



**ALPHA METaverse TECHNOLOGIES INC.**  
*(formerly Alpha Esports Tech Inc.)*

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2022 and 2021**

## Independent Auditor's Report

To the Shareholders of Alpha Metaverse Technologies Inc. (formerly Alpha Esports Tech Inc.)

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Alpha Metaverse Technologies Inc. (formerly Alpha Esports Tech Inc.) (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2022 and 2021, and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Company as at June 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

#### Basis for Opinion

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

#### Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company had a deficit of \$16,753,036 as at June 30, 2022 and the Company expects to incur further losses in the development of its business. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is G. Cameron Dong.

The image shows a handwritten signature in black ink that reads "De Visser Gray LLP". The signature is written in a cursive, flowing style.

**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC, Canada  
October 28, 2022

**Alpha Metaverse Technologies Inc.**  
**Consolidated Statements of Financial Position**

For the Years Ended June 30, 2022 and 2021

In Canadian Dollars, unless noted

| As at                                    | Notes     | June 30, 2022       | June 30, 2021       |
|--|-----------|---------------------|---------------------|
| <b>ASSETS</b>                            |           |                     |                     |
| <b>Current Assets</b>                    |           |                     |                     |
| Cash                                     |           | \$ 1,207,860        | \$ 1,716,642        |
| Accounts receivable                      |           | 72,751              | -                   |
| GST receivable                           |           | 178,028             | 64,011              |
| Prepaid expenses                         | <b>5</b>  | -                   | 1,538,473           |
|  |           | 1,458,639           | 3,319,126           |
| <b>Non-current Assets</b>                |           |                     |                     |
| Equipment                                |           | -                   | 1,978               |
| Intangible assets                        | <b>6</b>  | -                   | 1,806,984           |
| Goodwill                                 | <b>7</b>  | 2,425,425           | 402,561             |
|  |           | 2,425,425           | 2,211,523           |
| <b>TOTAL ASSETS</b>                      |           | <b>3,884,064</b>    | <b>5,530,649</b>    |
| <b>LIABILITIES</b>                       |           |                     |                     |
| <b>Current Liabilities</b>               |           |                     |                     |
| Accounts payable and accrued liabilities | <b>11</b> | 723,524             | 940,673             |
| Acquisition payable                      | <b>6</b>  | 500,000             | -                   |
|  |           | 1,223,524           | 940,673             |
| <b>Non-current Liabilities</b>           |           |                     |                     |
| Government loan                          | <b>8</b>  | 60,000              | -                   |
|  |           | 60,000              | -                   |
| <b>TOTAL LIABILITIES</b>                 |           | 1,283,524           | 940,673             |
| <b>EQUITY</b>                            |           |                     |                     |
| Share capital                            | <b>9</b>  | 15,886,678          | 10,615,685          |
| Reserves                                 | <b>9</b>  | 3,504,756           | 1,935,684           |
| Accumulated other comprehensive income   |           | (37,858)            | (41,651)            |
| Deficit                                  |           | (16,753,036)        | (7,919,742)         |
| <b>TOTAL EQUITY</b>                      |           | 2,600,540           | 4,589,976           |
| <b>TOTAL LIABILITIES AND EQUITY</b>      |           | <b>\$ 3,884,064</b> | <b>\$ 5,530,649</b> |

The accompanying notes are an integral part of these consolidated financial statements.

Nature of operations (Note 1), Going concern (Note 2) and Commitments (Note 15)

Approved on behalf of the Board of Directors:

"Brian Wilneff", Director

"Jonathan Anastas", Director

**Alpha Metaverse Technologies Inc.**  
**Consolidated Statements of Net Loss and Comprehensive Loss**

For the Years Ended June 30, 2022 and 2021

In Canadian Dollars, unless noted

| For the Years Ended June 30,  | 2022                  | 2021                  |
|---|-----------------------|-----------------------|
| <b>REVENUES (Note 10)</b>   | \$ 209,734            | \$ 16,679             |
| Cost of Sales   | (107,154)             | -                     |
| <b>GROSS MARGIN</b>   | <b>102,580</b>        | <b>16,679</b>         |
| <b>EXPENSES</b>   |                       |                       |
| Advertising and marketing   | 2,535,980             | 874,814               |
| Payroll and consulting  | 797,069               | 1,169,744             |
| Depreciation (Note 6)   | 715,928               | 473,824               |
| Management fees (Note 11)   | 300,035               | 283,832               |
| Office and miscellaneous  | 157,694               | 265,416               |
| Professional fees   | 286,702               | 237,438               |
| Share-based payments (Notes 9 and 11)   | 1,886,451             | 1,911,344             |
| Tournament prizes   | 118,728               | 34,868                |
| Transfer agent and filing fees  | 68,977                | 65,019                |
| <b>OPERATING EXPENSES</b>   | <b>(6,867,564)</b>    | <b>(5,316,299)</b>    |
| <b>TOTAL OPERATING INCOME</b>   | <b>(6,764,984)</b>    | <b>(5,299,620)</b>    |
| Foreign exchange loss   | (16,327)              | (21,676)              |
| Gain on debt extinguishment (Note 9)  | 104,647               | -                     |
| Loss on disposal of assets (Note 6)   | (225,045)             | -                     |
| Impairment of intangible assets (Note 6)  | (1,403,024)           | -                     |
| Impairment of goodwill (Note 7)   | (402,561)             | -                     |
| Write-down of loan receivables  | -                     | (18,246)              |
| Transaction costs (Note 6)  | (126,000)             | -                     |
|   | <b>(2,068,310)</b>    | <b>(39,922)</b>       |
| <b>NET LOSS</b>   | <b>(8,833,294)</b>    | <b>(5,339,542)</b>    |
| Cumulative translation adjustment   | 3,793                 | (34,268)              |
| <b>COMPREHENSIVE LOSS</b>   | <b>\$ (8,829,501)</b> | <b>\$ (5,373,810)</b> |
| <b>Loss per share, basic and diluted</b>  | <b>\$ (0.13)</b>      | <b>\$ (0.11)</b>      |
| <b>Weighted average number of common shares outstanding – Basic and diluted</b> | <b>67,781,626</b>     | <b>49,239,705</b>     |

*The accompanying notes are an integral part of these consolidated financial statements.*

# Alpha Metaverse Technologies Inc.

## Consolidated Statements of Changes in Equity

For the Years Ended June 30, 2022 and 2021

In Canadian Dollars, unless noted

|  | Common<br>Shares (#) | Share<br>Capital (Net of SIC)<br>\$ | Share<br>Subscriptions<br>\$ | Reserves<br>\$   | Accumulated<br>OCI<br>\$ | Deficit<br>\$       | Total Equity<br>\$ |
|--|----------------------|-------------------------------------|------------------------------|------------------|--------------------------|---------------------|--------------------|
| <b>Balance, June 30, 2020</b>  | <b>37,990,330</b>    | <b>2,986,893</b>                    | <b>250</b>                   | <b>8,100</b>     | <b>(7,383)</b>           | <b>(2,580,200)</b>  | <b>407,660</b>     |
| Shares cancelled and returned to treasury                                | (1,250,000)          | -                                   | -                            | -                | -                        | -                   | -                  |
| Shares issued pursuant to advisory services rendered                     | 1,250,000            | 437,500                             | -                            | -                | -                        | -                   | 437,500            |
| Shares issued pursuant to acquisition                                    | 5,300,000            | 1,388,023                           | -                            | -                | -                        | -                   | 1,388,023          |
| Shares issued pursuant to private placement, net                         | 16,816,168           | 5,749,509                           | -                            | -                | -                        | -                   | 5,749,509          |
| Shares issued pursuant to options exercised                              | 200,000              | 113,056                             | -                            | (43,056)         | -                        | -                   | 70,000             |
| Finders' warrants  | -                    | (59,296)                            | -                            | 59,296           | -                        | -                   | -                  |
| Share-based payment pursuant to options granted                          | -                    | -                                   | -                            | 1,149,416        | -                        | -                   | 1,149,416          |
| Share-based payment pursuant to Restricted Share Rights ("RSRs") granted | -                    | -                                   | -                            | 761,928          | -                        | -                   | 761,928            |
| Subscriptions returned   | -                    | -                                   | (250)                        | -                | -                        | -                   | (250)              |
| Cumulative translation adjustment  | -                    | -                                   | -                            | -                | (34,268)                 | -                   | (34,268)           |
| Loss for the period  | -                    | -                                   | -                            | -                | -                        | (5,339,542)         | (5,339,542)        |
| <b>Balance, June 30, 2021</b>  | <b>60,306,498</b>    | <b>10,615,685</b>                   | <b>-</b>                     | <b>1,935,684</b> | <b>(41,651)</b>          | <b>(7,919,742)</b>  | <b>4,589,976</b>   |
| <b>Balance, June 30, 2021</b>  | <b>60,306,498</b>    | <b>10,615,685</b>                   | <b>-</b>                     | <b>1,935,684</b> | <b>(41,651)</b>          | <b>(7,919,742)</b>  | <b>4,589,976</b>   |
| Shares issued pursuant to exercise of RSRs                               | 1,442,143            | 462,483                             | -                            | (462,483)        | -                        | -                   | -                  |
| Shares issued pursuant to private placement, net                         | 11,020,500           | 2,450,187                           | -                            | -                | -                        | -                   | 2,450,187          |
| Shares issued pursuant to settlement of indebtedness                     | 3,214,239            | 811,187                             | -                            | -                | -                        | -                   | 811,187            |
| Shares issued pursuant to the acquisition of Shape                       | 14,840,000           | 1,692,240                           | -                            | -                | -                        | -                   | 1,692,240          |
| Fair value of broker warrants granted                                    | -                    | (145,104)                           | -                            | 145,104          | -                        | -                   | -                  |
| Share-based payment pursuant to performance warrants vested              | -                    | -                                   | -                            | 317,144          | -                        | -                   | 317,144            |
| Share-based payment pursuant to options granted                          | -                    | -                                   | -                            | 159,717          | -                        | -                   | 159,717            |
| Share-based payment pursuant to RSRs granted                             | -                    | -                                   | -                            | 1,409,590        | -                        | -                   | 1,409,590          |
| Cumulative translation adjustment  | -                    | -                                   | -                            | -                | 3,793                    | -                   | 3,793              |
| Loss for the period  | -                    | -                                   | -                            | -                | -                        | (8,833,294)         | (8,833,294)        |
| <b>Balance, June 30, 2022</b>  | <b>90,823,380</b>    | <b>15,886,678</b>                   | <b>-</b>                     | <b>3,504,756</b> | <b>(37,858)</b>          | <b>(16,753,036)</b> | <b>2,600,540</b>   |

The accompanying notes are an integral part of these consolidated financial statements.

# Alpha Metaverse Technologies Inc.

## Consolidated Statements of Cash Flow

For the Years Ended June 30, 2022 and 2021

In Canadian Dollars, unless noted

| For the Years Ended June 30,                        | 2022                  | 2021                  |
|---|-----------------------|-----------------------|
| <b>OPERATING ACTIVITIES</b>                         |                       |                       |
| <b>Net loss for the period</b>                      | <b>\$ (8,833,294)</b> | <b>\$ (5,339,542)</b> |
| Items not affecting cash                            |                       |                       |
| Depreciation (Note 6)                               | 715,928               | 473,824               |
| Foreign exchange                                    | 16,327                | 5,791                 |
| Gain on debt extinguishment (Note 9)                | (104,647)             | -                     |
| Impairment of intangible assets (Note 6)            | 1,403,024             | -                     |
| Impairment of goodwill (Note 7)                     | 402,561               | -                     |
| Loss on disposal of assets (Note 6)                 | 225,045               | -                     |
| Share-based payments (Note 9)                       | 1,886,451             | 1,911,344             |
| Shares issued for services (Note 9)                 | 150,000               | 291,667               |
| Shares issued for transactions costs (Note 6)       | 126,000               | -                     |
| Write-down of loan receivable                       | -                     | 18,246                |
| <b>Change in non-cash working capital items:</b>    |                       |                       |
| Accounts receivable                                 | (13,236)              | 840                   |
| GST receivable                                      | (101,763)             | (31,886)              |
| Prepaid expenses                                    | 1,577,032             | (1,185,498)           |
| Accounts payable and accrued liabilities            | 435,052               | (64,783)              |
| <b>Cash used in operating activities</b>            | <b>(2,115,520)</b>    | <b>(3,919,997)</b>    |
| <b>INVESTING ACTIVITIES</b>                         |                       |                       |
| Acquisition of Shape (Note 6)                       | (500,000)             | -                     |
| Promissory note received                            | -                     | 20,000                |
| Gaming platform (Note 6)                            | (229,431)             | (211,844)             |
| Gaming rights (Note 6)                              | (7,900)               | -                     |
| Heavy Chips acquisition (Note 6)                    | (226,873)             | -                     |
| Cash acquired through acquisition of Shape (Note 6) | 120,755               | -                     |
| <b>Cash used in investing activities</b>            | <b>(843,449)</b>      | <b>(191,844)</b>      |
| <b>FINANCING ACTIVITIES</b>                         |                       |                       |
| Proceeds from private placement (Note 9)            | 2,450,187             | 5,749,509             |
| Proceeds from exercise of options (Note 9)          | -                     | 70,000                |
| <b>Cash provided by financing activities</b>        | <b>2,450,187</b>      | <b>5,819,509</b>      |
| <b>Net change in cash</b>                           | <b>(508,782)</b>      | <b>1,707,668</b>      |
| Cash, beginning of period                           | 1,716,642             | 8,974                 |
| <b>Cash, end of period</b>                          | <b>\$ 1,207,860</b>   | <b>\$ 1,716,642</b>   |

No cash interest paid during the years ended June 30, 2022 and 2021.

Included in Accounts payable and accrued liabilities at June 30, 2022 is \$33,317 related to Intangible asset additions (2021 - \$nil).

The accompanying notes are an integral part of these consolidated financial statements.

# Alpha Metaverse Technologies Inc.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

In Canadian Dollars, unless noted

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### 1. COMPANY INFORMATION

Alpha Metaverse Technologies Inc. (formerly Alpha Esports Tech Inc.) (the "Company" or "Alpha") was incorporated under the laws of British Columbia on March 1, 2019. The Company's registered office is 2200-885 West Georgia Street, Vancouver, British Columbia V6C 3E8.

On April 13, 2020, the Company completed the Share Exchange Agreement ('Agreement') with Esports Enterprises Inc. ("Esports"), a private company. Pursuant to the terms of the Agreement, the shareholders of Esports transferred all of their issued and outstanding shares to the Company in exchange for a pro-rated number of shares of the Company. Consequently, the transaction constitutes control of Esports by the Company, with Esports representing a wholly-owned subsidiary of the Company for accounting and reporting purposes.

On May 14, 2021, the Company's shares began trading on the Canadian Securities Exchange ("CSE") under the symbol, "ALPA".

During the year ended June 30, 2021, the Company split its shares on the basis of one old common share for two new common shares. All common shares, warrants, and options in these consolidated financial statements are retroactively presented on a post-stock split basis, including the exercise prices of all share purchase warrants.

The Company focuses on using technology and providing services to improve the future of esports and creating a gaming ecosystem for users.

These consolidated financial statements were approved by the Board of Directors on October 28, 2022.

### 2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. On June 30, 2022, the Company had not yet achieved profitable operations and had a deficit of \$16,753,036 (June 30, 2021 - \$7,919,742) and a working capital surplus of \$235,115 (June 30, 2021 - \$2,378,453). In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company expects to incur further losses in the development of its business. If for any reason, the Company is unable to continue as a going concern, this could result in adjustments to the amounts and classifications of assets and liabilities in the Company's consolidated financial statements and such adjustments could be material. Furthermore, these conditions indicate the existence of a material uncertainty that raises substantial doubt as to the Company's ability to continue as a going concern.

The COVID-19 pandemic continues to impact the global economic recovery. The current situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgements made by management in the preparation of these financial statements are subject to a higher degree of measurement uncertainty during this volatile period.

### 3. BASIS OF PRESENTATION

#### a) Basis of preparation

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.



# Alpha Metaverse Technologies Inc.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

In Canadian Dollars, unless noted

### b) Basis of consolidation

These consolidated financial statements include the operations of the Company and its subsidiaries, as follows:

| Subsidiary                         | Country                   | Ownership Percentage |
|------------------------------------|---------------------------|----------------------|
| Esports Enterprises Inc.           | USA – Delaware            | 100%                 |
| GamerzArena LLC                    | USA – Delaware            | 100%                 |
| Shape Immersive Entertainment Inc. | Canada – British Columbia | 100%                 |

Consolidation of an investee begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All significant intercompany transactions and balances have been eliminated.

### c) Foreign currencies

The Company's functional and presentation currency is the Canadian dollar.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined, and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

### d) Significant accounting judgements and estimates

The timely preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses, and disclosures. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. As at June 30, 2022, management has identified the following material estimates:

#### i) Share-based payments

Management determines fair value for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Similar calculations are made to value warrants. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

#### ii) Estimated lives – tangible and intangible assets

Amortization of tangible assets is dependent upon estimates of useful lives based on management's judgment. Determination must be made by management whether the gaming platform or gaming license has an indefinite life or if not, management determines its lifespan. In management's view, the gaming platform and gaming license will have a finite life.

#### iii) Impairment considerations

Goodwill impairment testing requires management to make critical estimates within the impairment testing model. On an annual basis, the Company tests whether goodwill is impaired.

# Alpha Metaverse Technologies Inc.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

In Canadian Dollars, unless noted

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Determining whether any charge to impairment against the Company's tangible and finite lived intangible assets requires management to estimate the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. Many factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. Impairment is reviewed on an annual basis or as events and conditions change.

The recoverable value of goodwill and tangible and intangible assets is determined using discounted cash flow models, which incorporate assumptions about future events including future cash flows, growth rates and discount rates.

In the preparation of these consolidated financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. The following critical judgments can have an effect on the amounts recognized in the consolidated financial statements:

**i) Business combinations**

Judgment is used when determining whether an acquisition is a business combination or an asset acquisition. Judgment is also used in measuring the fair value of equity instruments issued as consideration for a business combination, and in allocating the fair value of consideration paid to the assets acquired and liabilities assumed.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. The excess of the aggregate of the consideration transferred over the net assets of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

**ii) Functional currency**

Determination of an entity's functional currency involves judgment taking into account the transactions, events, and conditions relevant to each individual entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which each entity operates and is re-evaluated when facts and circumstances indicate that conditions have changed.

**iii) Gaming platform – research versus development costs**

In determining whether to capitalize the costs related to the development of the gaming platform, management is required to make judgments about whether the development work qualifies as an asset; determining whether there is an identifiable asset which is expected to produce future benefits and being able to determine the cost of the asset reliably.

**iv) Revenue recognition – performance obligations**

Performance obligations promised in a contract are identified based on the goods and services that will be transferred to the customer that are both capable of being distinct, (i.e., the customer can benefit from the goods or services either on its own or together with other resources that are readily available), and are distinct in the context of the contract (i.e., it is separately identifiable from other goods or services in the contract). To the extent a contract includes multiple promises, we must apply judgment to determine whether those promises are separate and distinct performance obligations. If these criteria are not met, the promises are accounted for as a combined performance obligation.

# Alpha Metaverse Technologies Inc.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

In Canadian Dollars, unless noted

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### 4. SIGNIFICANT ACCOUNTING POLICIES

#### a. Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

##### i. Classification

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

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

##### ii. Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest rate method, net of any impairment. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant year. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period. Interest expense is reported in profit or loss.

Financial assets and liabilities at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Financial assets and liabilities carried at FVTOCI are initially recorded at fair value less transaction costs. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTOCI are included in comprehensive income or loss in the period in which they arise.

##### iii. Impairment of financial assets at amortized cost

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

##### iv. Derecognition

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

# Alpha Metaverse Technologies Inc.

## Notes to the Consolidated Financial Statements

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Financial liabilities are removed from the consolidated statement of financial position when the contract is extinguished, or, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss is recorded in profit or loss.

### **b. Impairment**

At each consolidated statement of financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, as long as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### **c. Share capital**

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares were granted. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units.

The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in private placements to be the more easily measurable component of unit offerings and the common shares are valued at their fair value, as determined by the closing quoted bid price on the issue date. The balance, if any, is allocated to any attached warrants or other features. Any fair value attributed to warrants is recorded as reserves.

### **d. Share-based payments**

The Company's share option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

# Alpha Metaverse Technologies Inc.

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The fair value of employee options is measured at grant date and the fair value of non-employee options is at the grant date or over the period such services are received. Each tranche of employee and non-employee options granted is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each consolidated statement of financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payments granted to non-employees that are related to the issuance of shares are recorded as a reduction of share capital. All share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in the reserve is credited to share capital, adjusted for any consideration paid.

### e. Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit.

Deferred tax liabilities on temporary differences associated with shares in subsidiaries and joint ventures is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

### f. Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net loss (the numerator) by the weighted average number of outstanding common shares for the period (the denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments.

# Alpha Metaverse Technologies Inc.

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In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. Therefore, basic and diluted loss per share are the same.

### **g. Gaming platform**

The gaming platform represents the Company's software which was developed to host e-sports tournaments. Management capitalizes certain costs to the Company's gaming platform under IAS 38 Intangible Assets, including the costs of materials and services consumed, directly attributable employee benefits and fees to register a legal right. Any expenditures relating to the gaming platform that do not qualify to capitalize under IAS 38 Intangible Assets are classified as research expense.

The gaming platform has a finite life and will be amortized over its useful economic life. The gaming platform is assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for the gaming platform is reviewed at least at the end of each reporting period. A change in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

### **h. Research and development**

Research costs are expensed as incurred. Costs related to the development of gaming platform are expensed as incurred unless such costs meet the criteria for deferral and amortization under IFRS. The criteria include identifiable costs attributable to a clearly defined product, the establishment of technical feasibility, demonstration of the Company's intention and ability to complete the software and use or sell it, identification of a market for the software, the Company's intent to market the software and the existence of adequate resources to complete the project

### **i. Goodwill**

Goodwill represents the excess of the consideration transferred over the Company's interest in the fair value of the net identifiable assets, including intangible assets, and liabilities of the acquiree at the date of acquisition. At the date of acquisition, goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is tested at least annually for impairment at the CGU level and is carried at cost less accumulated impairment losses.

### **j. Equipment**

Equipment items are carried at cost less accumulated depreciation and accumulated impairment losses. In the year of acquisition, depreciation is recorded at one-half the normal rate.

Equipment that is withdrawn from use or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance expense.

# Alpha Metaverse Technologies Inc.

## Notes to the Consolidated Financial Statements

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### k. Amortization and Depreciation

Amortization and depreciation is recognized using the declining balance method at the following annual rates:

| Type                 | Method            | Term        |
|----------------------|-------------------|-------------|
| Office and furniture | Declining balance | 20%         |
| Gaming platform      | Straight-line     | Five years  |
| Gaming rights        | Straight-line     | Three years |

### l. Foreign exchange

#### i) Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive loss.

#### ii) Subsidiaries

The results and financial position of the Company's subsidiaries that have a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses are translated at average exchange rates for the period;
- Equity is translated using historical rates; and
- All resulting exchange differences are recognised in other comprehensive income as foreign currency translation adjustments.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to other comprehensive income (loss). When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive loss.

### m. Revenue

The Company derives revenue principally from online gaming (i.e. tournaments), product development and monthly subscriptions.

The Company evaluates and recognizes revenue by:

- 1) identifying the contract(s) with the customer;
- 2) identifying the performance obligations in the contract;
- 3) determining the transaction price;
- 4) allocating the transaction price to performance obligations in the contract; and
- 5) recognizing revenue as each performance obligation is satisfied through the transfer of a promised good or service to a customer (i.e., "transfer of control").

Sales of our software services are recognized in the accounting year in which the services are rendered. For fixed-price contracts, revenue is recognized based on the stage of completion of the arrangement determined using the percentage of completion method by measuring outputs. The revenue from these contracts is recognized when the outcome of the contract can be estimated reliably. Any consulting services provided is recognized over time as it is earned, when it is probable that economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably and collection is reasonably assured.

Sales of our online gaming are determined to have one distinct performance obligation: the online tournament. We recognize revenue from these arrangements as the service is provided.

# Alpha Metaverse Technologies Inc.

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Sales of our product development are determined to have one distinct performance obligation: the delivery of the product to the customer. We recognize revenue from these arrangement as the performance obligation is satisfied.

Sales of our subscriptions are deemed to be one performance obligation and we recognize revenue from these arrangements rateably over the subscription term as the performance obligation is satisfied.

### n. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration transferred less the recognized amount of the identifiable assets and liabilities assumed, all measured at the acquisition date. Transactions costs, other than those associated with the issue of equity instruments, incurred in connection with a business combination are expensed as incurred.

## 5. PREPAID EXPENSES

| <b>As at</b>                               | <b>June 30, 2022</b> | <b>June 30, 2021</b> |
|--|----------------------|----------------------|
| Shares / RSRs issued for services rendered | -                    | 335,118              |
| Prepaid marketing                          | -                    | 1,196,995            |
| Sponsorships and other                     | -                    | 6,360                |
| <b>Total</b>                               | <b>\$ -</b>          | <b>\$ 1,538,473</b>  |



# Alpha Metaverse Technologies Inc.

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### 6. INTANGIBLE ASSETS

At June 30, 2022, the Company's intangible assets are as follows:

|                                      |    | Gaming<br>Platform | Gaming<br>Rights    | Heavy<br>Chips | Total            |
|--------------------------------------|----|--------------------|---------------------|----------------|------------------|
| <b>Cost</b>                          |    |                    |                     |                |                  |
| <b>Balance, June 30, 2020</b>        | \$ | <b>721,544</b>     | \$ -                | \$ -           | <b>721,544</b>   |
| Additions                            |    | 211,844            | -                   | -              | 211,844          |
| Acquisition                          |    | -                  | 1,388,023           | -              | 1,388,023        |
| Foreign currency translation         |    | (41,131)           | -                   | -              | (41,131)         |
| <b>Balance, June 30, 2021</b>        | \$ | <b>892,257</b>     | \$ <b>1,388,023</b> | \$ -           | <b>2,280,280</b> |
| Additions                            |    | 259,451            | 7,900               | 331,873        | 599,224          |
| Disposition                          |    | -                  | -                   | (331,873)      | (331,873)        |
| Impairment                           |    | (1,156,020)        | (1,395,923)         | -              | (2,551,943)      |
| Foreign currency translation         |    | 4,312              | -                   | -              | 4,312            |
| <b>Balance, June 30, 2022</b>        | \$ | <b>-</b>           | \$ <b>-</b>         | \$ <b>-</b>    | <b>-</b>         |
| <b>Amortization</b>                  |    |                    |                     |                |                  |
| <b>Balance, June 30, 2020</b>        | \$ | <b>-</b>           | \$ <b>-</b>         | \$ <b>-</b>    | <b>-</b>         |
| Additions                            |    | 126,289            | 347,007             | -              | 473,296          |
| <b>Balance, June 30, 2021</b>        | \$ | <b>126,289</b>     | \$ <b>347,007</b>   | \$ <b>-</b>    | <b>473,296</b>   |
| Additions                            |    | 212,289            | 463,334             | 29,941         | 705,564          |
| Disposition                          |    | -                  | -                   | (29,941)       | (29,941)         |
| Impairment                           |    | (338,578)          | (810,341)           | -              | (1,148,919)      |
| <b>Balance, June 30, 2022</b>        | \$ | <b>-</b>           | \$ <b>-</b>         | \$ <b>-</b>    | <b>-</b>         |
| <b>Net book value, June 30, 2021</b> | \$ | <b>765,968</b>     | \$ <b>1,041,016</b> | \$ <b>-</b>    | <b>1,806,984</b> |
| <b>Net book value, June 30, 2022</b> | \$ | <b>-</b>           | \$ <b>-</b>         | \$ <b>-</b>    | <b>-</b>         |

During the year ended June 30, 2022, the Company also fully depreciated its office equipment, for a total additional depreciation expense of \$10,364 (June 30, 2021 - \$528).

# Alpha Metaverse Technologies Inc.

## Notes to the Consolidated Financial Statements

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### Acquisition and Disposition of Heavy Chips Casino and Sports Betting

On October 12, 2021, the Company entered into a definitive asset acquisition agreement and software services agreement with Gamesoft Ltd. ("Gamesoft") to acquire Heavy Chips Casino and Sports Betting ("Heavy Chips"), an online gaming casino website, for a total purchase price of \$300,000. The assets included an online gaming site, its database of registered users and affiliates and all intellectual property associated with these assets. The Company accounted for the acquisition as an asset purchase arrangement. The asset purchase price was as follows:

| <b>Consideration:</b>      |                   |
|----------------------------|-------------------|
| Asset acquisition – cash   | \$ 195,000        |
| Asset acquisition – shares | 105,000           |
| Reserve – cash             | 35,876            |
| Finders' fees – cash       | 31,873            |
|                            | <b>367,749</b>    |
| <b>Allocated to:</b>       |                   |
| Gaming platform            | 331,873           |
| Prepaid expenses           | 35,876            |
|                            | <b>\$ 367,749</b> |

During the year ended June 30, 2022, the Company sold the Heavy Chips platform back to Gamesoft for total consideration of \$76,887, which was equal to the total amount payable to Gamesoft related to the operations of Heavy Chips. With respect to the disposition, the Company recognized a loss on disposition of assets of \$225,045.

### Acquisition of Shape Immersive Entertainment Inc.

On April 13, 2022, the Company signed a definitive agreement with Shape Immersive Entertainment Inc. ("Shape") and all the shareholders of Shape (the "Shareholders") to acquire 100% of the issued and outstanding share capital of Shape (the "Acquisition"). On May 5, 2022, the Company completed the Acquisition for the following consideration (certain escrow restrictions apply):

- Payment of an aggregate \$500,000 in cash to the Shareholders (collectively) on the closing date of the Acquisition (the "Closing Date") (**paid**);
- Issuance of an aggregate of 14,000,000 common shares of Alpha to the Shareholders (collectively) on the Closing Date (**issued**);
- Issuance of an aggregate of 840,000 common shares of Alpha to certain individuals for services rendered upon the successful completion of the Acquisition (**issued**). These shares had a fair value of \$126,000; and
- Payment of an aggregate \$500,000 in cash to the Shareholders (collectively) within 180 days following the Closing Date.

If the second cash payment of \$500,000 is not made within 180 days following the Closing Date, the Company will issue an aggregate of 6,678,000 common shares of Alpha to the Shareholders (collectively). The issuance of these common shares will not relieve the Company of the obligation to make the second cash payment of \$500,000.

Per the terms of the Acquisition, the Company is obligated to issue up to maximum of 9,000,000 additional common shares of Alpha, subject to the achievement of certain milestones as set out in the agreement.

The Acquisition has been accounted for in accordance with the acquisition method under IFRS 3. Under the acquisition method, assets and liabilities are recorded at their fair values on the date of the acquisition and the total consideration is allocated to the tangible and intangible assets acquired and liabilities assumed. These consolidated financial statements include the results of operations of Shape for the period following the Acquisition on May 4, 2022.

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The fair value of assets acquired, and liabilities assumed in a business combination, including contingent consideration and goodwill, is estimated based on information available at the date of acquisition. Various valuation techniques are applied for measuring fair value. Changes in these variables used within the fair value techniques could significantly impact the carrying value of the net assets.

The fair value at May 4, 2022 of the assets and liabilities acquired is outlined in the table below:

|   | \$               |
|---|------------------|
| <b>Net Assets / Liabilities Acquired</b>        |                  |
| Cash  | 120,755          |
| Accounts receivable                             | 59,515           |
| GST receivable                                  | 12,254           |
| Prepaid expenses                                | 2,683            |
| Equipment                                       | 5,608            |
| Government loan                                 | (60,000)         |
| <b>Net assets acquired</b>                      | <b>140,815</b>   |
| <b>Consideration</b>                            |                  |
| Cash  | 500,000          |
| Cash - payable November 1, 2022                 | 500,000          |
| Common shares issued - 14,000,000 common shares | 1,566,240        |
| <b>Total Consideration</b>                      | <b>2,566,240</b> |
| <b>Goodwill Acquired</b>                        | <b>2,425,425</b> |

The total value of \$1,566,240 for the common shares issued was determined using a discount for lack of marketability model ("DOLM") which generated a share price of approximately \$0.12 per share.

The transaction costs of \$126,000 related to the Acquisition were expensed in the statement of net loss and comprehensive loss.

### Gaming License – Paradise City Games Inc.

On December 8, 2020, the Company entered into an asset purchase agreement (the "Asset Purchase Agreement") with Paradise City Games Inc. ("Paradise City") to acquire certain intellectual property assets and contracts with different movie studios held by Paradise City in exchange for 4,500,000 common shares of the Company (valued at \$1,108,023). In connection with the Asset Purchase Agreement, the Company issued an additional 800,000 common shares to certain finders as finders' fees (valued at \$280,000). The total consideration of \$1,388,023 was determined using a DOLM which generated a share price of \$0.35 per share and was capitalized as gaming rights.

During the year ended June 30, 2022, the Company impaired the total net carrying amount of gaming rights.

### Gaming Platform – Esports Enterprises Inc.

During the year ended June 30, 2020, the Company acquired a gaming platform as part of its acquisition of Esports Enterprises Inc.

During the year ended June 30, 2022, the Company impaired the total net carrying amount of gaming platform.

# Alpha Metaverse Technologies Inc.

## Notes to the Consolidated Financial Statements

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### 7. GOODWILL

The following is a continuity of the Company's goodwill as of June 30, 2022:

|   | \$               |
|---|------------------|
| <b>Balance, June 30, 2021</b>             | <b>402,561</b>   |
| <b>Impairment</b>                         | <b>(402,561)</b> |
| Additions – Acquisition of Shape (Note 6) | 2,425,425        |
| <b>Balance, June 30, 2022</b>             | <b>2,425,425</b> |

Goodwill arose over the acquisition of Shape due to the benefit of expected revenue growth and future market developments. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

During the year ended June 30, 2022, in connection with the impairment of the gaming platform, the Company fully impaired the Goodwill associated with the acquisition of Esports Enterprises Inc.

### 8. GOVERNMENT LOAN

Prior to its acquisition by the Company, Shape entered into an agreement with Western Economic Diversification Canada to receive a term loan of \$60,000 under the Regional Relief and Recovery Fund program (the "Government Loan"). The Government Loan was used to pay for operating costs during a period where the Company's revenues were temporarily reduced due to economic impacts of the COVID-19 virus. Under the terms of the agreement, provided that 67% (\$40,000) of the Government Loan is repaid on or before December 31, 2023, the remaining 33% (\$20,000) will be forgiven. The outstanding amount of the Government Loan that is not repaid by December 31, 2023 becomes immediately repayable in 24 consecutive monthly instalments beginning January 1, 2024.

### 9. SHARE CAPITAL

#### a) Authorized Share Capital

The authorized capital of the Company consists of an unlimited number of voting Class A common shares (without par value) and an unlimited number of non-voting Class B common shares (without par value).

#### b) Shares Issued

The total number of common shares issued and outstanding as at June 30, 2022 was 90,823,380 (June 30, 2021 – 60,306,498).

During the year ended June 30, 2021, the Company split its shares on the basis of two common shares for each outstanding common share. All common shares, warrants, and options in these consolidated financial statements are stated post-split.

During the year ended June 30, 2022, the Company had the following common share transactions:

- i. On November 2, 2021, issued 48,000 common shares (valued at \$14,640) to settle a debt of \$16,800, recognizing a gain on debt settlement of \$2,160.
- ii. On March 7, 2022, completed a private placement by issuing 11,020,500 common share units at \$0.25 per unit for total gross proceeds of \$2,755,125. Each unit was comprised of one common share and one common share purchase warrant. Each share purchase warrant is exercisable at a price of \$0.40 for one common share until March 7, 2024. In connection of the private placement, the Company paid \$304,938 of broker fees in cash and granted 889,640 broker warrants (valued at \$145,104). Each broker warrant is exercisable into one unit at a price of \$0.25 per unit, and expiring on March 7, 2024. Each of these units

# Alpha Metaverse Technologies Inc.

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contains one common share and one share purchase warrant. The unit warrants have the same terms as those issued in the private placement. The fair value of the broker warrants was determined using the Black-Scholes pricing model based on the following assumptions: risk-free interest rate of 1.41%, expected stock price volatility of 100%, expected life of 2 years, and expected dividend yield of \$nil.

- iii. On March 8, 2022, issued 2,416,239 common shares (valued at \$676,547) to settle a total debt of \$749,034, recognizing a gain on debt settlement of \$72,487.
- iv. On May 4, 2022, issued 14,840,000 common shares (valued at \$1,692,240) in connection with the acquisition of Shape (Notes 6 and 7).
- v. On June 8, 2022, issued 750,000 common shares (valued at \$120,000) to settle a debt of \$150,000, recognizing a gain on debt settlement of \$30,000.
- vi. 1,442,143 restricted-share-units were converted to common shares. The fair value of \$462,483 was transferred from reserves to share capital.

During the year ended June 30, 2021, the Company had the following common share transactions:

- i. On November 30, 2020, issued 250,000 common shares (valued at \$87,500) for the services provided by a consultant.
- ii. On August 19, 2020, cancelled 1,250,000 bonus shares issued in accordance with the terms of a service agreement previously entered. The bonus shares were valued at \$nil during the period ended June 30, 2019.
- iii. On December 11, 2020, issued an aggregate of 5,300,000 common shares as described in the Asset Purchase Agreement entered with Paradise City (Note 6). These common shares were valued at \$1,388,023.
- iv. On December 22, 2020, completed a private placement by issuing 16,816,168 common share units at \$0.35 per unit for total gross proceeds of \$5,885,659. Each unit was comprised of one common share and one-half common share purchase warrant. Each share purchase warrant is exercisable at a price of \$0.50 for one common share until December 22, 2022. In connection of the private placement, the Company paid \$136,150 of brokers fees in cash and granted 389,000 broker warrants (valued at \$59,296). Each broker warrant is exercisable at a price of \$0.50 for one common share until December 22, 2022. The fair value of the broker warrants was determined using the Black-Scholes pricing model based on the following assumptions: risk-free interest rate of 0.23%, expected stock price volatility of 100%, expected life of 2 years, and expected dividend yield of \$nil.
- v. On December 31, 2020, issued 1,000,000 common shares (valued at \$350,000) for the services provided by a consultant.
- vi. On June 3, 2021, issued 200,000 common shares upon the exercise of stock options. The fair value of \$43,056 was transferred from reserves to share capital.

# Alpha Metaverse Technologies Inc.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

In Canadian Dollars, unless noted

### c) Share Purchase Warrants

A summary of the changes in the Company's share purchase warrants is as follows:

|                               | Number of<br>Warrants | Weighted<br>Average<br>Exercise Price<br>(\$) |
|-------------------------------|-----------------------|---|
| <b>Balance, June 30, 2020</b> | <b>3,202,760</b>      | <b>1.00</b>                                   |
| Issued                        | 8,797,090             | 0.50  |
| <b>Balance, June 30, 2021</b> | <b>11,999,850</b>     | <b>0.63</b>                                   |
| Granted (Note 9 (b) ii)       | 11,910,140            | 0.39  |
| Expired                       | (3,202,760)           | 1.00  |
| <b>Balance, June 30, 2022</b> | <b>20,707,230</b>     | <b>0.44</b>                                   |

As at June 30, 2022, outstanding warrants were as follows:

| Expiry Date       | Outstanding<br>Warrants | Exercise<br>Price (\$) |
|-------------------|-------------------------|------------------------|
| December 22, 2022 | 8,408,090               | 0.50                   |
| December 22, 2022 | 389,000                 | 0.50                   |
| March 7, 2024     | 11,020,500              | 0.40                   |
| March 7, 2024     | 889,640                 | 0.25                   |
|                   | <b>20,707,230</b>       | <b>0.44</b>            |

As at June 30, 2022, the weighted-average remaining life of these outstanding warrants was 1.17 years.

### d) Performance Warrants

On September 1, 2020, the Company granted an aggregate of 7,000,000 performance warrants to certain consultants as consideration for the performance of ongoing services. Each performance warrant is exercisable at a price of \$0.05 for one common share until September 1, 2023, and would vest and become exercisable when the Company completed an acquisition of an accretive business or asset having a value of \$2,500,000 or greater either in a single or in a series of separate transactions.

During the year ended June 30, 2021, management had assumed a 0% probability of the performance warrants becoming vested and as a result, did not record any amount of compensation expense related to these performance warrants.

Upon the completion of the acquisition of Shape on May 4, 2022, 50% of the performance warrants (3,500,000 performance warrants) vested and became exercisable. As a result, the Company recognized the fair value of the performance warrants in share-based payments, which was measured at \$317,144 using the Black-Scholes pricing model based on the following assumptions: risk-free interest rate of 2.61%, expected stock price volatility of 100%, expected life of 1.33 years, and expected dividend yield of \$nil.

At June 30, 2022, the weighted-average remaining life of the outstanding performance warrants was 1.17 years.

# Alpha Metaverse Technologies Inc.

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### e) Share Purchase Options

A summary of the changes in the Company's stock options is as follows:

|                               | Number of<br>Options | Weighted<br>Average<br>Exercise Price<br>(\$) |
|-------------------------------|----------------------|---|
| <b>Balance, June 30, 2020</b> | -                    | -   |
| Granted                       | 5,685,000            | 0.44  |
| Exercised                     | (200,000)            | (0.35)  |
| <b>Balance, June 30, 2021</b> | 5,485,000            | 0.44  |
| Granted                       | 300,000              | 0.34  |
| <b>Balance, June 30, 2022</b> | 5,785,000            | 0.43  |

As at June 30, 2022, stock options outstanding were as follows:

| Expiry Date       | Options<br>Outstanding | Options<br>Exercisable | Exercise<br>Price |
|-------------------|------------------------|------------------------|-------------------|
| November 22, 2023 | 750,000                | 750,000                | \$ 0.35           |
| December 1, 2023  | 2,300,000              | 2,300,000              | 0.35              |
| May 11, 2024      | 2,135,000              | 2,135,000              | 0.50              |
| May 14, 2024      | 300,000                | 300,000                | 0.92              |
| October 7, 2024   | 300,000                | 200,000                | 0.34              |
|                   | 5,785,000              | 5,685,000              | \$ 0.43           |

As at June 30, 2022, the weighted-average remaining life of the outstanding options was 1.65 years.

During the year ended June 30, 2022, the Company recognized \$159,717 in share-based payment expense related to options granted and vested during the year (2021 - \$1,149,416). These amounts were valued using the Black-Scholes Option Pricing Model based on the following assumptions:

|                         | June 30, 2022 | June 30, 2021 |
|-------------------------|---------------|---------------|
| Risk-free interest rate | 0.50% - 0.70% | 0.30%         |
| Expected life           | 3 years       | 3 years       |
| Expected volatility     | 100%          | 100%          |
| Expected dividend yield | Nil           | Nil           |

### f) Restricted Share Units (RSUs)

A summary of the changes in the Company's RSUs:

|                               | Number of Units |
|-------------------------------|-----------------|
| <b>Balance, June 30, 2020</b> | -               |
| Granted                       | 2,560,000       |
| <b>Balance, June 30, 2021</b> | 2,560,000       |
| Granted                       | 857,143         |
| Converted to common shares    | (1,442,143)     |
| <b>Balance, June 30, 2022</b> | 1,975,000       |

During the year ended June 30, 2022, the Company recognized \$1,409,590 in share-based payments related to the RSUs granted (2021 - \$761,928).

**Alpha Metaverse Technologies Inc.**  
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**10. REVENUE**

During the years ended June 30, 2022 and 2021, the Company recognized revenue from the following unique revenue streams:

|                       | June 30, 2022  | June 30, 2021 |
|-----------------------|----------------|---------------|
|                       | \$             | \$            |
| Software services     | 52,371         |               |
| Online gaming         | 72,697         | 16,679        |
| Product development   | 72,913         | -             |
| Monthly subscriptions | 11,753         | -             |
| <b>Total</b>          | <b>209,734</b> | <b>16,679</b> |

**11. RELATED PARTY TRANSACTIONS AND BALANCES**

Key management are those personnel having the authority and responsibility for planning, directing, and controlling the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

The aggregate value of transactions relating to key management personal during the years ended June 30, 2022 and 2021 were as follows:

|                      | June 30, 2022  | June 30, 2021  |
|----------------------|----------------|----------------|
|                      | \$             | \$             |
| Management fees      | 300,036        | 283,832        |
| Share-based payments | 404,203        | 625,075        |
| <b>Total</b>         | <b>704,239</b> | <b>908,907</b> |

During the year ended June 30, 2022, the Company recorded:

|               | Compensation Type | Total Transaction | Total Payable |
|---------------|-------------------|-------------------|---------------|
|               |                   | \$                | \$            |
| Officer – CEO | Management fees   | 142,315           | 15,799        |
| Officer – CFO | Management fees   | 72,000            | 31,500        |
|               | SBC - RSUs        | 85,268            | -             |
| Directors     | Management fees   | 55,721            | 5,154         |
|               | SBC - Options     | 15,200            | -             |
|               | SBC - RSUs        | 303,735           | -             |
| Former CEO    | Management fees   | 30,000            | -             |
| <b>Total</b>  |                   | <b>704,239</b>    | <b>52,453</b> |



# Alpha Metaverse Technologies Inc.

## Notes to the Consolidated Financial Statements

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### 12. INCOME TAXES

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

|   | June 30, 2022 | June 30, 2021 |
|---|---------------|---------------|
|   | \$            | \$            |
| Loss before income tax                                  | (8,833,294)   | (5,339,542)   |
| Tax rate  | 27%           | 27%           |
| Expected tax recovery                                   | (2,439,000)   | (1,442,000)   |
| Non-deductible differences                              | 1,264,000     | 671,000       |
| Share-issuance costs                                    | (85,000)      | (37,000)      |
| Change in unrecognized deductible temporary differences | 1,260,000     | 808,000       |
| <b>Income tax expense</b>                               | <b>-</b>      | <b>-</b>      |

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following temporary differences:

|   | June 30, 2022    | June 30, 2021    |
|---|------------------|------------------|
|   | \$               | \$               |
| Share issuance costs                      | 93,000           | 32,000           |
| Equipment                                 | 1,000            | -                |
| Non-capital losses carried forward        | 2,748,000        | 1,480,000        |
| <b>Deferred tax assets not recognized</b> | <b>2,842,000</b> | <b>1,512,000</b> |

The Company has Canadian non-capital losses totalling approximately \$9,797,000 (2021 - \$5,461,000) available to reduce Canadian taxable income in future years. If unused, these non-capital losses will expire between 2040 and 2042. The Company also U.S. non-capital losses of approximately \$23,000.

### 13. MANAGEMENT OF CAPITAL

The Company defines the capital that it manages as its cash and share capital.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements.

### 14. RISK MANAGEMENT

#### 14.1 Financial Risk Management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

# Alpha Metaverse Technologies Inc.

## Notes to the Consolidated Financial Statements

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In Canadian Dollars, unless noted

### a. Capital Risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain operations. The capital structure of the Company consists of cash and share capital.

### b. Credit Risk

Credit risk is the risk that a counterparty will be unable to pay any amounts owed to the Company. The Company's cash is held in large Canadian financial institutions and its GST receivable is due from the Government of Canada. Accounts receivable are deemed collectible as there is no history of bad debt with collections with customers and does not expose the Company to credit risk.

### c. Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at June 30, 2022, the Company's working capital is \$235,115 (June 30, 2021 - \$2,378,453). The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2022, the Company had cash of \$1,207,860 (June 30, 2021 - \$1,716,642).

### d. Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is not exposed to these risks.

### e. Currency Risk

The operating results and financial position of the Company are reported in Canadian dollars. As the Company is exploring opportunities in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency risk.

The Company has not entered into any agreements or purchased any foreign currency hedging instruments to hedge possible currency risks at this time. Management believes the foreign exchange risk derived from currency conversions is not significant, and therefore, does not hedge its foreign exchange risk.

The Company is exposed to currency risk through the following monetary assets and liabilities denominated in foreign currencies:

|  |      | June 30, 2022 | June 30, 2021 |
|--|------|---------------|---------------|
| Cash                                     | US\$ | 57,612        | 19,950        |
| Accounts receivable                      | US\$ | 50,270        | -             |
| Accounts payable and accrued liabilities | US\$ | (138,655)     | (22,773)      |

Based on the above net exposure and assuming that all other variables remain constant a 10% change in the value of the foreign currencies against the Canadian dollar would result in an approximately \$3,100 increase or decrease in the Company's net loss (June 30, 2021 – \$300).

## 14.2 Fair Values

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities and acquisition payable approximate their fair values due to their short-term to maturity.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

# Alpha Metaverse Technologies Inc.

## Notes to the Consolidated Financial Statements

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**Level 1** – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

**Level 2** – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability.

**Level 3** – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

### 15. COMMITMENTS

On December 13, 2019, the Company partnered with Vancouver Whitecaps FC to become the club's official online esports tournament platform. Whitecaps FC and the Company will host online and live tournaments to scout talent for eMLS.

As consideration for the rights granted to sponsor in this agreement, the Company agreed to make the following payments during the following fiscal years:

|      |    |                |
|------|----|----------------|
| 2022 | \$ | 250,000        |
| 2023 |    | 71,429         |
|      | \$ | <u>321,429</u> |

As of June 30, 2022, the Company has not made the fiscal 2022 payment and is working towards a termination agreement with Vancouver Whitecaps FC.