



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE, 2022 and 2021

This Management's Discussion and Analysis ("MD&A") has been prepared by management in accordance with the requirements of National Instrument 51-102 and should be read in conjunction with the condensed interim consolidated financial statements and notes thereto for the years ended June 30, 2022 and 2021 of Alpha Metaverse Technologies Inc. (formerly Alpha Esports Tech Inc.) (the "Company"). Such consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar amounts are expressed in Canadian Dollars, the reporting and functional currency of the Company, unless otherwise indicated.

The board of directors of the Company has approved this MD&A on October 26, 2022.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report are forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "*anticipate*", "*believe*", "*estimate*", "*expect*" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the Company's operations. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or our achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. This MD&A should be read in conjunction with the risk factors described in the *Risk Factors* section of this MD&A. Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as at the date of the MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements.

DESCRIPTION OF BUSINESS

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

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

COVID-19

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.

CORPORATE TRANSACTIONS

On May 4, 2022, the Company acquired 100% of the issued and outstanding shares of Shape Immersive Entertainment Inc. ("Shape") in exchange for 14,000,000 common shares of the Company and \$1 million in cash (\$500,000 payable as at June 30, 2022). In connection of the acquisition of Shape, the Company issued additional 840,000 common shares to certain individuals who provided services upon the successful completion of the acquisition.

On March 7, 2022, the Company completed a brokered 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 consisted of one common share and one common share purchase warrant. Each share purchase warrant is exercisable at \$0.40 per warrant to acquire one additional common share till March 7, 2024.

SELECTED ANNUAL INFORMATION

The Company has not generated significant revenues to date from its operations as it is in the start up phase with a focus on user acquisition. The Company has begun recognizing revenues through its wholly owned subsidiary and continues pursuing esports and technology related operating activities.

At June 30, 2022, the Company was in a net asset position of \$2,600,540. The assets consisted of the following:

As at	June 30, 2022	June 30, 2021	June 30, 2020
Cash	1,207,860	1,716,642	8,974
Accounts receivable	72,751	-	840.00
GST receivable	178,028	64,011	32,125
Promissory notes receivable	-	-	37,829
Prepaid expenses	-	1,538,473	17,857
Equipment	-	1,978	2,554
Intangible assets	-	1,806,984	721,544
Goodwill	2,425,425	402,561	402,561
TOTAL ASSETS	3,884,064	5,530,649	1,224,284

The liabilities consisted of the following:

As at	June 30, 2022	June 30, 2021	June 30, 2020
Accounts payable and accrued liabilities	723,524	940,673	816,624
Acquisition payable	500,000	-	-
Government loan	60,000	-	-
TOTAL LIABILITIES	1,283,524	940,673	816,624

RESULTS OF OPERATIONS

For the Years Ended June 30,	2022	2021	2020
Revenues	209,734	16,679	-
Cost of Sales	(107,154)	-	-
GROSS MARGIN	102,580	16,679	-
EXPENSES			
Advertising and marketing	2,535,980	874,814	304,966
Payroll and consulting	797,069	1,169,744	189,414
Depreciation (Note 6)	715,928	473,824	115
Management fees (Note 11)	300,035	283,832	451,755
Office and miscellaneous	157,694	265,416	174,941
Professional fees	286,702	237,438	289,629
Share-based payments (Notes 9 and 11)	1,886,451	1,911,344	-
Tournament prizes	118,728	34,868	7,224
Transfer agent and filing fees	68,977	65,019	8,270
OPERATING EXPENSES	(6,867,564)	(5,316,299)	(1,426,314)
TOTAL OPERATING INCOME	(6,764,984)	(5,299,620)	(1,426,314)

The following highlights the key operating expenditures for the years ended June 30, 2022, 2021 and 2020:

- Revenues and cost of sales increased from the prior year as a result of the acquisition of Shape.
- Advertising and marketing increased from the prior year as the Company's successful listing directly led to higher capital market promotional activities (approximately \$1.0 million), an increase in brand awareness and user engagement activities (approximately \$0.7 million) and press release and dissemination services (\$0.1 million).

- Payroll and consulting costs decreased from the prior year as the prior year included consulting costs related to the Company's successful listing which were not incurred in the current period.
- Depreciation increased from the prior year, as a result of the increase in depreciable assets through additions and acquisitions.
- Management fees consists primarily of executive services used in corporate activities and is consistent with the year ended June 30, 2021 and lower than the year ended June 30, 2020.
- Office and miscellaneous decreased from the prior year, as a result of the previous period including costs related to the successful IPO and higher costs related to rent expense.
- Professional fees consist primarily of fees incurred to complete acquisitions, private placements, the listing process and other corporate activities. The costs increased from the prior year, as a result of legal and accounting costs incurred in the current year related to the acquisition of Shape and the closing of the brokered private placement.
- Stock-based payments consist of the fair value of stock options, restricted share units and performance warrants granted and vested during the year. The current year amount was consistent with the prior year.
- Tournament prizes increased from the prior year, as a result of the launch of GamerzArena, which incurred costs related to tournament prizes.
- Transfer agent and filing fees were consistent with the prior year as the Company now incurs these costs as a publicly traded entity.

During the year ended June 30, 2022, the Company also incurred: a non-cash impairment loss of \$1,805,585 related to the write-down of its intangible assets and goodwill; a non-cash loss on disposal of assets of \$225,045 related to the Heavy Chips, non-cash transaction costs of \$126,000 related to the acquisition of Shape and a non-cash gain on debt extinguishment of \$104,647.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the eight most recently completed interim quarters:

In Canadian dollars	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Revenue	102,242	51,413	52,434	3,645
Net loss	(2,684,891)	(1,614,804)	(2,317,168)	(2,216,431)
Loss per share, basic and diluted	(0.00)	(0.02)	(0.04)	(0.04)

In Canadian dollars	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Revenue	2,103	11,107	3,469	-
Net loss	(2,646,213)	(824,668)	(1,403,315)	(465,346)
Loss per share, basic and diluted	(0.05)	(0.01)	(0.04)	(0.01)

On a quarter-by-quarter basis, losses are expected to fluctuate significantly due to a number of factors including timing of operating activities from the date of incorporation due to the nature of a company in its development phase.

An analysis of the quarterly results from inception shows that the Company has incurred mostly expenses as follows:

- During 2020, the net loss included advertising and marketing expenses, payroll and consulting fees, management fees and professional fees related to the newly formed entity and work performed to complete acquisitions and pursue its successful listing on the CSE.
- During 2021, the net loss included costs similar to 2020, alongside increased expenditures related to advertising and marketing to improve brand awareness following the launch of GamerzArena, increased and payroll and consulting costs related to the operations of the entity and non-cash stock-based payment expense related to the granting and vesting of securities of the Company.
- During 2022, the net loss included costs similar to 2021.

LIQUIDITY

At June 30, 2022, the Company had cash of \$1,207,860 (June 30, 2021 - \$1,716,642) and working capital of \$235,115 (June 30, 2021 -\$2,378,453).

During the year ended June 30, 2022, the following share capital transactions occurred:

- 11,120,500 common shares were issued through private placements, raising \$2,450,187 in net capital.
- 3,214,239 common shares were issued to settle \$783,347 in aggregate indebtedness.

If additional funds are required, the Company plans to raise capital primarily through the private placement of its equity securities. Under such circumstances, there is no assurance that the Company will be able to obtain further funds required for the Company's continued working capital requirements.

Operating Activities

The Company used net cash of \$2,115,520 (June 30, 2021 – used \$3,919,997) in operating activities during the year ended June 30, 2022.

Financing Activities

The Company received net cash of \$2,450,187 (June 30, 2021 – received \$5,819,509) in financing activities during the year ended June 30, 2022.

Investing Activities

The Company used net cash of \$843,449 (June 30, 2021 – used \$191,844) in investing activities during the year ended June 30, 2022.

RELATED PARTY TRANSACTIONS AND BALANCES

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
Total	704,239	908,907

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

	Compensation Type	Total Compensation	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	-
Total		704,239	52,453

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

CHANGES IN ACCOUNTING POLICIES

The management discussion and analysis has been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statement for the fiscal year ended June 30, 2022.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks which are discussed in detail in Note 4 of the Company's consolidated financial statements for the year ended June 30, 2022.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

An analysis of material components of the Company's expenses is disclosed in the "Overall Performance" section above.

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company shares are publicly traded on the Canadian Securities Exchange. The Company's authorized share capital consists of an unlimited number of Class A and B common shares without par value. The Company had the following securities outstanding as at the date of this report:

Type of Security	June 30, 2022	Date of this MD&A
Common shares	90,823,380	90,823,380
Share purchase warrants	20,047,590	20,047,590
Broker warrants	889,640	889,640
Performance warrants	7,000,000	7,000,000
Stock options	5,785,000	5,785,000
Restricted shares rights	1,975,000	1,975,000
Fully Diluted	126,520,610	126,520,610

RISK FACTORS

Much of the information included in this report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by the Company and its management in connection with the Company's business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the following factors:

Risks Related to the Company's Business

The Company's future is dependent upon its ability to obtain financing and if the Company does not obtain such financing, the Company may have to cease its activities and investors could lose their entire investment.

There is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company will require additional financing to sustain its business operations if it is not successful in earning revenues. The Company currently does not have any arrangements for further financing and it may not be able to obtain financing when required. The Company's future is dependent upon its ability to obtain financing. If the Company does not obtain such financing, its business could fail and investors could lose their entire investment.

The Company's directors and officers are engaged in other business activities and accordingly may not devote sufficient time to the Company's business affairs, which may affect its ability to conduct operations and generate revenues.

The Company's directors and officers are involved in other business activities. As a result of their other business endeavours, the directors and officers may not be able to devote sufficient time to the Company's business affairs, which may negatively affect its ability to conduct its ongoing operations and its ability to generate revenues. In addition, the management of the Company may be periodically interrupted or delayed as a result of its officers' other business interests.

The Company has minimal operating history

The Company has minimal operating history and may not succeed. The Company is subject to all risks inherent in a developing business enterprise. The Company's likelihood of continued success must be considered in light of the problems, expenses, difficulties, undercapitalization, cash shortages, limitations with respect to personnel, financial and

other resources, lack of revenues, complications, and delays frequently encountered in connection with the competitive and regulatory environment in which it operates. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

History of losses

The Company has incurred losses during the year ended June 30, 2022. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, it will not be profitable.

Reliance on management

The Company is currently in good standing with all high-level employees and believes that with well managed practices will remain in good standing. The success of the Company will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Insurance and uninsured risks

The Company's business is subject to a number of risks and hazards including accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, delays in operations, monetary losses and possible legal liability.

Although the Company intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

The Company will be an entrant engaging in a new industry

The esports technology industry is fairly new. There can be no assurance that an active and liquid market for shares of the Company will develop, and shareholders may find it difficult to resell their shares. Accordingly, no assurance can be given that the Company will be successful in the long term.

Dependence on suppliers and skilled labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of the Company.

Difficulty to forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the e-gaming industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Management of growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Internal controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company's shares.

Liquidity

The Company cannot predict at what prices the Company will trade and there can be no assurance that an active trading market will develop or be sustained. There is a significant liquidity risk associated with an investment in the Company.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for Reporting Issuer's shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Reporting Issuer resources.