

METASPHERE LABS INC.

(FORMERLY LOOKING GLASS LABS LTD.)

Unaudited Condensed Interim Consolidated Financial Statements

Nine months ended April 30, 2024 and 2023

Expressed in Canadian Dollars

Notice of No Auditor Review of Interim Financial Statements

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

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

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

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Unaudited Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	April 30, 2024 \$	(Audited) July 31, 2023 \$
ASSETS			
Current assets			
Cash and cash equivalents		332,583	46,979
Accounts receivable		161,970	110,658
Digital assets	5	-	21,951
Prepaid expenses		18,798	73,790
		513,351	253,378
Non-current assets			
Right-of-use assets	8	-	226,754
Intangible assets	3, 7	730,627	-
Property and equipment	6	16,742	35,553
Deferred contract costs	16	32,124	321,240
		1,292,844	836,925
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9,12	1,195,846	1,137,010
Due to related parties	12	46,536	14,233
Loans payable	10	127,314	1,374,415
Deferred revenue – current portion	16	217,493	-
Lease liabilities – current portion	8	-	176,065
		1,587,189	2,701,723
Non-current liabilities			
Lease liabilities	8	-	67,854
Deferred revenue	16	-	2,170,910
		1,587,189	4,940,487
SHAREHOLDERS' DEFICIENCY			
Share capital	11	20,457,673	17,444,673
Reserve	11	3,512,551	3,720,574
Warrant reserve	11	9,762	9,762
Accumulated other comprehensive loss		(66,789)	(66,789)
Deficit		(24,207,542)	(25,211,782)
		(294,345)	(4,103,562)
Total liabilities and shareholders' deficiency		1,292,844	836,925

Nature and Continuance of Operations (Note 1)

Approved by the board of directors and authorized for issue on June 14, 2024:

"James Henning"

James Henning, Director

"Kevin Cornish"

Kevin Cornish, Director

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Unaudited Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

		Three months ended		Nine months ended	
		April 30, 2024	April 30, 2023	April 30, 2024	April 30, 2023
		\$	\$	\$	\$
Revenues					
NFT sales	16	651,138	-	1,953,419	-
Royalty income	16	-	344	-	5,512
Services income	16	25,000	-	25,000	204,448
Total revenues		676,138	344	1,978,419	209,960
Cost of revenues		(124,348)	(23,632)	(317,092)	(45,636)
Gross profit		551,790	(23,288)	1,661,327	164,324
Expenses					
Amortization	6,7,8	40,643	84,395	67,356	253,191
Consulting fees	12	166,160	27,069	242,011	93,543
Corporate development fees		26,000	71,436	40,876	342,842
Development costs		-	-	-	136,035
Foreign exchange		-	(1,877)	-	(1,877)
Interest expense		4,149	36,966	51,514	75,379
Marketing		9,672	9,761	19,311	454,263
Office expenses		33,090	13,823	79,890	156,603
Professional fees	12	122,169	77,822	275,372	462,103
Stock-based compensation (recovery)	11,12	16,111	123,030	(18,023)	2,412,991
Transfer agent and filing fees		25,746	-	82,966	123,085
Wages and salaries		-	109,614	4,093	975,360
Operating expenses		(443,740)	(552,039)	(845,366)	(5,483,518)
Other items					
Change in revaluation of digital assets	5	-	(6,397)	-	(7,650)
Gain (loss) on use of digital assets	5	-	4,434	6,021	4,103
Gain on settlement of debt		95,812	27,001	200,343	27,001
Interest income		-	6,324	-	6,324
Impairment of intangibles		-	(1,895,186)	-	(1,895,186)
Impairment of goodwill		-	-	-	(3,488,996)
Loss on loss of control of subsidiary		-	(365,097)	-	(365,097)
Loss on termination of lease		-	-	(18,085)	-
Income (loss) from continuing operations		203,862	(2,804,248)	1,004,240	(11,038,695)
Loss from discontinued operations	5	-	(34,084)	-	(201,962)
Net income (loss) for the period		203,862	(2,838,332)	1,004,240	(11,240,657)
Foreign currency translation adjustment		-	-	-	(41,401)
Net comprehensive income (loss) for the period		203,862	(2,838,332)	1,004,240	(11,282,058)
Net income (loss) per share:					
Basic income (loss) per share – from continuing operations		0.01	(1.56)	0.07	(6.40)
Basic income (loss) per share – from discontinued operations		-	(0.02)	-	(0.12)
Basic total income (loss) per share		0.01	(1.57)	0.07	(6.52)
Diluted income (loss) per share – continuing operations		0.00	(1.56)	0.03	(6.40)
Diluted income (loss) per share – discontinued operations		-	(0.02)	-	(0.12)
Diluted total income (loss) per share diluted		0.00	(1.57)	0.03	(6.52)
Weighted average number of common shares outstanding:					
Basic		40,200,087	1,802,927	14,537,914	1,724,492
Diluted		56,488,475	1,802,927	30,826,302	1,724,492

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

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

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

		Share capital						
	Note	Number of shares	Amount	Reserve	Warrant reserve	Accumulated other comprehensive loss	Deficit	Total
			\$	\$	\$	\$	\$	\$
Balance, July 31, 2022	*	1,545,450	13,322,675	2,830,107	9,762	(25,387)	(12,511,090)	3,626,067
Shares issued to acquire Web 3.0	3	184,363	1,935,815	-	-	-	-	1,935,815
Shares issued upon exercise of options	11	19,556	255,806	(109,140)	-	-	-	146,666
Shares issued upon exercise of warrants	11	26,667	200,000	-	-	-	-	200,000
RSU conversion	11	111,800	1,566,874	(1,566,874)	-	-	-	-
Share-based compensation	11	-	-	2,412,991	-	-	-	2,412,991
Net loss for the period		-	-	-	-	(41,401)	(11,240,657)	(11,282,058)
Balance, April 30, 2023		1,887,836	17,281,170	3,567,084	9,762	(66,788)	(23,751,747)	(2,960,519)
Balance, July 31, 2023		1,985,836	17,444,673	3,720,574	9,762	(66,789)	(25,211,782)	(4,103,562)
Share consolidation rounding	*	(80)	-	-	-	-	-	-
Shares issued for private placement	11	20,005,000	2,000,500	-	-	-	-	2,000,500
Shares issued upon exercise of warrants	11	575,000	57,500	-	-	-	-	57,500
RSU conversion	11	15,998	190,000	(190,000)	-	-	-	-
Asset purchase agreement	7	3,060,000	765,000	-	-	-	-	765,000
Share-based recovery	11	-	-	(18,023)	-	-	-	(18,023)
Net income for the period		-	-	-	-	-	1,004,240	1,004,240
Balance, April 30, 2024		25,641,754	20,457,673	3,512,551	9,762	(66,789)	(24,207,542)	(294,345)

* On October 6, 2023, the Company completed a one-for-seventy-five common share consolidation. All share disclosures in these condensed interim consolidated financial statements are presented on a post-consolidation basis.

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Unaudited Condensed Interim Consolidated Statements of Cash Flow

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

	Nine months ended	
	April 30, 2024	April 30, 2023
Operating activities		
Income (loss) for the period	1,004,240	(11,240,657)
Adjustments for non-cash items:		
Accretion		75,379
Digital assets converted to fiat currency	-	110,633
Digital assets received for sales	-	(5,513)
Digital assets paid for services	27,973	22,907
Depreciation	67,356	362,053
Loss on use of digital assets	-	(4,103)
Accrued interest income	-	(6,324)
Impairment of goodwill	-	3,488,996
Impairment of intangibles	-	1,895,186
Loss on disposal of GZ	-	365,097
Loss on termination of lease	18,085	-
Interest expense	51,511	-
Revaluation of digital assets	(6,021)	7,650
Share-based compensation (recovery)	(18,023)	2,412,991
Gain on forgiveness of debts	(200,343)	-
Changes in non-cash working capital items:		
Amounts receivable	(51,312)	117,745
Prepaid expenses	54,992	47,898
Accounts payable and accrued liabilities	46,144	404,148
Due to related parties	32,303	-
Deferred revenue	(1,953,417)	3,218
Deferred contract costs	289,116	-
Net cash flows provided by (used in) operating activities	(637,396)	(1,942,696)
Investing activities		
Additions of internally developed software	-	(486,313)
Cash disposed of on sale of subsidiary	-	(268)
Cash acquired from acquisition of subsidiary	-	804,460
Net cash flows used in investing activities	-	317,879
Financing activities		
Loans repaid	(135,000)	(293,750)
Loans received	-	1,519,000
Lease payments	-	(145,150)
Proceeds from share issuances	1,000,500	-
Proceeds from exercise of warrants and options	57,500	346,666
Net cash flows provided by financing activities	923,000	1,426,766
Effects of foreign exchange on cash	-	(41,399)
Change in cash	285,604	(198,051)
Cash, beginning	46,979	308,035
Cash, ending	332,583	68,585
Other Supplementary Information		
Cash paid during the year for interest	-	-
Cash paid during the year for income taxes	-	-

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

1. Nature and Continuance of Operations

Metasphere Labs Inc. (formerly Looking Glass Labs Ltd.) (the “Company”) was incorporated on June 19, 2015, under the laws of the province of British Columbia, Canada. On February 29, 2024 the Company changed its name from Looking Glass Labs Ltd. to Metasphere Labs Inc. On October 8, 2021, the Company changed its name from BluKnight Aquafarms Inc. to Looking Glass Labs Ltd. The Company changed its name from 1040426 BC Ltd to BluKnight Aquafarms Inc. on July 12, 2017. The Company specializes in consumer engagement applications to leverage immersive metaverse environments, gamification and Web 3.0/blockchain monetization strategies.

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

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

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. During the period ended April 30, 2024, the Company incurred a net comprehensive income of \$1,004,240 (April 30, 2023 – net comprehensive loss of \$11,282,058), and had an accumulated deficit of \$24,207,542 (July 31, 2023 – \$25,211,782) and a working capital deficiency of \$1,073,838 as at April 30, 2024 (July 31, 2023 – \$2,448,345).

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

2. Statement of Compliance and Material Accounting Policy Information

These unaudited condensed interim consolidated financial statements were authorized for issue on June 14, 2024 by the directors of the Company.

Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with IAS 34 – Interim Financial Reporting. These unaudited condensed interim consolidated financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended July 31, 2023. These condensed interim consolidated financial statements have been prepared following the same material accounting policy information as the Company’s audited consolidated financial statements for the year ended July 31, 2023.

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

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

2. Statement of Compliance and Material Accounting Policy Information (continued)

Basis of Presentation

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

Basis of Consolidation

The unaudited condensed interim consolidated financial statements include the accounts of the Company and its controlled entities. Control occurs when the Company is exposed to, or has the right to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Details of controlled entities are as follows:

Name	Jurisdiction of Incorporation	Interest 2024	Interest 2023	Functional Currency
Genzeroes Productions Inc.	Canada	0%	100%	Canadian Dollars
HOK Vietnam Company Limited	Vietnam	0%	100%	Vietnamese Dong
Web 3.0 Holdings Corp.	Canada	100%	100%	Canadian Dollars
HOK Technologies Inc.	Canada	100%	100%	Canadian Dollars
HOK BVI Technologies Inc.	British Virgin Islands	100%	100%	Canadian Dollars

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

Functional and Presentation Currency

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

Transactions and balances in foreign currencies

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

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

Foreign Operations

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

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

2. Statement of Compliance and Material Accounting Policy Information (continued)

Significant Accounting Judgments, Estimates and Assumptions

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

Going concern

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

Deferred tax assets

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

Digital assets

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

Digital currency valuation

Digital assets consist of cryptocurrency denominated assets (Note 5). Digital assets are carried at their fair market value determined by the spot rate from www.finance.yahoo.com. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital assets would have a significant impact on the Company's earnings and financial position. In addition, management estimates that selling costs will be nominal. Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and global political and economic conditions. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its digital assets.

Stock-based compensation

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

Business combinations

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

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

2. Statement of Compliance and Material Accounting Policy Information (continued)

Leases

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

Recoverability of long-lived assets

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

Estimated useful life of long-lived assets

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

Revenue recognition

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

New Standards Adopted

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

3. Asset Acquisitions

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

As consideration, the Company issued 184,363 common shares of the Company (each a "Consideration Share") on September 7, 2022, payable to the existing shareholders of Web 3.0 with a fair value of \$1,935,815. The acquisition of Web 3.0 does not constitute a business combination because this entity does not meet the definition of a business under IFRS 3 – *Business Combinations*. As a result, the transaction has been measured at the fair value of equity consideration issued to acquire the entity. The fair value of the consideration paid was determined based on the fair value of the assets received in accordance with IFRS 2 – *Share Based Payments*.

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

3. Asset Acquisitions (continued)

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

On July 31, 2023, the Company recorded impairment of the retail technology platform of \$1,131,355 as described in Note 7.

On February 6, 2024, the Company acquired the Carbon.bot digital platform (the "Platform") in exchange for the issuance of 3,060,000 common shares of the Company (Notes 7 and 11). Once launched, the Platform is intended to serve as a unique real time news aggregator in the environmental sustainability sector, utilizing large language models such as ChatGPT to summarize and present articles from its network. The acquisition of the Platform does not constitute a business combination because the assets acquired do not meet the definition of a business under IFRS 3 – *Business Combinations*. The cost of the Platform acquired was \$765,000.

4. Disposal of GenZeroes and Discontinued Operations

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

As consideration for the Assets, the Company received a promissory note (the "Note") for \$800,000 having 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 Note is secured by the shares of GenZeroes Productions Inc. and the Related IP. The initial fair value of the Note on inception was determined to be \$200,426. The fair value of the instrument was estimated using a discounted cash flow model using a discount rate of 39%. At July 31, 2023, the Company had recorded \$23,522 of interest and recorded an impairment equal to the carrying value of the Note of \$223,948 due to uncertainty of its collectability.

The Company also retains a 50% royalty in perpetuity on all net proceeds from the first season of the GenZeroes series. As a condition of closing the Transaction, the Purchaser has also granted to the Company a non-exclusive and royalty-free license (the "IP License") to use the GenX collection's intellectual property for its metaverse product branded as Pocket Dimension and video game branded as Overlords. The term of the IP License is for a period from the closing date until the Note is fully paid.

During the year ended July 31, 2023, the Company recorded a loss on the deconsolidation of GenZeroes of \$428,307, which included \$268 of cash held by GenZeroes.

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

4. Disposal of GenZeroes and Discontinued Operations (continued)

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

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

The net loss from discontinued operations for the periods ended April 30, 2024, and 2023 are presented below:

	Three Months Ended		Nine Months Ended	
	April 30,	April 30,	April 30,	April 30,
	2024	2023	2024	2023
	\$	\$	\$	\$
Revenues	-	-	-	-
Expenses				
Amortization	-	26,396	-	108,863
Consulting fees	-	-	-	18,000
Marketing	-	-	-	16,151
Office expenses	-	178	-	51,438
Professional fees	-	7,510	-	7,510
Total expenses	-	34,084	-	201,962
Net loss from discontinued operations	-	(34,084)	-	(201,962)

The consolidated statement of cash flows for the periods ended April 30, 2024, and 2023 was not restated to present the cash flows from the discontinued operations separately, as the Company elected to provide this information in the present note. The cash flows from the discontinued operations of GenZeroes for the periods ended April 30, 2024, and 2023 are presented in the following table:

	Nine months ended	
	April 30,	April 30,
	2024	2023
	\$	\$
Cash flows used in operating activities	-	(70,878)
Cash flows used in investing activities	-	(98,401)
Cash flows provided by financing activities	-	135,449
Increase in cash	-	33,830

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

5. Digital Assets

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

Digital assets consist of Ethereum and USD-T/C (cryptocurrencies). Ethereum and USD-T/C earned and transacted during the year ended July 31, 2023 and nine months ended April 30, 2024 were as follows:

	\$	USD-T/C #	Ethereum #
Balance, July 31, 2022	154,302	3,694.95	71.64
Digital assets received for revenues	5,534	-	2.76
Digital assets received for deferred revenues	446	-	0.26
Digital assets traded for cash	(110,634)	-	(55.00)
Digital assets paid for expenses	(22,907)	-	(10.77)
Gain on sale of digital assets	(7,650)	-	-
Revaluation of digital assets	2,860	-	-
Balance, July 31, 2023	21,951	3,694.95	8.89
Digital assets received for revenues	4	-	0.01
Revaluation of digital assets	6,021	-	-
Digital assets paid for expenses	(27,976)	(3,694.95)	(8.90)
Balance, April 30, 2024	-	-	-

- i) Digital assets held are revalued each reporting period based on the fair market value of the price of Ethereum and USD-T/C on the reporting date. As at April 30, 2024, the Company wrote-off the digital assets.

6. Property and Equipment

	Computer Equipment \$	Furniture and Fixtures \$	Total \$
Cost			
Balance, July 31, 2022 and 2023	62,169	13,077	75,246
Additions	-	-	-
Balance, April 30, 2024	62,169	13,077	75,246
Accumulated depreciation			
Balance, July 31, 2022	(12,793)	(1,817)	(14,610)
Depreciation	(20,723)	(4,360)	(25,083)
Balance, July 31, 2023	(33,516)	(6,177)	(39,693)
Depreciation	(15,542)	(3,269)	(18,811)
Balance, April 30, 2024	(49,058)	(9,446)	(58,504)
Net book values			
Balance, July 31, 2023	28,653	6,900	35,553
Balance, April 30, 2024	13,111	3,631	16,742

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

7. Intangible Assets and Goodwill

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

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

On February 6, 2024, the Company acquired the Carbon.bot digital platform (the “Platform”) in exchange for the issuance of 3,060,000 common shares of the Company (Notes 3 and 11). Once launched, the Platform is intended to serve as a unique real time news aggregator in the environmental sustainability sector, utilizing large language models such as ChatGPT to summarize and present articles from its network. The transaction was accounted for as an asset acquisition and the cost of the Platform acquired was \$765,000.

	Acquired NFTs \$	Film Series \$	Acquired Platform \$	Internally Generated Platforms \$	Acquired IP \$	Total \$
Balance, July 31, 2022	48,973	670,354	503,024	1,089,417	-	2,311,768
Additions	-	63,401	-	387,912	1,131,355	1,582,668
Amortization	(48,973)	(100,916)	(57,857)	-	-	(207,746)
Disposals	-	(632,839)	-	-	-	(632,839)
Impairment	-	-	(445,167)	(1,477,329)	(1,131,355)	(3,053,851)
Balance, July 31, 2023	-	-	-	-	-	-
Additions	-	-	765,000	-	-	765,000
Amortization	-	-	(34,373)	-	-	(34,373)
Balance, April 30, 2024	-	-	730,627	-	-	730,627

Goodwill

	\$
July 31, 2022	3,323,409
Impairment	(3,323,409)
July 31, 2023 and April 30, 2024	-

The recoverable amount of the operating unit was determined based upon updated cash flow projections. The Company used a discount rate of 39% for the current and previous value in use calculations. As at July 31, 2023, the Company recorded impairment of goodwill of \$3,323,409 and impairment of intangibles of \$3,036,077. The recognition of the impairment losses resulted from a decrease in forecasted growth, material uncertainties with respect to the Company’s ability to raise capital for further development and a general downturn in the metaverse and blockchain industries.

8. Right-of-Use Assets and Lease Liabilities

The Company’s primary lease consisted of office space. The Company used an incremental borrowing rate of 9.5%. On August 28, 2023, the primary lease was terminated in consideration for a payment of \$60,000 to the lender which resulted in a loss on termination of \$18,085. Upon termination the respective right-of-use asset balance of \$212,582 and the right-of-use liability of \$229,554 was derecognized. The following is a continuity schedule of right-of-use assets for the period ended April 30, 2024 and July 31, 2023:

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

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

	Office Lease \$
Right-of-use assets	\$
Balance, July 31, 2022	396,819
Depreciation	(170,065)
Balance, July 31, 2023	226,754
Depreciation	(14,172)
Termination of lease	(212,582)
Balance, April 30, 2024	-

The following is a continuity schedule of lease liabilities for the nine months ended April 30, 2024 and July 31, 2023:

	Office Lease \$
Lease liabilities	\$
Balance, July 31, 2022	408,463
Interest	28,990
Payments	(193,534)
Balance, July 31, 2023	243,919
Interest	1,762
Payments	(16,127)
Termination of lease	(229,554)
Balance, April 30, 2024	-
Less: current portion	-
Non-current portion	-

9. Accounts Payable and Accrued Liabilities

	April 30, 2024 \$	July 31, 2023 \$
Accounts payable	1,055,414	541,074
Accrued liabilities	140,432	595,936
	1,195,846	1,137,010

10. Loans Payable

During the year ended July 31, 2022, the Company received loans of \$40,000 from a private company. The loans were unsecured, non-interest bearing and due on demand. During the year ended July 31, 2023, the Company received additional loans of \$1,544,000 from arm's-length parties and repaid \$293,750. The loans are unsecured, bear interest at 10% per annum and are due on demand.

Holders of \$1,000,000 of the Company's outstanding loans payable agreed to participate in the non-brokered private placement described in Note 11. On November 23, 2023, the Company closed the non-brokered private placement offering and issued 10,000,000 units ("Units") to convert \$1,000,000 of loans payable from debt into equity. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant. Each Warrant entitles the holder to purchase one additional share of the Company for a period of two years at an exercise price of \$0.10. During the period ended April 30, 2024, the Company repaid \$135,000 to loan holders, and a balance of \$161,849 was forgiven and recorded as a gain on settlement of debt.

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

10. Loans Payable (continued)

As at April 30, 2024, the Company had \$127,314 (July 31, 2023- \$1,374,415) of loans payable, including \$26,988 (July 31, 2023- \$84,165) of accrued interest.

11. Share Capital

Authorized share capital

Unlimited number of common shares without par value.

On October 6, 2023, the Company completed a one-for-seventy-five common share consolidation. All share disclosures in these condensed interim consolidated financial statements are presented on a post-consolidation basis.

Issued share capital

At April 30, 2024, there were 25,641,754 (July 31, 2023 – 1,985,836) issued and fully paid common shares outstanding.

For the period ended April 30, 2024

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

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 consists of one common share in the capital of the Company (each a, “Share”) and one common share purchase warrant (each a, “Warrant”). Each Warrant entitles 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 February 8, 2024, the Company issued 3,060,000 common shares pursuant to an Asset Purchase Agreement with Bot Media Corp. to acquire the Carbon.bot digital platform (the “Platform”) (Note 7). The transaction was accounted for as an asset acquisition and the cost of the Platform acquired was \$765,000.

During the period ended April 30, 2024, the Company issued 575,000 common shares upon the exercise of 575,000 warrants for total proceeds of \$57,500.

During the period ended April 30, 2024, the Company issued 15,998 common shares upon the conversion of 15,998 RSUs and the Company transferred \$190,000 from reserve to share capital.

For the period ended April 30, 2023

On September 7, 2022, the Company issued 184,363 common shares with a fair value of \$1,935,815 pursuant to the acquisition of Web 3.0 as described in Note 3.

During the period ended April 30, 2023, the Company issued 19,556 common shares upon the exercise of 19,556 stock options for total proceeds of \$146,667 and the Company transferred \$109,139 from reserve to share capital.

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

11. Share Capital (continued)

During the period ended April 30, 2023, the Company issued 26,667 common shares upon the exercise of 26,667 warrants for total proceeds of \$200,000.

During the period ended April 30, 2023, the Company issued 111,800 common shares upon the conversion of 111,800 RSUs and the Company transferred \$1,566,874 from reserve to share capital.

Warrants

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

	Number of Warrants Issued	Weighted Average Exercise Price
Balance, July 31, 2022	160,410	43.50
Exercised	(26,667)	7.50
Balance, July 31, 2023	133,743	50.76
Granted	20,005,000	0.10
Exercised	(575,000)	(0.10)
Balance, April 30, 2024	19,563,743	0.45

Details of warrants outstanding as of April 30, 2024 are as follows:

Expiry Date	Number of Warrants Outstanding and Exercisable	Exercise Price
November 23, 2025	19,430,000	0.10
September 15, 2026	66,664	7.50
November 10, 2026	67,079	93.75
	19,563,743	

Stock options

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

On September 13, 2022, the Company granted incentive stock options to its officers and consultants to purchase an aggregate of 129,250 common shares at an exercise price of \$10.50 per common share for up to five years. The options vest 1/8 every three months over 24 months. The total grant date fair value of the options was measured at \$1,374,038. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - \$13.50; exercise price - \$10.50; expected life - 5 years; volatility - 100%; dividend yield - \$0; and risk-free rate - 3.23%.

During the period ended April 30, 2024, the Company recorded a recovery of share-based compensation of \$18,023 (April 30, 2023 - share-based compensation of \$2,412,991) related to the vesting of options. The following is a summary of the Company's option activity for the periods ended April 30, 2024 and July 31, 2023.

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

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

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2022	151,333	27.75
Granted	129,250	10.50
Cancelled	(94,583)	(12.75)
Exercised	(19,556)	(7.50)
Balance, July 31, 2023	166,444	24.69
Expired	(1,334)	
Cancelled	(42,672)	(16.11)
Balance, April 30, 2024	122,438	27.65
Exercisable, April 30, 2024	114,105	29.57

Details of options outstanding and exercisable as at April 30, 2024 are as follows:

Expiry date	Number of Options Outstanding	Number of Options Exercisable	Exercise Price
October 14, 2026	31,438	31,438	7.50
February 7, 2027	55,666	55,666	48.75
March 16, 2027	667	667	60.00
April 13, 2027	667	667	56.25
June 1, 2024*	667	667	18.75
September 13, 2027	33,333	25,000	10.50
	122,438	114,105	

*Subsequent to the period ended April 30, 2024, 667 options expired unexercised.

Restricted Stock Units (“RSUs”)

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

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

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

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

11. Share Capital (continued)***Restricted Stock Units (“RSUs”) (continued)***

During the period ended April 30, 2024, the Company recorded \$Nil (April 30, 2023- \$52,501) of stock-based compensation relating to the number of vested RSUs.

During the period ended April 30, 2024, the Company issued 15,998 common shares upon the conversion of 15,998 RSUs and the Company transferred \$190,000 from reserve to share capital.

As at April 30, 2024, 14,665 (July 31, 2023 - 37,773) restricted stock units were outstanding under the RSU plan.

Share-based payment reserve

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

Net income per share continuing operations

	Three months ended		Nine months ended	
	April 30, 2024	April 30, 2023	April 30, 2024	April 30, 2023
	\$	\$	\$	\$
Net income (loss) attributable to common shareholders from continuing operations	203,862	(2,804,248)	1,004,240	(11,038,695)
Basic weighted average number of common shares outstanding	40,200,087	1,802,927	14,537,914	1,724,492
Effect of dilutive securities:				
Stock options	-	-	-	-
Warrants	16,288,388	-	16,288,388	-
Diluted weighted average number of common shares outstanding	56,488,475	1,802,927	30,826,302	1,724,492
Basic net income (loss) per common share	0.01	(1.56)	0.07	(6.40)
Diluted income (loss) per common share	0.00	(1.56)	0.03	(6.40)

Net income per share discontinued operations

	Three months ended		Nine months ended	
	April 30, 2024	April 30, 2023	April 30, 2024	April 30, 2023
	\$	\$	\$	\$
Net income (loss) attributable to common shareholders from discontinued operations	-	(34,084)	-	(201,962)
Basic weighted average number of common shares outstanding	40,200,087	1,802,927	14,537,914	1,724,492
Effect of dilutive securities:				
Stock options	-	-	-	-
Warrants	16,288,388	-	16,288,388	-
Diluted weighted average number of common shares outstanding	56,488,475	1,802,927	30,826,302	1,724,492
Basic net income (loss) per common share	-	(0.02)	-	(0.12)
Diluted income (loss) per common share	-	(0.02)	-	(0.12)

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

12. Related Parties

Related party balances

Amounts due to related parties:

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

	April 30, 2024	July 31, 2023
	\$	\$
Amounts owed to directors of the Company	46,536	89,808
	46,536	89,808

Related party transactions

During the period ended April 30, 2024, the Company paid and/or accrued accounting, management, corporate development and consulting fees of \$113,114 (2023 - \$241,917) to the Company's key management. During the period ended April 30, 2024, the Company also incurred stock-based compensation to key management personnel related to the vesting of granted options of \$3,732 (2023 - \$ 270,608).

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

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

13. Financial Risk and Capital Management

(a) Fair value measurements:

Financial hierarchy:

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

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

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

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

The following is an analysis of the Company's financial assets and liabilities measured at fair value as at April 30, 2024 and July 31, 2023:

	As at April 30, 2024		
	Level 1	Level 2	Level 3
	\$	\$	\$
Cash and cash equivalents	332,583	-	-

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

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

13. Financial Risk and Capital Management (continued)

Digital assets and risk management

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

Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and global political and economic conditions. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its sales of digital assets.

Digital assets have a limited history and the fair value historically has been relatively volatile. Historical performance of digital assets is not indicative of their future price performance. The Company's digital assets currently consist solely of Ethereum. As of April 30, 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 \$Nil.

(b) Financial risk management:

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

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. 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 April 30, 2024, the Company has cash of \$332,583 (July 31, 2023 - \$46,979) and digital assets of \$Nil (July 31, 2023 - \$21,951) available to apply against short-term business requirements and current liabilities of \$1,587,189 (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 April 30, 2024, it is management's conclusion that the exposure to market risk is not material.

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

14. Segmented Information

At April 30, 2024, the Company operated in one geographic area and one operating segment. During the period ended April 30, 2023, Company operated within two geographic areas, Canada and Vietnam and had one operating segment, which is the design, development, and sale of exclusive Non-Fungible Tokens (“NFTs”).

	Canada	Vietnam	Total
	\$	\$	\$
Nine months ended April 30, 2024			
Revenue	1,978,419	-	1,978,419
Net Income	1,004,240	-	1,004,240
Nine months ended April 30, 2023			
Revenue	209,960	-	209,960
Net Loss	(11,194,030)	(46,627)	(11,240,657)
Three months ended April 30, 2024			
Revenue	676,138	-	676,138
Net Income	203,862	-	203,862
Three months ended April 30, 2023			
Revenue	344	-	344
Net Loss	(2,838,332)	-	(2,838,332)
As at April 30, 2024			
Total non-current assets	779,493	-	779,493
As at July 31, 2023			
Total non-current assets	583,547	-	583,547

15. Capital Management

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

Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company’s approach to capital management during the period ended April 30, 2024.

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.

METASPHERE LABS INC. (FORMERLY LOOKING GLASS LABS LTD.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the nine months ended April 30, 2024 and 2023

(Expressed in Canadian Dollars)

16. Revenues

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

	Three Months ended April 30,		Nine Months ended April 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
NFT sales	651,138	-	1,953,419	-
Royalty income	-	344	-	5,512
Services income	25,000	-	25,000	204,836
	676,138	344	1,978,419	209,960

Deferred Revenue

The Company receives payments based on the payment terms established in its contracts. Such payments are initially recorded to deferred revenue and are recognized into revenue as the Company satisfies its performance obligations. Deferred revenue consists of payments received from the Company's virtual land NFT sales in advance of revenue recognition. As of April 30, 2024, the aggregate amount of revenue allocated to unsatisfied performance obligations of \$217,493 (July 31, 2023- \$2,170,910) is included in deferred revenue.

Deferred Contract Costs

The Company defers contract costs that are direct and incremental to obtaining user contracts. At April 30, 2024, the Company had deferred \$32,124 (July 31, 2023 - \$321,240) of contract costs consisting of commissions paid for communication services provided in connection with the Company's virtual land NFT sales. These costs will be amortized over the estimated period of time the corresponding products are available to the user in proportion to the revenue recognized.

17. Contingency

During the year ended July 31, 2023, a claim was commenced against the Company by Thanh Khiet Nguyen. The claim was 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 under section 227 of the BC Business Corporations Act.

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

18. Subsequent Events

Subsequent to the period ended April 30, 2024, the Company issued 2,825,000 common shares pursuant to the exercise of 2,825,000 warrants for gross proceeds of \$282,500.

On June 1, 2024, 667 options exercisable at \$18.75 expired.