASS LABS LTD.

"Dorian Banks"
Dorian Banks, Chief Executive Officer

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Forward-Looking Information

This press release contains statements that constitute "forward-looking information" within the meaning of Canadian securities laws ("forward-looking statements"), which are based upon our current expectations, estimates, projections, assumptions, and beliefs. All information that is not clearly historical in nature may constitute forward-looking statements. Forward-looking statements are typically identified by the use of terms such phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would" and "should", and similar terms and phrases, including references to assumptions.

Forward-looking statements, by their nature, are based on assumptions and are subject to known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the forward-looking statement will not occur. The forward-looking statements in this press release speak only as of the date hereof and reflect several material factors, expectations, and assumptions. Undue reliance should not be placed on any predictions or forward-looking statements as these may be affected by, among other things, changing external events and general uncertainties of the business. A discussion of the material risks applicable to us can be found in our current Management Discussion and Analysis and Annual Information Form, each of which have been or will be filed on SEDAR+ and can be accessed at www.sedarplus.ca. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and we disclaim any intention and assume no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Although the Company believes that any beliefs, plans, expectations and intentions contained in this news release are reasonable, there can be no assurance that any such beliefs, plans, expectations or intentions will prove to be accurate. The Company does not assume any liability for disclosure relating to any other company mentioned herein.

Risks and uncertainties about the Company's business are more fully discussed in the Company's disclosure materials, including its reports filed with the Canadian securities regulators and which can be obtained from www.sedarplus.com.

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