



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTHS ENDED  
SEPTEMBER 30, 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 three months ended September 30, 2022 and 2021 of Alpha Metaverse Technologies Inc. (formerly Alpha Esports Tech Inc.) (the "Company"). Such condensed consolidated interim 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 November 29, 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**

There were no corporate transactions in the three months ended September 30, 2022.

## **OVERALL PERFORMANCE**

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

At September 30, 2022, the Company was in a net asset position of \$2,262,076. The assets consisted of the following:

As at	September 30, 2022	June 30, 2022
Cash	724,332	1,207,860
Accounts receivable	99,402	72,751
GST receivable	184,072	178,028
Goodwill	2,425,425	2,545,425
<b>TOTAL ASSETS</b>	<b>3,433,231</b>	<b>3,471,378</b>

The liabilities consisted of the following:

As at	September 30, 2022	June 30, 2021
Accounts payable and accrued liabilities	609,436	723,524
Acquisition payable	500,000	500,000
Government loan	61,719	60,000
<b>TOTAL LIABILITIES</b>	<b>1,171,155</b>	<b>1,283,524</b>

## RESULTS OF OPERATIONS

The following highlights the key operating expenditures for the three months ended September 30, 2022 compared to 2021:

For the Three Months Ended September 30,	2022	2021	Change
	\$	\$	\$
<b>Revenues</b>	108,574	3,645	104,929
Cost of Sales	(31,007)	-	(31,007)
<b>GROSS MARGIN</b>	<b>77,567</b>	<b>3,645</b>	<b>73,922</b>
<b>EXPENSES</b>			
Advertising and marketing	3,381	523,169	(519,789)
Consulting	246,962	342,229	(95,267)
Depreciation	-	164,586	(164,586)
Management fees	77,066	63,196	13,870
Office and miscellaneous	33,179	62,401	(29,222)
Professional fees	27,518	13,938	13,580
Share-based payments	-	1,008,541	(1,008,541)
Tournament prizes	4,513	22,218	(17,705)
Transfer agent and filing fees	21,066	15,893	5,173
<b>OPERATING EXPENSES</b>	<b>(413,685)</b>	<b>(2,216,171)</b>	<b>1,802,486</b>
<b>TOTAL OPERATING LOSS</b>	<b>(336,118)</b>	<b>(2,212,526)</b>	<b>1,876,408</b>

- Revenues and cost of sales increased from the prior year from comparable periods as a result of the revenues arising from the acquisition of Shape Immersive Entertainment ("Shape").
- Advertising and marketing decreased from the prior year comparable periods as the Company completed its advertising and marketing campaigns in the prior year and shifted its focus to building operations.
- Consulting and salary costs decreased from the prior year comparable periods, as the prior year included consulting costs related to the acquisition of Shape and financings.
- Depreciation decreased to \$nil as the Company took impaired all of its intangible assets during the prior year.
- Management fees increased from the prior year comparable periods, pursuant to the engagement of new directors and management in the current quarter compared to the three months ended September 30, 2021.
- Office and miscellaneous decreased from the prior year comparable periods, as a result of the prior year included costs related to the financing and acquisition of Shape.

- Share-based payments was nil this year as there was no vesting of options, warrants or RSRs.
- Tournament prizes decreased from the prior year comparable periods, due to decreased emphasis of GamerzArena.
- Transfer agent and filing fees increased from the prior year comparable periods, as the entity now incurs costs as it is a publicly traded entity.

## 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	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Revenue	108,574	102,242	51,413	52,434
Net loss	(336,118)	(2,084,891)	(1,614,804)	(2,317,168)
Loss per share, basic and diluted	(0.00)	(0.03)	(0.02)	(0.04)

In Canadian dollars	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Revenue	3,645	2,103	11,107	3,469
Net loss	(2,216,431)	(2,646,213)	(824,668)	(1,403,315)
Loss per share, basic and diluted	(0.04)	(0.05)	(0.01)	(0.04)

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 result from inception shows that the Company has incurred mostly expenses as follows:

- During 2021, the net and comprehensive loss included costs similar to 2020, alongside increased expenditures related to advertising and marketing to improve brand awareness following the launch of GamerzArena.
- During 2022, the net and comprehensive loss included costs similar to 2021, but decreased significantly due to no equity award issuances and no impairment of intangible assets. The Company has shifted focus to build and focus on Shape operations

The Company's primary focus is to increase revenues through product development through its Shape operations.

## LIQUIDITY

As at September 30, 2022, the Company had cash of \$724,332 (June 30, 2022 - \$1,207,860) and the Company's working capital deficit is \$101,630 (June 30, 2022 – working capital surplus of \$235,115).

There were no share transactions during the three months ended September 30, 2022 or 2021.

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 \$483,528 (Sept 30, 2021 – \$447,323) in operating activities during the three months ended September 30, 2022.

## Financing Activities

During the three months ended September 30, 2022, the Company received net cash of \$nil (2021 – \$nil) in financing activities.

## Investing Activities

During the three months ended September 30, 2022, the Company used net cash of \$nil (2021 – \$72,414) in investing activities.

## 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 periods ended September 30, 2022 and 2021 were as follows:

<b>For the Three Months Ended September 30,</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Management fees <sup>(1)(2)(3)</sup>	77,066	63,196
Share-based payments	-	175,741
<b>Total</b>	<b>77,066</b>	<b>238,937</b>

### Notes:

- 1) For the three-months ended September 30, 2022, the Company incurred \$48,595 of management fees in provision of CEO services from companies controlled by the CEO and former CEO of the Company.
- 2) For the three-months ended September 30, 2022, the Company incurred \$18,000 of management fees in provision of CFO services from a company controlled by the CFO and Director of the Company.
- 3) For the three-months ended September 30, 2022, the Company incurred \$10,471 of management fees in provision of director services from companies controlled by Directors of the Company.

As at September 30, 2022, a \$28,471 balance was owing to key management personnel for fees and expenses incurred on behalf of the Company with these amounts all included in accounts payable and accrued liabilities. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

## OFF-BALANCE SHEET ARRANGEMENTS

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

## SUBSEQUENT EVENTS & PROPOSED TRANSACTIONS

There are no subsequent events or proposed transactions.

## 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 4.7 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

### a) Authorized and Issued 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).

During the three months ended September 30, 2022 and 2021, the Company issued no common shares.

As at September 30, 2022 and the date of this MDA, the Company has 90,823,380 common shares outstanding.

### b) Share Purchase Warrants

As at September 30, 2022 and the date of this MDA, the Company had 20,707,230 warrants outstanding with a weighted average exercise price of \$0.44, and remaining life of 0.92 years.

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

### c) Performance Warrants

As at September 30, 2022 and the date of this MDA, the Company had 3,500,000 performance warrants. 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 completes 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.

### d) Options

As at September 30, 2022 and the date of this MDA, the Company had 20,707,230 stock options with a weighted-average outstanding life of 1.40 years as follows:

Expiry date	Options outstanding	Options exercisable	Exercise 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	283,333	0.34
	<b>5,785,000</b>	<b>5,768,333</b>	<b>\$ 0.43</b>

### e) Restricted Share Rights

As at September 30, 2022 and the date of this MDA, the Company had 1,975,000 RSRs outstanding.

## 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 three month period ended September 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.