

**Metasphere Labs Inc. (formerly Looking Glass Labs Ltd.)**

**Management's Discussion and Analysis**

**For the periods ended January 31, 2024 and 2023**

*March 15, 2024*

*This management's discussion and analysis provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the six months ended January 31, 2024, compared to the six months ended January 31, 2023. This report prepared as March 15, 2024 intends to complement and supplement our unaudited condensed interim consolidated financial statements (the "financial statements") as at January 31, 2024, and should be read in conjunction with the unaudited condensed interim consolidated financial statements and the accompanying notes. Readers are also advised to read the Company's audited financial statements and accompanying notes for the year ended July 31, 2023, which have been prepared in accordance with International Financial Reporting Standards.*

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

*Our unaudited condensed interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.*

Where we say "we", "us", "our", the "Company", "MLI" or "Metasphere Labs Inc.", we mean Metasphere Labs Inc. (formerly Looking Glass Labs Ltd.) as it may apply.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable.

All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

**Cautionary Statement on Forward Looking Information**

The information provided in this MD&A, may contain "forward-looking statements" about the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Although the Company believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions, there are a number of risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. These include, among others, the cautionary statements under "Description of Business".

Specific forward-looking information contained in this MD&A include, among others, statements, management's beliefs, expectations or intentions regarding the following:

- timelines;

- the business and operations of the Company;
- the business, operations, strategies and expectations of the Company;
- the Company's business objectives and discussion of trends affecting the business of the Company;
- the funds available to the Company and the principal purposes of those funds;
- anticipated revenues and cash flows from operations and funding requirements of the Company;
- capital, operating and general expenditures;
- expectations regarding the ability to raise capital;
- anticipated revenues to be realized by the Company from future contracts;
- treatment under governmental regulatory regimes and expectations with respect to regulatory approvals; and
- other forward-looking statements including, but not limited to, information concerning the intentions, plans and future actions of the Company.

Forward-looking statements are based on reasonable assumptions, estimates, analysis, and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such information is made available. Forward-looking statements are inherently subject to known and unknown risks and uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended, including the factors and risks described or referred to elsewhere herein, as well as unanticipated and/or unusual events. Many of such factors are beyond the Company's ability to predict or control. Risks and uncertainties that may affect forward-looking statements include, but are not limited to, those which relate to the following:

- the limited operating history of the Company and its Subsidiaries;
- the historical lack of profitability of the Company;
- the need to obtain additional financing and uncertainty as to the availability and terms of future financing;
- the ability to acquire funds necessary for general working capital and continuing operations;
- reliance on sale of equity or investments to access funds required;
- the possibility that opportunities will arise that require more cash than the Company has or can reasonably obtain;
- uncertainties associated with business opportunities that may be presented to, or pursued by the Company;
- the Company's operations, strategies and profitability may be adversely affected by competition from other similar entities;
- uncertainties related to early stage of technology and product development;
- uncertainties related to regulatory regimes and laws;
- dependence on key personnel;
- fluctuations in the currency markets and stock market volatility;
- going concern considerations;
- conflicts of interest;
- changes in the regulatory environment;
- competition for, among other things, capital, acquisitions, equipment and skilled personnel;
- operating or technical difficulties in connection with business activities;
- the possibility of cost overruns or unanticipated expenses;
- the requirements of being a public-traded company may strain the Company's resources, divert management's attention and affect its ability to attract and retain executive management and qualified board members;
- the Company's business is reliant on blockchain technology;
- the Company's use of proprietary and non-proprietary software, data and intellectual property may be subject to substantial risk;
- the business of the Company will be exposed to cybersecurity risks;
- digital wallets may be hacked;

- uninsured or uninsurable risks;
- the Company will have to adapt to respond to evolving security risks;
- the Company may be unable to obtain adequate insurance to insure its operations;
- intellectual property rights claims may adversely affect the operation of the Company's business;
- all active and liquid trading markets in the Company's common shares may fail to develop;
- the Company's compliance and risk management programs may not be effective;
- unexpected market disruptions may cause major losses for the Company;
- foreign exchange risk;
- the Company will depend on its senior management and directors to source suitable investment opportunities for the Company;
- managing different business lines could present conflicts of interest;
- operational risk may materially and adversely affect the Company's performance and results;
- the Company may not be effective in mitigating risk;
- force majeure events may materially and adversely affect the business continuity of the Company;
- the Company will be reliant, in part, on attracting and retaining skilled management and directors;
- situations may arise where the directors and/or officers of the Company may be in competition with the Company and may have interests that conflict with, or differ from, the Company's interests;
- the Company may be subject to litigation; and
- the other factors discussed under the heading "Risk Factors".

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect forward looking statements. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company or the companies in which it is invested, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management of Company currently believes to be reasonable assumptions; actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits will be derived therefrom. These forward-looking statements are made as of the date of this MD&A and, other than as specifically required by law, Company does not assume any obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Consequently, all forward-looking statements made in this MD&A and other documents of the Company are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects to the Company.

Readers are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of forward-looking statements, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, readers are cautioned that the Company's actual results achieved could vary from the information provided in this MD&A, and the variations may be material. Readers are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there is no representation by the Company that actual results achieved will be the same, in whole or in part, as those set out in the forward-looking statements. Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, and the Company does not undertake any obligation, except as required by Applicable Securities Laws, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

## OVERVIEW AND DESCRIPTION OF BUSINESS

### Description of Business

The Company is a Web3 innovation platform company specializing in developing metaverse environments, DAO solutions, gamification, and Web3 / blockchain monetisation strategies aiming to solve social coordination problems for acting on climate change and making a positive impact on the planet (<https://www.metaspHERE.earth/>)

The Company publicly released the Pocket Dimension metaverse on May 29, 2023 (<https://www.houseofkibaa.com/pocketdimension>). The Pocket Dimension metaverse is a hyper-realistic digital world that is 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's focus is developing cutting-edge Open Metaverse applications and digital assets, leveraging the power of Unreal Engine development and blockchain technology. The Company will focus on creating applications that not only push the boundaries of virtual worlds but also prioritize environmental sustainability, social impact, and the promotion of freedom of speech.

The Company's short-term focus for the upcoming quarters is also to continue to develop its monetization strategies while maintaining its working capital for further development of its assets.

### COMPANY HIGHLIGHTS

On March 4, 2024, the Company announced its engagement by climate tech venture studio Bluesphere Ventures Inc. (“**Bluesphere**”). This partnership, formalized through a letter of intent dated March 1, 2024, entrusts MetaspHERE with the creation of “Ents World”, an innovative “Play to Earn” game that rewards players for restoring habitats and promoting biodiversity in the real world.

Ents World will be developed as a first of its kind Open Metaverse which utilizes the Bitcoin blockchain for in-world assets and governance. This groundbreaking approach incorporates Client-Side Verification, allowing users to independently verify transactions and assets without central authorities. By integrating Taproot Assets and employing Bitcoin smart contracts, Ents World promises a decentralized, secure, and efficient in-game economy, granting players full ownership of their assets and efforts. The game uniquely connects virtual gaming experiences with tangible environmental impact. It features leaderboards from various Regenerative Finance tree-planting communities, notably including the Treegens Protocol. Engaging in real-world tree planting or supporting such initiatives grants players access to immersive gameplay and rewards within Ents World's enchanting forest environment, blending gaming achievements with environmental activism to foster sustainability and ecological restoration.

On February 29, 2024, the Company announced the successful completion of its corporate name change from Looking Glass Labs Ltd. to MetaspHERE Labs Inc. Also on February 29, 2024, the Company's new stock ticker symbol "LABZ" is active on the Cboe Canada. This milestone marks a significant step in the Company's evolution and its renewed commitment towards developing Web3 applications with a positive impact on our planet. On January 19, 2024, the Company announced its intention to withdraw the Company's common shares (Shares) from the AQUIS Stock Exchange Growth Market. The Shares will continue to trade in Canada on Cboe under “LABZ”, in the US on OTC under “LABZF”, and on the Frankfurt Stock Exchange under “H1N”.

On February 23, 2024, the Company announced the appointment of Mrs. Natasha Ingram as its new CEO and the resignation of Jared Gurfein. Mrs. Ingram, a seasoned entrepreneur and marketing virtuoso, brings a wealth of experience and a fresh perspective to the Company.

On February 6, 2024, the Company announced the signing of a definitive agreement (the "Purchase Agreement") to acquire the climate and artificial intelligence (AI) web3 assets (the "Purchased Assets") of Bot Media Corp. ("Bot Media" or the "Vendor") for a purchase price of \$765,000, payable through the issuance of common shares of the Company (the "Consideration Shares") at a deemed price of \$0.25 per share.

Upon closing on February 8, 2024, MLI issued a total of 3,060,000 Consideration Shares, each valued at \$0.25, to the Vendor pursuant to the terms of the Purchase Agreement. The acquisition includes CarbonBot and ClimateBot. CarbonBot is an innovative digital platform that tracks news related to climate-focused companies and generates articles using AI, incorporating capabilities of ChatGPT. Developed by the Vendor, CarbonBot acts as a real-time news aggregator in the environmental sustainability sector, leveraging Large Language Models like ChatGPT to summarize and disseminate articles from its network. ClimateBot is a web based digital tool offering a range of calculators to evaluate various environmental impacts, focusing on carbon footprint assessments. It enables users to take direct action towards remediation, such as carbon offsetting through tree planting initiatives.

On December 18, 2023, the Company announced the appointment of Jared Gurfein as the CEO of the Company and the resignation of Dorian Banks as the CEO and director positions.

On November 23, 2023, the Company closed a non-brokered private placement offering and issued 20,005,000 units ("Units") at a price of \$0.10 per Unit, for cash consideration of \$2,000,500 (the "Offering"). The Company received gross cash proceeds of \$1,000,500 and \$1,000,000 was converted from debt into equity as certain loan holders participated in the Offering. Each Unit will consist of one common share in the capital of the Company (each a, "Share") and one common share purchase warrant (each a, "Warrant"). Each Warrant will entitle the holder thereof to purchase one additional Share of the Company for a period of two years from the closing date of the Offering at an exercise price of \$0.10.

On October 17, 2023, the Company announced that Lucas Stemshorn-Russell has resigned as a director with immediate effect. Following the resignation of Mr. Stemshorn-Russell, the Company is pleased to announce the appointment of Armita Jalooli to the board of directors with immediate effect.

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

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.

## **OVERALL PERFORMANCE**

At January 31, 2024, the Company had accumulated deficit of \$24,411,404 (July 31, 2023 – \$25,211,782) since its inception, and has working capital deficit of \$1,488,327 (July 31, 2023 – \$2,448,345). The Company incurred net income of \$800,378 for the six months ending January 31, 2024 (2023 – net loss of \$8,402,325). The Company used \$275,567 of cash (2023 - \$1,761,672) in operating activities, raised cash in investing activities of \$Nil (2023 – \$319,498) and raised a net of \$950,500 of cash (2023 – \$1,457,823) from financing activities.

As part of the acquisition of HOK in fiscal 2022, the Company acquired a platform for a blockchain-based virtual world and metaverse. In addition, certain costs incurred in connection with the development of internally generated digital platforms including the those related to the Pocket Dimension metaverse and the Overlords mobile game have been capitalized to intangible assets as development costs.

Internally developed intangible assets are recorded at cost, which consists of directly attributable costs necessary to create such intangible assets. The costs mainly include the compensation paid to the software developers. During the year ended July 31, 2023, the Company recorded an impairment of \$1,477,329 of capitalized development costs related to the Overlords video game and the Pocket Dimension metaverse. The

Company also recorded an impairment of \$445,167 and \$1,131,355 of acquired intangible assets related to the platforms acquired from HOK and Web 3.0 respectively. 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).

The events and circumstances that led to the recognition of the impairment losses included a decrease in forecasted growth and revenues as a result of a general downturn in the economy, as well as a downturn in the cryptocurrency industry and the value of cryptocurrencies. As a result, the Company has significantly decreased the value the Company could obtain if these assets were sold. It has also significantly decreased the future cash flows expected to be generated by the assets.

Considering the volatility of the industry, the Company as of July 31, 2023 has recorded the total impairment of \$3,053,851 of intangible assets and an impairment of \$3,323,409 of goodwill related to the acquisition of HOK.

The Company had also capitalized costs related to the creation of a live-action NFT based series produced by the Company. Investment in a film series includes the unamortized costs of producing a live-action NFT based series produced by the Company. 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.

During the year ended July 31, 2023, the Company disposed of the film series as described above. The intangible asset recorded for the film series was included in the calculation of the \$428,307 loss on disposition of GenZeroes recorded during the year ended July 31, 2023. As part of the sale of GenZeroes, the Company received a Promissory Note Receivable and at July 31, 2023, the Company had recorded an impairment equal to the carrying value of the Note of \$223,948 due to uncertain collectability.

## **RESULTS OF OPERATIONS**

For the three-month period ended January 31, 2024, the Company incurred net income of \$504,110 compared to a net loss of \$6,053,301 in the comparative period. The increase in net income was mainly due to lower operating expenses during the period ended January 31, 2024 compared to January 31, 2023 as a result of efforts to conserve working capital. The increase in net income was also attributable to the recognition of impairment losses of \$3,488,996 during 2023 compared to \$nil in the current period as described above. The increase in net income was also attributable to the increase in revenues recognized of \$650,695 and costs of revenue of \$96,368 in 2024, compared to design services and royalty income of \$72,938 generated in the comparative period.

Some of the significant charges to operations are as follows:

- Consulting fees of \$64,101 (2023 - \$28,890) were charged as the Company engaged consultants to assist in the execution of the Company's business plan. The Company has curtailed spending as it seeks to conserve working capital.
- Corporate service fees of \$7,876 (2023 - \$145,253) decreased in 2023 as a result of decreased corporate activity, whereas the acquisition of Web 3.0 in the comparative period led to higher corporate service fees in the comparative period.
- Development costs of \$Nil (2023 - \$56,120) decreased in 2023 as the Company's development projects were completed in 2023.
- Marketing fees of \$68 (2023 - \$373,086) decreased significantly as additional fees were paid to marketing companies in the comparative period as the Company continued its awareness campaigns for its Pocket Dimension properties.
- Professional fees of \$123,815 (2023 - \$53,373) increased due to the increase of legal fees during the period ended January 31, 2024. This was the result of fees incurred for prospective acquisitions and professional fees relating to the settlement of the Company's previous office lease.

- Salaries decreased to \$Nil (2023 - \$421,322) as the Company decreased the need of employees compared to previous period where employees were hired to advance its business operations. The Company relied on consultants for any development work during the current period.
- Recovery of share-based compensation of \$122,534 (2023 - share-based compensation of \$1,184,716) decreased as a result of stock option grants in the comparative period, whereas there were no stock option grants in 2024. In addition, the Company reversed previously recognized share-based compensation in 2024 for the expiry of unvested options held by various employees who had left the Company.

For the six-month period ended January 31, 2024, the Company incurred net income of \$800,378 compared to a net loss of \$8,402,325 in the comparative period. The increase in net income was mainly due to lower operating expenses during the period ended January 31, 2024 compared to January 31, 2023 as a result of efforts to conserve working capital. The increase in net income was also attributable to the recognition of impairment losses of \$3,488,996 during 2023 compared to \$nil in the current period as described above. It was also the result of an increase in revenues from the recognition of revenue from NFT sales of \$1,302,281 during 2024. The Company also recognized costs of revenue of \$192,744 in the current period compared to design services and royalty income of \$210,004 generated in the comparative period.

Some of the significant charges to operations are as follows:

- Consulting fees of \$75,851 (2023 - \$66,474) were charged as the Company engaged consultants to assist in the execution of the Company's business plan. The Company has curtailed spending as it seeks to conserve working capital.
- Corporate development fees of \$14,876 (2023 - \$271,406) decreased as a result of decreased corporate activity, whereas the acquisition of Web 3.0 in the comparative period led to higher corporate service fees in the comparative period.
- Development costs of \$Nil (2023 - \$136,035) decreased as the Company's development projects were complete in 2023.
- Marketing fees of \$9,639 (2023 - \$444,502) decreased significantly as fees were paid to marketing companies in the comparative period as the Company continued its awareness campaigns for its HoK properties.
- Professional fees of \$153,203 (2023 - \$383,511) decreased due to the decrease of legal and accounting fees as a result of the additional accounting and legal costs associated with the acquisition of Web 3.0 and as well in relation to the additional operations associated with the Alpha Release of the Company's metaverse and various technical development projects in the period compared to no such transactions or operations in the current period.
- Salaries decreased to \$4,093 (2023 - \$865,746) as the Company decreased the need of employees compared to previous period where employees were hired to advance its business operations. The Company relied on consultants for any development work during the current period.
- Recovery of share-based compensation of \$34,134 (2023 - share-based compensation of \$2,289,961) decreased as a result of stock option grants in the comparative period, whereas there were no stock option grants in 2023. In addition, the Company reversed previously recognized share-based compensation in 2024 for the expiry of unvested options held by optionees who had left the Company.

## Use of Proceeds

The Company completed a financing in November 2023. The following is a comparison of the Company's anticipated use of proceeds to the Company's actual use of proceeds from the financing.

| <b>Intended use of proceeds of estimated working capital as of November 23, 2023</b> |                    | <b>Amount incurred to date January 31, 2024</b>        |                    | <b>Vari-<br/>ances</b>    |
|--|--------------------|--|--------------------|---------------------------|
| General and administrative expenses  | \$300,000          | General and administrative expenses                    | \$125,000          | No variances anticipated. |
| Legal & Compliance, Insurance, Accounting & Audit Fees                               | \$200,000          | Legal & Compliance, Insurance, Accounting & Audit Fees | \$100,000          | No variances anticipated. |
| Debt repayments  | \$50,000           | Debt repayments  | \$50,000           | No variances anticipated. |
| Unallocated  | \$450,000          | Unallocated  | \$725,000          | No variances anticipated. |
| <b>Total</b>   | <b>\$1,000,000</b> | <b>Total</b>   | <b>\$1,000,000</b> |                           |

## SUMMARY OF QUARTERLY RESULTS

The following selected financial data has been prepared in accordance with IFRS and should be read in conjunction with the Company's financial statements. All dollar amounts are in Canadian dollars.

| <b>Quarter Ended</b> | <b>Income (Loss) for the period</b> | <b>Income (Loss) per Share (Basic &amp; Diluted)</b> | <b>Total Assets</b> |
|----------------------|-------------------------------------|--|---------------------|
| January 31, 2024     | \$504,110                           | \$0.03   | \$1,086,856         |
| October 31, 2023     | \$296,268                           | \$0.15   | \$519,385           |
| July 31, 2023        | \$(1,305,255)                       | \$(0.88)   | \$836,925           |
| April 30, 2023       | \$(2,838,332)                       | \$(1.50)   | \$2,668,918         |
| January 31, 2023     | \$(6,053,301)                       | \$(3.00)   | \$5,448,039         |
| October 31, 2022     | \$(2,349,024)                       | \$(1.42)   | \$8,912,131         |
| July 31, 2022        | \$(5,331,582)                       | \$(8.46)   | \$7,462,687         |
| April 30, 2022       | \$(9,000,391)                       | \$(6.00)   | \$13,949,175        |

## SUMMARY OF QUARTERLY RESULTS - DISCUSSION

The increase in net loss during the quarter ended April 30, 2022, was mainly the result of increased stock-based compensation resulting from the grant of stock options and RSUs during the period. The Company also incurred additional marketing expenses associated with the Company's Pocket Dimensions product during the quarters as well as associated with the upcoming release of the live-action web series. The Company also had decreased revenues for the period as the proceeds of the Company's Land Sale did not meet the criteria for revenue recognition and was recorded as deferred revenue.

The increase in net loss during the quarter ended July 31, 2022, was mainly the result of the of the loss on disposal of equipment. The Company also had decreased revenues for the period as the NFT sales took place in the previous period.



The decrease in net loss during the quarter ended October 31, 2022 when compared to July 31, 2022, was mainly the result of loss on disposal of equipment or large fluctuation in the revaluation of digital assets. The increase in net assets was the result the acquisition of intangibles as part of the Web 3.0 acquisition.

The increase in net loss and decrease in net assets during the quarter ended January 31, 2023 was mainly the result of recording an impairment of goodwill of \$3,488,996 during the three months ended January 31, 2023. The increase in net loss and decrease in net assets during the quarter ended April 30, 2023 was mainly the result of recording an impairment of intangibles of \$1,895,186 during the three months ended April 30, 2023.

The increase in net loss during the quarter ended July 31, 2023, was mainly the result of the impairment of loss on disposal of equipment. The Company also had decreased revenues for the period as the NFT sales took place in the previous period.

The increase in net income during the quarter ended October 31, 2023, was mainly the result of lower operating expenses, share-based compensation and increased revenues for NFT sales recognized during the period. The decrease in assets at October 31, 2023, was mainly the result in the decrease in ROU asset as a result of the termination of its office lease.

The increase in net income during the quarter ended January 31, 2024, was mainly the result of lower operating expenses and increased revenues for NFT sales recognized during the period. The increase in assets at January 31, 2024, was mainly the result in the increase of cash due to the gross proceeds received from the private placement that closed in November 2023.

## **FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

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

Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management since the year ended July 31, 2022. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital for the development of its business and will need to raise additional capital by obtaining equity financing through private placements or debt financing. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

The Company's working capital deficiency at January 31, 2024 was a \$1,488,327 (July 31, 2023 - \$2,448,345) including cash of \$721,912 (July 31, 2023 - \$46,979), digital assets of \$27,976 (July 31, 2023 - \$21,951). As at January 31, 2024, the Company owed loans of \$303,979 (July 31, 2023 - \$1,374,415) to a non-arm's length party. The Company also recorded deferred revenue of \$868,632 (July 31, 2023 - \$2,170,910).

## **RELATED PARTIES**

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

Natasha Ingram – CEO (appointed on February 23, 2024)

Jared Gurfein – Former CEO (appointed on December 18, 2023 and resigned on February 23, 2024)

Dorian Banks – Former CEO (resigned on December 18, 2023)

Francis Rowe – CFO

James Henning – Director & Audit Committee Chair (appointed on January 25, 2023)

Kevin Cornish – Director (appointed on May 23, 2023)

Armita Jalooli – Director (appointed on October 17, 2023)

Lucas Russell – Director (appointed on December 29, 2022, resigned October 17, 2023)

Adam Deffett – Former Director (resigned on January 25, 2023)

Carl Chow – Former Director (resigned on December 29, 2022)

Patrick O’Flaherty – Former Director (resigned on May 23, 2023)  
Neil Stevenson-Moore – Former CPO (resigned on March 30, 2023)

## TRANSACTIONS WITH RELATED PARTIES

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

|  | January 31,<br>2024 | July 31,<br>2023 |
|--|---------------------|------------------|
|  | \$                  | \$               |
| Amounts owed to directors of the Company | 26,300              | 89,808           |
|  | 26,300              | 89,808           |

### Related party transactions

During the six months ended January 31, 2024, the Company paid and/or accrued accounting, management, corporate development and consulting fees of \$78,314 (2023 - \$176,000) to the Company’s key management.

During the six months ended January 31, 2024, the Company also incurred stock-based compensation to key management personnel related to the vesting of granted options of \$3,732 (2023 - \$201,526).

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.

## PROPOSED TRANSACTIONS

There is no material proposed transactions to report on.

## SIGNIFICANT JUDGEMENTS

The preparation of 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 in applying the Company’s statements include:

### *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 judgement 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 judgement 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.

### *Stock-based compensation*

The fair value of stock-based compensation requires judgement to estimate probability of achieving vesting conditions of RSUs.

### *Business combinations*

Judgement 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.

#### *Leases*

Determining whether lease contract contains an identified asset, whether the Company has the right to control the asset, and the lease term requires judgement. 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 over the 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 judgement 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.

### **SIGNIFICANT ESTIMATES AND ASSUMPTIONS**

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation relate to the fair value measurements for financial instruments, the fair value of these assets and liabilities acquired in a business combination, the useful lives of long-lived assets, and stock-based compensation and other equity-based payments, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates.

### **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

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.

The significant accounting policies were the same as those that applied to the Company's audited financial statements for the year ended July 31, 2023.

## FINANCIAL INSTRUMENTS AND RISKS

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 January 31, 2024 and July 31, 2023:

|                           | As at January 31, 2024 |         |         |
|---------------------------|------------------------|---------|---------|
|                           | Level 1                | Level 2 | Level 3 |
|                           | \$                     | \$      | \$      |
| Cash and cash equivalents | 721,912                | -       | -       |
| Digital assets            | -                      | 27,976  | -       |
|                           |                        |         |         |
|                           | As at July 31, 2023    |         |         |
|                           | Level 1                | Level 2 | Level 3 |
|                           | \$                     | \$      | \$      |
| Cash and cash equivalents | 46,979                 | -       | -       |
| Digital assets            | -                      | 21,951  | -       |

### *Digital assets and risk management*

Digital assets are measured using Level 2 fair values, determined by taking the rate from [www.finace.yahoo.com](http://www.finace.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 solely consist of Ethereum. As January 31, 2024, 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 \$2,798.

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

#### *Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. 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 January 31, 2024, the Company has cash of \$721,912 (July 31, 2023 - \$46,979) and digital assets of \$27,976 (July 31, 2023 -

\$21,951) available to apply against short-term business requirements and current liabilities of \$2,426,604 (July 31, 2023 - \$2,701,723).

#### *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 January 31, 2024, Management concludes the exposure to market risk is not material.

## **OTHER INFORMATION**

### **Off Balance Sheet Items**

The Company has no off-balance sheet arrangements.

### **Contingencies**

From time to time, the Company and/or its subsidiaries may become defendants in legal actions and the Company intends to take appropriate action with respect to any such legal actions, including by defending itself against such legal claims as necessary. Other than the claims described below, as of the date of this report, the Company is not aware of any other material or significant claims against the Company.

During the year ended July 31, 2023, a claim was commenced against the Company by Thanh Khiet Nguyen against the Company. 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.

While this matter is ongoing, the Company disputes the allegations and intends to vigorously defend against the claims. Estimating an amount or range of possible losses resulting from litigation proceedings is inherently difficult, particularly where the matters involve indeterminate claims for monetary damages and are in the stages of the proceedings where key factual and legal issues have not been resolved. For these reasons, the Company is currently unable to predict the ultimate timing or outcome of or reasonably estimate the possible losses or a range of possible losses resulting from the matter described above.

During the year ended July 31, 2023, a claim was commenced against the Company by Permanent Enterprises Limited. The claim is brought against the Company for breach of an office lease. During fiscal 2024, the Company settled the claim and paid Permanent Enterprises Limited \$60,000 for previously owed rent.

### **Additional share information**

At the date of this MD&A the Company had the following number of securities issued and outstanding:

| <b>Securities</b>                  | <b>Number</b>     |
|------------------------------------|-------------------|
| Common shares                      | 25,050,764        |
| Options                            | 123,772           |
| Restricted share units             | 37,773            |
| Warrants                           | 20,138,743        |
| <b>Fully diluted share capital</b> | <b>45,351,052</b> |

### **Disclaimer**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at [www.sedarplus.ca](http://www.sedarplus.ca). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

## **RISKS AND UNCERTAINTIES**

### *COVID-19 Outbreak Risks*

The Company's business, operations and financial condition could be materially adversely affected by public health crises, including epidemics, pandemics and or other health crises, such as the outbreak of COVID-19. The current COVID-19 global health pandemic is significantly impacting the global economy, including commodity and financial markets. The full extent and impact of the COVID-19 pandemic is unknown and, to date, has included volatility in financial markets, volatility in commodity prices (including precious metals), significant restrictions on travel, temporary business closures, quarantines, and a general reduction in economic and consumer activity, globally, all of which raise concern about a prolonged global recession. In addition, the COVID-19 outbreak may result in operating, supply chain and project development delays which may have material adverse effects on the operations of third parties in which the Company has an interest. Such third party operations may be suspended for precautionary purposes, or due to the imposition of emergency measures or other government action to combat the spread of COVID-19. If the operation or development of one or more third party businesses in which the Company holds an interest is suspended, it may have a material adverse impact on the Company's results of operations and financial condition, or on the trading price of the Company's securities.

Additional pandemic-related risks to Company's business include without limitation, the risk of breach of material contracts, employee health, workforce productivity, limitations on travel, the availability of industry experts and personnel, unknown adverse global public health developments, and other factors beyond the Company's control, any of which may have a material and adverse effect on the Company's business, financial condition, results of operations, and securities.

### *The Market price of the Common Shares may experience significant volatility*

The market price for Common Shares may be subject to general volatility. Factors such as variations in the Company's financial results, announcements by the Company, developments affecting the business and customers, general interest rate levels, the market price of the Common Shares and general market volatility could cause the market price of the Common Shares to fluctuate significantly.

In addition, future sales or the availability for sale of substantial amounts of Common Shares in the public market could adversely affect the prevailing market price of the Common Shares and could impair the Company's ability to raise capital through future sales of its securities.

### *Market Acceptance*

The operating results of the Reporting Issuer's business is subject to the market acceptance of the Company's products and services. If the Company's products and services do not gain market acceptance, its operating results may be negatively affected. If the markets for the Company's products and services fail to develop, develop more slowly than expected or become subject to increased competition, its business may suffer. As a result, the Company may be unable to: (i) successfully market its products; (ii) develop new products or services; or (iii) complete new products and services currently under development. If the Company's products and services are not accepted by its customers or by other businesses in the marketplace, the Company's business, operating results and financial condition will be materially affected.

The growth of the metaverse market and the digital asset industry in general, and distributed ledger technology that supports digital assets, is subject to a high degree of uncertainty. The factors affecting the further development of the digital asset industry, as well as distributed ledger technology, include: continued worldwide growth in the adoption and use of digital assets; government and quasi-government regulation of digital assets and their use, or restrictions on or regulation of access to and operation of applicable distributed ledger technology or systems that facilitate their issuance and secondary trading; the maintenance and development of the open-source software protocols of certain blockchain networks used to support digital assets; advancements in technology, including computing power, that may render existing distributed ledger technology obsolete or inefficient; the use of the networks supporting digital assets for developing smart

contracts and distributed applications; changes in consumer demographics and public tastes and preferences; the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies; and general economic conditions and the regulatory environment relating to digital assets.

#### *Conflicts of Interest*

The directors and officers of the Company will not be devoting all of their time to the affairs of the Company. The directors and officers of the Company are directors and officers of other companies, some of which will be in similar businesses as those of the Company. The directors and officers of the Company are required by law to act in the best interests of the Company. They have the same obligations to the other companies in respect of which they act as directors and officers. Discharge by the directors and officers of their obligations to the Company may result in a breach of their obligations to the other companies, and in certain circumstances this could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligations to act in the best interests of the Company. Such conflicting legal obligations may expose the Company to liability to others and impair its ability to achieve its business objectives.

#### *Failure to Grow at the Rate Anticipated*

The Company is a start-up company with no sustained history of sales or profitability. If the Company is unable to achieve adequate revenue growth, its ability to become profitable may be adversely affected and the Company may not have adequate resources to execute its business strategy.

#### *Attracting and Retaining Key Personnel*

The Company may be unable to attract or retain key personnel with sufficient experience, and the Company may be unable to attract, develop and retain additional employees required for the Company's development and future success. The Company's success is largely dependent on the performance of its board and management team. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of any key personnel, or an inability to attract other suitably qualified persons when needed, could prevent the Company from executing on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. The Company does not currently maintain key-person insurance on the lives of any of the Company's key personnel.

#### *Expenses May Not Align With Revenues*

Unexpected events may materially harm the Company's ability to align incurred expenses with recognized revenues. The Company incurs operating expenses based upon anticipated revenue trends. Since a high percentage of these expenses may be relatively fixed, a delay in recognizing revenues from transactions related to these expenses (such a delay may be due to the factors described elsewhere in this risk factor section or it may be due to other factors) could cause significant variations in operating results from quarter to quarter, and such a delay could materially reduce operating income. If these expenses are not subsequently matched by revenues, the Company's business, financial condition, or results of operations could be materially and adversely affected.

#### *The Company has a Limited Operating History*

The Company has a very limited history of operations and is in the early stage of operations. As such, the Company will be subject to many risks common to such enterprise including, undercapitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of revenue. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. There can be no assurance that the Company will be able to earn material revenue or that any of its activities will generate positive cash flow.

The Company generated net income of \$800,378 for six months ended January 31, 2024. The Company's accumulated deficit as of January 31, 2024 was \$24,411,404. The Company intends to continue to expend

significant funds to develop its business. As the Company grows, the Company expects the aggregate amount of these expenses will also continue to grow. There is no assurance that sufficient funding will be available in the future. Management has the option to raise funds through a combination of equity and/or debt financing, along with a sale of investments. The success of these plans will depend upon the ability of the Company to generate cash flows from its portfolio investments.

The Company's efforts to grow the business may be more costly than expected and the Company may not be able to increase its revenue enough to offset higher operating expenses. The Company may incur significant losses in the future for a number of reasons, including as a result of unforeseen expenses, difficulties, complications and delays, the other risks described in this document and in the Company's public disclosure record and other unknown events. The amount of future net losses will depend, in part, on the growth of the Company's future expenses and its ability to generate revenue. If the Company continues to incur losses in the future, the net losses and negative cash flows incurred to date, together with any such future losses, will have a material adverse effect on the Company's stockholders' equity and working capital. Even if the Company achieves profitability in the future, it may not be able to sustain profitability in subsequent periods. If the Company is unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease and the Company's ability to raise capital, expand its business or continue operations may be impaired. A decline in the Company's value may also cause investors to lose all or part of their investment.

#### *Ability to Secure Adequate Sources of Funding*

The continued development of the Company's business will require additional financing and there is no assurance that the Company will obtain the financing necessary to be able to achieve its business objectives. The Company's ability to obtain additional financing will depend on investor demand, the Company's performance and reputation, market conditions and other factors. The Company's inability to raise such capital could result in the delay or indefinite postponement of the Company's current business or in its inability to continue to carry on its business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company.

In addition, from time to time, the Company may enter into transactions to acquire assets. The Company's continued growth may be financed, wholly or partially, with debt, which may increase the Company's debt levels. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may also contain provisions that, if breached, may entitle lenders or their agents to accelerate repayment of loans or realize upon security over the Company's assets, and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to any such debt financing.

#### *Risk Management Efforts May Not Be Effective*

The Company could incur substantial losses and its business operations could be disrupted if the Company is unable to effectively identify, manage, monitor and mitigate financial risks, such as credit risk, interest rate risk, liquidity risk, and other market-related risk, as well as operational risks related to the Company's business, assets and liabilities. The Company's risk management policies, procedures and techniques, may not be sufficient to identify all of the risks that the Company is exposed to, mitigate the risks that are identified or identify concentrations of risk or additional risks to which the Company may become subject in the future.

#### *Dependence on Third Party Relationships*

The Company may become highly dependent on a number of third party relationships to conduct its business and implement expansion plans. It cannot be assured that all of these partnerships will turn out to be as advantageous as anticipated or that other partnerships would not have proven to be more advantageous. In addition, it is impossible to assure that all associated partners will perform their obligations as agreed.

#### *Tax and Accounting Changes*



The Company is subject to numerous tax and accounting requirements, and changes in existing accounting or taxation rules or practices, or varying interpretations of current rules or practices, could have a significant adverse effect on the Company's financial results, or the manner in which the Company conducts its business. The Company may expand its operations into foreign jurisdictions in the future. These operations, and any expansion thereto, will require the Company to comply with the tax laws and regulations of multiple jurisdictions, which may vary substantially. Complying with the tax laws of these jurisdictions can be time consuming and expensive and could potentially subject the Company to penalties and fees in the future if the Company were to fail to comply.

#### *Additional Costs to Maintain Public Listing*

The Company is a reporting issuer and incurs significant legal, accounting and other expenses. The Company will incur increased costs as a result of operating as a publicly-traded company and its management will be required to devote substantial time to compliance. In addition, securities laws and regulations and stock exchanges rules and policies impose various requirements on public companies, including requirements to file annual, quarterly and event-driven reports with respect to the Company's business and financial condition and operations and to establish and maintain effective disclosure and financial controls and corporate governance practices. The Company's existing management team will need to devote a substantial amount of time to these matters, and may need to hire additional personnel to assist the Company with complying with these requirements. Moreover, these rules and regulations will increase the Company's legal and financial compliance costs and will make some activities more time consuming and costly.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some public Company required activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

Being a public Company and complying with applicable rules and regulations will make it more expensive for the Company to obtain director and officer liability insurance, and the Company will incur substantially higher costs to obtain coverage. These factors could also make it more difficult for the Company to attract and retain qualified executive officers and board members.

#### *Investor Tax Issues*

Income tax consequences in relation to the Common Shares will vary according to the circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisors.

#### *Internal Controls*

Proper internal control systems and disclosure are critical to the operation of a public company. However, the Company does not expect that its internal controls will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of such controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If the Company cannot provide reliable financial reports or prevent fraud, the Company's reputation and operating results could be materially adversely affected, which could cause investors to lose confidence in the Company and its reported financial information, which in turn could result in a reduction in the value of the Common Shares.

#### *Dividends*

The Company has not paid any dividends on its outstanding Common Shares. Any payments of dividends on the Common Shares will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the Company's Board of Directors may consider appropriate in the circumstance. It is unlikely that the Company will pay dividends in the immediate or foreseeable future

#### *Political and Economic Instability*

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes or shifts in political attitude towards blockchain technology in certain countries may adversely affect the Company's business.

#### *Going Concern Assumption*

The financial statements of the Company and HOK have been prepared in accordance with IFRS on a going concern basis, which presumes that the Company and HOK will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company and HOK, and therefore the Company's continuation as a "going concern" is uncertain and is dependent upon, amongst other things, attaining a satisfactory revenue level, the support of its customers, its ability to continue profitable operations, the generation of cash from operations, and its ability to obtain financing arrangements and capital in the future. These material uncertainties represent risks to the Company's ability to continue as a going concern and realize its assets and pay its liabilities as they become due. If the "going concern" assumption was not appropriate for the financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

#### *Need to Manage Growth*

The Company could experience rapid growth in revenues, personnel, complexity of administration and in other areas. There can be no assurance that the Company will be able to manage the impact that growth could place on the Company's administrative infrastructure, systems and controls. If the Company is unable to manage future growth effectively, the Company's business, operations and operating results and financial condition may be materially adversely affected.

#### *Minority Shareholder Risk*

Insiders of the Company own approximately a portion of the Company's outstanding Common Shares. Accordingly, insiders of the Company will likely be able to exercise effective control over all matters requiring the approval of the Common Shareholders, including the election of directors and significant corporate transactions.

#### *Global Financial Developments*

Stress in the global financial system may adversely affect the Company's finances and operations in ways that may be hard to predict or to defend against. Financial developments seemingly unrelated to the Company or to its industry may adversely affect the Company over the course of time. For example, material increases in any applicable interest rate benchmarks may increase the debt payment costs for any credit facilities. Credit contraction in financial markets may hurt its ability to access credit in the event that the Company requires significant access to credit for business expansion. A reduction in credit, combined with reduced economic activity, may adversely affect business. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on the Company's business, operating results, and financial condition.

#### *Regulatory Risks*

The business and activities of the Company may be heavily regulated in all jurisdictions where it will carry on business. The proposed activities of the Company may be subject to various laws, regulations and

guidelines by governmental authorities, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. The Company's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the provision of its services. Although the operations of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Company's ability to conduct business in the jurisdictions and industries in which it currently operates or intends to operate. Amendments to current laws and regulations governing the Company's current and/or intended operations, more stringent implementation thereof or other unanticipated events could have a material adverse impact on the business, financial condition and operating results of the Company.

#### *Permits and Licenses*

The Company believes it currently has all permits and licences that are necessary to carry on its business. It may require additional licences or permits in the future and there can be no assurance that we will be able to obtain all such additional licences and permits. In addition, there can be no assurance that any existing licences and permits will be renewable if and when required or that such existing licences and permits will not be revoked.

#### *Changes in Laws, Regulations and Guidelines*

The Company's operations will be subject to various laws, regulations, guidelines and licensing requirements in the United States, Canada and potentially other jurisdictions. Although the Company is expected to comply with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company could have a material adverse effect on the Company's business, results of operations and financial condition.

#### *Litigation*

The Company may become involved in litigation that may materially adversely affect it. From time to time in the ordinary course of the Company's business, it may become involved in various legal proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on the Company's business, operating results or financial condition. More specifically, the Company may face claims relating to information that is retrieved from or transmitted over the Internet or through the solution and claims related to the Company's products. In particular, the nature of the Company's business exposes it to claims related to intellectual property rights, rights of privacy, and personal injury torts. Furthermore, there is no assurance that any liability incurred as a result of litigation can be recovered from the Company's insurance policy.

#### *Foreign and Crypto Currency Exchange Risk*

The Company is a Canadian company, and a material amount of its expenses and fund raising is done in Canadian dollars. Certain of the expenses of the Company may be denominated in U.S. dollars and the initial revenues generated from the sale of NFT products will be in Ethereum. As a result, the Company is subject to foreign and cryptocurrency exchange risks relating to the relative value of the U.S. dollar or Ethereum compared to the Canadian dollar. A decline in the U.S. dollar or Ethereum would result in a decrease in the real value of the Company's revenues and adversely impact financial performance.

#### ***Other Risks Relating to the Company's Business***

##### *Competition*

The Company will compete with other businesses. Any market participant with sufficient capital and know-how has the ability to compete with the Company's core businesses. As a result, the Company will face significant competition in the blockchain and metaverse sectors. The Company's competitors may include

other acquisition vehicles and major blockchain-based businesses worldwide which may have greater financial, technical and human capital than the Company, in addition to superior expertise and experience in the blockchain business.

The market in which the Company competes requires continuous innovation and are highly competitive, rapidly evolving, subject to changing technology, shifting customer trends, competition for new content, and frequent introductions of new products and services. New competitors could launch new businesses in the Company's markets at a relatively low cost since technological and financial barriers to entry are relatively low. Some of the Company's current and potential competitors may have competitive advantages, such as greater name recognition, longer operating histories, broader geographic scope, and larger marketing budgets, as well as substantially greater financial, technical, personnel, and other resources. The Company may also experience competition from smaller, newer competitors that may be more agile in responding to customers' demands. These competitors may be able to respond more quickly and effectively than the Company can to new or changing opportunities, technologies, standards or customer requirements or provide competitive pricing. As a result, even if the Company's products are more effective than the products and services that the Company's competitors offer, potential customers might select competitive products and services in lieu of purchasing the Company's products and services. For these reasons, the Company may not be able to compete successfully against the Company's current and future competitors, which could negatively impact the Company's future sales and harm the Company's business and financial condition.

#### *Operational Risk*

Operational risk is the risk of an adverse outcome resulting from inadequate or failed internal processes, people, systems or from external events. The Company's exposure to operational risk arises from routine processing errors, as well as extraordinary incidents, such as major systems failures or legal and regulatory matters. As the Company offers produces and services that are reliant on both technology and human expertise and execution, the Company is exposed to material operational risk arising from a number of factors, including, but not limited to, human error, processing and communication errors, errors of the Company's service providers, counterparties or other third parties, failed or inadequate processes and technology or system failures.