# ALSET AI VENTURES INC.

## (formerly Alset Capital Inc.)

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**(Expressed in Canadian Dollars)**
**(Unaudited – Prepared by Management)**

**FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2024 AND 2023**

**NOTICE OF NO AUDITOR REVIEW OF**
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

**ALSET AI VENTURES INC.**
(formerly Alset Capital Inc.)
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

| AS AT | June 30, 2024 | September 30, 2023 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | $ 755,983 | $ 147,656 |
| Accounts receivable | 216,484 | 32,705 |
| Prepaid expense | 598,264 | 780 |
| Loans receivable (Note 5) | 4,366,784 | 50,000 |
| | 5,937,515 | 231,141 |
| **Deposit in investment in Cedarcross (Note 4)** | - | 210,000 |
| **Investment in Cedarcross (Note 4)** | 962,367 | - |
| **Investment in Vertex (Note 4)** | 3,535,576 | - |
| | $ 10,435,458 | $ 441,141 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)** | | |
| **Current** | | |
| Accounts payable and accrued liabilities (Note 9) | $ 597,657 | $ 608,118 |
| Convertible debentures (Note 7) | 195,517 | - |
| Convertible debenture proceeds received in advance (Note 7) | - | 45,000 |
| Short-term loans payable (Note 6) | - | 257,883 |
| | 793,174 | 911,001 |
| **Shareholders' equity (deficiency)** | | |
| Share capital (Note 8) | 35,776,127 | 24,720,681 |
| Equity portion of convertible debentures (Note 7) | 4,441 | - |
| Reserves (Note 8) | 1,730,075 | 499,971 |
| Subscriptions received in advance (Note 8) | - | 34,375 |
| Deficit | (27,868,359) | (25,724,887) |
| | 9,642,284 | (469,860) |
| | $ 10,435,458 | $ 441,141 |

**Nature and continuance of operations** (Note 1)
**Subsequent events** (Note 13)

Approved and authorized by the Board on August 29, 2024:

| | | | |
|---|---|---|---|
| *"Zelong He"* | Director | *"Morgan Good"* | Director |
| Zelong He | | Morgan Good | |

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

**ALSET AI VENTURES INC.**

(formerly Alset Capital Inc.)

CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

(Unaudited)

| For the | Three-month period ended June 30, 2024 | Three-month period ended June 30, 2023 | Nine-month period ended June 30, 2024 | Nine-month period ended June 30, 2023 |
|---|---|---|---|---|
| **GENERAL EXPENSES** | | | | |
| Accretion expense (Note 7) | $ 1,022 | $ - | $ 2,502 | $ - |
| Consulting and management fees (Note 9) | 705,455 | 19,500 | 846,455 | 38,500 |
| Gain on equity investments (Note 4) | (737,258) | - | (720,370) | - |
| Interest expense (Note 7) | 10,380 | - | 25,420 | - |
| Investor relations | 714,915 | 15,000 | 743,000 | 50,000 |
| Marketing | 74,755 | - | 99,828 | - |
| Office and miscellaneous | 50,040 | 379 | 120,607 | 3,046 |
| Professional fees | 238,323 | - | 372,658 | 10,735 |
| Shareholder communications | 23,513 | - | 54,967 | - |
| Share-based payments (Note 8) | 510,952 | - | 610,560 | - |
| Transfer agent and filing fees | 29,330 | - | 57,802 | 12,260 |
| **Loss before other items** | (1,621,427) | (34,879) | (2,213,429) | (114,541) |
| Conversion of convertible debentures (Note 7) | (236) | - | (236) | - |
| Foreign exchange gain | 2,538 | - | 1,993 | - |
| Interest income (Note 5) | 65,236 | - | 68,200 | - |
| **Loss and comprehensive loss for the period** | $ (1,553,889) | $ (34,879) | $ (2,143,472) | $ (114,541) |
| **Basic and diluted loss per share** | $ (0.02) | $ (0.00) | $ (0.04) | $ (0.00) |
| **Weighted average number of common shares outstanding – basic and diluted** | 95,386,887 | 13,155,972 | 52,706,236 | 13,155,972 |

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

**ALSET AI VENTURES INC.**
(formerly Alset Capital Inc.)
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

| **For the nine-month periods ended June 30,** | 2024 | 2023 |
|---|---|---|
| **CASH FROM OPERATING ACTIVITIES** | | |
| Loss for the period | $ (2,143,472) | $ (114,541) |
| Items not affecting cash: | | |
| Accretion expense | 2,502 | - |
| Accrued interest expense | 25,420 | - |
| Accrued interest receivable | (68,200) | - |
| Gain on conversion of convertible debentures | (236) | - |
| Gain on equity investments | (720,370) | - |
| Share-based payments | 610,560 | - |
| Changes in non-cash working capital items: | | |
| Accounts payable and accrued liabilities | 529,021 | 30,140 |
| Accounts receivable | (183,779) | (6,256) |
| Prepaid expenses | (597,484) | 63 |
| Net cash used in operating activities | (2,546,038) | (90,594) |
| **CASH FROM INVESTING ACTIVITIES** | | |
| Funding provided to Cedarcross as loans | (4,248,584) | - |
| Acquisition of Vertex | (27,573) | - |
| Net cash used in investing activities | (4,276,157) | - |
| **CASH FROM FINANCING ACTIVITIES** | | |
| Shares issued for cash | 7,843,223 | - |
| Share issuance costs | (555,701) | - |
| Convertible debentures | 143,000 | - |
| Net cash provided by financing activities | 7,430,522 | - |
| **Change in cash during the period** | 608,327 | (90,594) |
| **Cash, beginning of period** | 147,656 | 419,520 |
| **Cash, end of period** | $ 755,983 | $ 328,926 |

**Supplemental disclosure with respect to cash flows** (Note 10)

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

**ALSET AI VENTURES INC.**
(formerly Alset Capital Inc.)
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)
(Unaudited)

| | Share capital | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Number** | **Amount** | **Equity portion of convertible debentures** | **Reserves** | **Subscriptions received in advance** | **Deficit** | **Total** |
| **Balance at September 30, 2022** | 13,155,972 | $ 24,720,681 | $ - | $ 499,971 | $ - | $ (25,468,179) | $ (247,527) |
| Loss for the period | - | - | - | - | - | (114,541) | (114,541) |
| **Balance at June 30, 2023** | 13,155,972 | $ 24,720,681 | $ - | $ 499,971 | $ - | $ (25,582,720) | $ (362,068) |
| Loss for the period | - | - | - | - | 34,375 | (142,167) | (107,792) |
| **Balance at September 30, 2023** | 13,155,972 | $ 24,720,681 | $ - | $ 499,971 | 34,375 | $ (25,724,887) | $ (469,860) |
| Private placements | 58,789,296 | 7,812,575 | - | - | (34,375) | - | 7,778,200 |
| Exercise of convertible debentures | 300,000 | 15,000 | - | - | - | - | 15,000 |
| Exercise of options | 50,000 | 4,397 | - | (1,897) | - | - | 2,500 |
| Exercise of warrants | 1,250,460 | 62,523 | - | - | - | - | 62,523 |
| Share issuance costs | - | (555,701) | - | - | - | - | (555,701) |
| Finders' warrants | - | (541,632) | - | 541,632 | - | - | - |
| Acquisition of Vertex (Note 4) | 12,000,000 | 3,540,000 | - | - | - | - | 3,540,000 |
| Debt settlement (Note 8) | 15,961,863 | 718,284 | - | 79,809 | - | - | 798,093 |
| Issuance of convertible debentures | - | - | 4,441 | - | - | - | 4,441 |
| Share-based payments | - | - | - | 610,560 | - | - | 610,560 |
| Loss for the period | - | - | - | - | - | (2,143,472) | (2,143,472) |
| **Balance at June 30, 2024** | 101,507,591 | $ 35,776,127 | $ 4,441 | $ 1,730,075 | $ - | $ (27,868,359) | $ 9,642,284 |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Alset AI Ventures Inc. (formerly Alset Capital Inc.) (the "Company") was incorporated under the laws of the State of Nevada on October 29, 1999. On January 27, 2009, the Company was continued from the State of Nevada to the Province of British Columbia under the *Business Corporations Act* (British Columbia). The Company's common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "GPUS", OTC Pink Market ("OTC") under the symbol "ALSCF", and Frankfurt Stock Exchange ("FSE") under the symbol "1R60".

The Company is an investment issuer primarily focused on investments in the technology industry, including but not limited to artificial intelligence ("AI"). The Company's investment portfolio is currently comprised of 49.0% ownership in each of Cedarcross International Technologies Inc. ("Cedarcross") and Vertex AI Ventures Inc. ("Vertex").

The Company's registered and records office is #1500 - 1055 West Georgia Street Vancouver, BC V6E 4N7. Its principal business activity is the business of investing in technology companies, which involves a high degree of risk and there can be no assurance that current investment programs will result in profitable operations.

During the year ended September 30, 2023, the Board of Directors authorized a 2 for 1 share consolidation. The number of issued and outstanding shares, options, share purchase warrants, and per-share amounts have been retroactively restated for all the periods presented unless otherwise stated.

These condensed interim financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

The condensed interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

## 2. BASIS OF PREPARATION

### Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. Accordingly, these condensed interim financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes. These condensed interim financial statements should be read together with the audited financial statements for the year ended September 30, 2023.

The condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their value.

## 2. BASIS OF PREPARATION *(cont'd…)*

### Basis of presentation

The condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

### Use of estimates and judgments

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

*Critical accounting estimates*

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

*Valuation of investment*

The Company holds 49% interests in Cedarcross and Vertex as at June 30, 2024. The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of, and near-term business outlook for, the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

The determinations of fair value of the Company's investments at other than initial cost are subject to certain limitations. Financial information for privately-held company investments may not be available and, even if available, that information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a privately-held investment should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will take into account trends in general market conditions and the share performance of comparable publicly-traded companies when valuing privately-held investments.

*Economic life of server hardware*

The Company estimates the economic life of server hardware based on its assessment of potential use in service over time.

*Critical accounting judgments*

The determination of whether the Company will continue as a going concern for the next year.

## 2. BASIS OF PREPARATION *(cont'd…)*

**Use of estimates and judgments** *(cont'd…)*

*Operating or finance lease*

The Company determines whether leases of server hardware constitute operating or finance leases based on several factors including the lease term relative to the assessed economic life of the asset.

## 3. MATERIAL ACCOUNTING POLICIES

Except otherwise indicated hereunder, these condensed interim financial statements have been prepared using the same policies and methods as the financial statements of the Company for the year ended September 30, 2023 and reflect all the adjustments necessary for fair presentation in accordance with IAS 34.

**Revenue recognition**

The Company reviews its revenue streams and major contracts with customers using the IFRS 15, *Revenue from Contracts with Customers*, five step model as follows:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price, which is the total consideration provided by the customer;
- Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- Recognize revenue when the relevant criteria are met for each performance obligation.

*Hardware revenue*

The Company performed an agent versus principal analysis to determine if the hardware sales revenue from Cedarcross is to be recorded on a net or gross basis. There is a two-step process in determining if a company is acting as a principal or agent in a contract with a customer:

1. Identify the specified goods or services to be provided to the customer; and
2. Assess whether it controls each specified good or service before that good or service is transferred to the customer using the following guidelines;
    a. The Company has a primary responsibility for fulfilling the promise to provide the specified goods or services to the customer;
    b. The Company has inventory risk before the specified good or service has been transferred to a customer, or after transfer of control to a customer; and
    c. The Company has discretion in establishing the price for the specified good or service.

The Company determined it is acting as an agent and should record revenue on a net basis. Revenues from the sale of hardware is recognized when the performance obligations have been satisfied at a time when the customer obtains control the equipment, which occurs when the equipment has been delivered to the customer and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, clear evidence that an arrangement exists and the sales prices are fixed or determinable.

## 3. MATERIAL ACCOUNTING POLICIES *(cont'd…)*

### Revenue recognition

*Lease revenue*

Cedarcross leases servers and acts as lessor. When the Company acts as lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease.

To classify a lease, the company makes an assessment of whether the lease transfers to the lessee substantially all for the risks and rewards of ownership incidental to ownership of the servers. Transfer of these risks indicates a finance lease. Otherwise, the lease is classified as an operating lease. As part of the assessment, the Company considers certain indicators including the term of the lease relative to the economic life of the asset.

To date, the Company's leases are classified as operating leases with income recognized on a straight-line basis over the term of the lease.

### Investments in associates

The Company accounts for its investments in associates using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized through profit or loss during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate.

Intercompany transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associates.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less cost to sell and value in use (i.e. present value of its future cash flows). If the recoverable amount of an investment in associate is less than its carrying amount then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through profit or loss in the period that the reversal occurs.

## 3. MATERIAL ACCOUNTING POLICIES *(cont'd…)*

**Equipment**

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes any expenditure that is directly attributable to the acquisition of the asset. Gains and losses on the disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment. Depreciation is recorded using the following method to depreciate the cost of equipment over the useful lives for which an asset is expected to be available for use as follows:

| | |
|---|---|
| Server hardware | 30% declining balance |

**Goodwill**

Goodwill represents the excess of the acquisition cost in a significant investee of the fair value of the Company's share of the identifiable net assets of the investee. Goodwill is carried at cost less accumulated impairment losses.

**Impairment of non-financial assets**

Intangible assets with indefinite useful lives are not amortized but are tested for impairment at least annually or whenever there is an indicator that the asset may be impaired. Indicators of impairment may include a significant decline in asset market value, material adverse changes in the external operating environment which affect the manner in which the asset is used or is expected to be used, obsolescence, or legal impairment of the asset. If any such indicators exist, then the recoverable amount of the asset is estimated.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 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 for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which the asset belongs.

Impairment of goodwill cannot be reversed.

Refer to Note 3 of the Company's financial statements for the year ended September 30, 2023, for more information on accounting standards applied in the preparation of these condensed interim financial statements.

(Expressed in Canadian Dollars)

## 4. INVESTMENTS IN ASSOCIATES

**Cedarcross International Technologies Inc.**

On October 31, 2023, the Company acquired common shares equal to 49% ownership stake in Cedarcross for a total consideration of $210,000. Cedarcross provides access to high-performance AI computing by providing access to advanced AI servers, equipped with H100s. Its servers are configured in a Tier 3 data center located in Vancouver, British Columbia. The Company accounts for its interest in Cedarcross on an equity basis. As at June 30, 2024, the Company holds a 49% interest in Cedarcross. The functional currency of Cedarcross is the Canadian Dollar. Supplementary financial information regarding the Company's investment in Cedarcross is presented below, after adjustments to align to accounting policies.

| As at June 30, 2024 | | |
|---|---|---|
| Cash | $ | 2,436,923 |
| Other current assets | | 2,772,987 |
| Non-current assets | | 2,284,519 |
| Current liabilities | | (5,664,140) |
| Net assets | | 1,830,289 |
| The Company's share of net assets – 49% | $ | 896,842 |
| Adjustment for intercompany transactions | | 65,525 |
| Investment in Cedarcross | $ | 962,367 |

| For the period from October 31, 2023 to June 30, 2024 | | |
|---|---|---|
| Revenue | $ | 2,918,006 |
| Cost of sales | | (251,566) |
| Expenses | | (1,264,722) |
| Income and comprehensive income for the period | $ | 1,401,718 |
| The Company's share of comprehensive income – 49% | $ | 686,842 |
| Adjustment for intercompany transactions | | 65,525 |
| Gain from equity investment for the Company | $ | 752,367 |

| Investment in associate | | |
|---|---|---|
| Opening balance, October 31, 2023 | $ | - |
| Equity investment | | 210,000 |
| Gain on equity investment | | 686,842 |
| Adjustment for intercompany transactions | | 65,525 |
| Ending balance, June 30, 2024 | $ | 962,367 |

In the nine months ended June 30, 2024, Cedarcross recorded depreciation expense of $144,588 included in cost of sales.

(Expressed in Canadian Dollars)

## 4. INVESTMENTS IN ASSOCIATES *(cont'd…)*

**Vertex AI Ventures Inc.**

On March 15, 2024, the Company acquired common shares equal to 49% ownership stake in Vertex by issuing 12,000,000 common shares at a value of $0.295 per share for a total value of $3,540,000. The Company incurred other acquisition costs of $27,573. Vertex is incorporated in Ontario, Canada and is focused on identifying and acquiring intellectual property ("IP") and providing data management services.

The Company accounts for its interest in Vertex on an equity basis. As at June 30, 2024, the Company holds a 49% interest in Vertex. The functional currency of Vertex is the Canadian Dollar. Supplementary financial information regarding the Company's investment in Vertex is presented below, after adjustments to align to accounting policies.

| As at June 30, 2024 | | |
|---|---|---|
| Non-current assets | $ | 7,280,762 |
| Current liabilities | | (65,300) |
| Net assets | | 7,215,462 |
| The Company's share of net assets – 49% | $ | 3,535,576 |

| For the period from acquisition on March 15, 2024 to June 30, 2024 | | |
|---|---|---|
| Loss and comprehensive loss for the period | $ | (65,300) |
| The Company's share of comprehensive loss – 49% | $ | (31,997) |

| Investment in associate | | |
|---|---|---|
| Opening balance, October 31, 2023 | $ | - |
| Equity investment | | 3,567,573 |
| Loss on equity investment | | (31,997) |
| Ending balance, June 30, 2024 | $ | 3,535,576 |

(Expressed in Canadian Dollars)

## 5. LOANS RECEIVABLE

The loans receivable are owed from Cedarcross.

The following is a continuity schedule of loans receivable:

| **Loans receivable** | | |
|---|---|---|
| Balance, September 30, 2022 | $ | - |
| Funds sent | | 50,000 |
| Balance, September 30, 2023 | $ | 50,000 |
| Funds sent | | 4,251,549 |
| Interest receivable, adjusted for intercompany transactions | | 65,235 |
| Balance, June 30, 2024 | $ | 4,366,784 |

During the period ended June 30, 2024, the Company:

a) Entered into a loan agreement with Cedarcross on October 30, 2023, for $200,000 at an interest rate of 5% per annum. The loan is unsecured and due on demand.

b) Entered into a loan agreement with Cedarcross on December 5, 2023, for $100,000 at an interest rate of 1% per annum. The loan is unsecured and due on demand.

c) Entered into a loan agreement with Cedarcross on January 25, 2024, for $100,100 at an interest rate of 5% per annum. The loan is unsecured and due on demand.

d) Entered into a loan agreement with Cedarcross on March 26, 2024, for $160,000 at an interest rate of 5% per annum. The loan is unsecured and due on demand.

e) Entered into a loan agreement with Cedarcross on April 2, 2024 ("Loan Agreement"), for $3,688,485 at an interest rate of 15% per annum. The loan is secured against all present and after acquired property of Cedarcross, including specific asset security against five servers. The loan is repayable in full on July 1, 2025.

   Subsequent to June 30, 2024, the Company and Cedarcross amended this loan agreement ("Amending Agreement"). Pursuant to the terms of the Amending Agreement, this loan will be amended as follows: (i) interest on the loan advanced under the Loan Agreement (the "Loan") will be decreased from fifteen percent (15%) to seven and a half percent (7.5%) per annum, commencing on September 1, 2024; (ii) interest on the outstanding principal amount of the Loan shall be paid by Cedarcross to the Company on the maturity date stipulated in the Loan Agreement. In addition, the Company has entered into a repayment and release agreement (the "Repayment and Release Agreement") with Cedarcross in relation to the Loan Agreement, pursuant to the terms of the Repayment and Release Agreement, the Company and Cedarcross: (i) the Company received a cash prepayment in the amount of $203,517 towards the principal amount of the Loan; (ii) the Company received a cash prepayment in the amount of $1,296,470 towards the principal amount of the Loan; (iii) agreed that Cedarcross will direct certain funds to the Company; and (iv) immediately upon receipt by the Company of all outstanding Indebtedness, the Company will make necessary arrangements to discharge the *Personal Property Security Act* (British Columbia) registrations and any other registrations, liens or security interests made in connection with the Loan Agreement and the corresponding general security agreement.

(Expressed in Canadian Dollars)

**5. LOANS RECEIVABLE** *(cont'd…)*

During the year ended September 30, 2023, the Company:

a) Entered into a loan agreement with Cedarcross on September 5, 2023, for $50,000 at an interest rate of 1% per annum. The loan is unsecured and due on demand.

**6. SHORT-TERM LOANS PAYABLE**

In the period ended June 30, 2024, the Company settled short-term loans payable of $257,833 with the issuance of debt units (Note 8).

**7. CONVERTIBLE DEBENTURES**

| **24% Convertible debentures** | | |
|---|---|---|
| Balance, September 30, 2023 | $ | - |
| Proceeds | | 188,000 |
| Equity component of convertible debenture | | (4,441) |
| Settled with the issuance of common share units (Note 8) | | (15,964) |
| Accretion expense | | 2,502 |
| Accrued interest payable | | 25,420 |
| Balance, June 30, 2024 | $ | 195,517 |

On November 28, 2023, the Company completed an offering of unsecured convertible debentures in aggregate principal of $188,000 (the "Debentures"), of which $45,000 was received during the year ended September 30, 2023.

The Debentures mature on the date (the "Maturity Date") that is 12 months from the date of issuance (the "Closing Date"). The principal amount of Debentures may be converted into units of the Company ("Debenture Units"), in whole or in part, at the option of the holder, at any time following the Closing Date but on or before the Maturity Date, into Debenture Units at a price of $0.05 per Unit.

The Debentures bear interest at a rate of 24.0% per annum from the Closing Date.

Each Debenture Unit consists of one common share and one share purchase warrant ("Debenture Warrant"). Each Debenture Warrant will entitle the holder thereof to acquire one additional share at a price of $0.05 per share for a period of 12 months from the date of issuance.

For accounting purposes, the Debentures are separated into their liability and equity components using the residual method. The fair value of the liability component at the time of issue is determined based on an estimated rate of 27.0% for debentures without the conversion feature. The fair value of the equity component is determined as the difference between the face value of the convertible debenture and the fair value of the liability component. After initial recognition, the liability component is carried on an amortized cost basis and will be accreted to its face value over the term to maturity of the convertible debentures at an effective rate of 27.0%.

During the nine months ended June 30, 2024, the Company incurred interest expense of $25,420 and accretion expense of $2,502 on the convertible debentures, which has been recorded on the condensed interim statement of operations and comprehensive loss. The Company issued 300,000 common share units in settlement of $15,000 in principle. A gain of settlement of $236 was recognized.

(Expressed in Canadian Dollars)

## 8. SHARE CAPITAL AND RESERVES

**Authorized share capital**

As at June 30, 2024, the authorized share capital of the Company is an unlimited number of common shares without par value.

**Issued share capital**

During the period ended June 30, 2024, the Company:

a) Completed a non-brokered private placement of 13,112,497 units at a price of $0.03 for gross proceeds of $393,375, of which $34,375 was received in the year ended September 30, 2023. The Company incurred share issuance costs of $40,581. Each unit is comprised of one common share in the capital of the Company and one share purchase warrant. Each warrant entitles the holder thereof to acquire one additional share at a price of $0.05 per share for a period of 12 months from the date of closing.

b) Settled an aggregate of $798,093 in debt in exchange for an aggregate of 15,961,863 units (each, a "Debt Unit") at a value of $0.05 per Debt Unit. Each Debt unit consists of one common share in the capital of the Company and one common share purchase warrant. One of the creditors who participated in the debt settlement is a corporation wholly owned by an officer and director (the "Insider") of the Company. Pursuant to the policies of the TSX-V, the Insider was issued an aggregate of 525,000 common shares only. Each warrant holder will be entitled to acquire an additional common share at an exercise price of $0.05 for a period of 12 months from the date of issuance. The Company allocated $0.005 to the value of the warrant in the Debt Unit.

c) Issued an aggregate of 12,000,000 common shares to acquire Vertex with a fair value of $3,540,000 (Note 4).

d) Completed a non-brokered private placement of 39,999,999 units at a price of $0.15 for gross proceeds of $6,000,000. Each unit is comprised of one common share in the capital of the Company and one-half a share purchase warrant. Each whole warrant entitles the holder thereof to acquire one additional share at a price of $0.25 per share for a period of 3 years from the date of closing. The Company paid finders' fees of $290,491 and issued 1,938,053 finders' warrants. The Company valued the finders' warrants using Black-Scholes and used the following assumptions:

| **Grant Date** | **March 15, 2024 (First Tranche)** | **March 22, 2024 (Final Tranche)** |
|---|---:|---:|
| Expiry Date | March 15, 2027 | March 22, 2027 |
| Expected life (years) | 3 years | 3 years |
| Expected Dividend | 0% | 0% |
| Risk-free interest rate | 4.00% | 3.85% |
| Expected Volatility | 100% | 100% |
| Fair Value | $380,109 | $42,568 |

(Expressed in Canadian Dollars)

## 8. SHARE CAPITAL AND RESERVES *(cont'd…)*

**Issued share capital** *(cont'd…)*

During the period ended June 30, 2024, the Company: *(cont'd…)*

e) Completed a non-brokered private placement of 5,676,800 units of the Company at a price of $0.25 per unit, for gross proceeds of $1,419,200. Each unit is comprised of one common shares and one-half of one warrant. Each whole warrant entitles the holder acquire one common share at a price of $0.40 per share for a period of 36 months from the date of issuance. The Company paid finders' fees of $17,000 and issued 84,000 finders' warrants to acquire common shares at a price of $0.25 per common share for a period of 36 months. Beacon Securities Ltd. was engaged as financial adviser to the Company and received 600,000 finder's warrants in connection with the engagement.

| **Grant Date** | **May 15, 2024 (First Tranche)** | **May 17, 2024 (Final Tranche)** |
|---|---:|---:|
| Expiry Date | May 15, 2027 | May 17, 2027 |
| Expected life (years) | 3 years | 3 years |
| Expected Dividend | 0% | 0% |
| Risk-free interest rate | 4.03% | 4.09% |
| Expected Volatility | 100% | 100% |
| Fair Value | $106,355 | $12,600 |

f) Converted convertible debentures of $15,000 by issuing 300,000 Debenture Units of one common share and one share purchase warrant to settle liabilities totaling $15,000 (Note 7). Each whole unit warrant is exercisable for a period of one year at an exercise price of $0.05.

During the year ended September 30, 2023:

a) The board of directors authorized a 2 for 1 share consolidation. The Company had pre-consolidation shares of 26,311,851 which was later consolidated to 13,155,972. The number of issued and outstanding shares, options, share purchase warrants, and per-share amounts have been retroactively restated for all the periods presented unless otherwise stated.

b) Received $34,375 in gross proceeds in relation to a private placement that completed during the nine months ended June 30, 2024.

(Expressed in Canadian Dollars)

## 8. SHARE CAPITAL AND RESERVES *(cont'd…)*

**Stock Options and Share Purchase Warrants**

Stock options and share purchase warrants transactions are summarized as follows:

| | Stock Options | | Warrants | |
|---|---|---|---|---|
| | Number | Weighted Average Exercise Price | Number | Weighted Average Exercise Price |
| Outstanding, September 30, 2022 | - | $ - | 11,655,585 | $ 0.24 |
| Expired/Cancelled | - | - | (11,655,585) | 0.24 |
| Outstanding, September 30, 2023 | - | - | - | - |
| Exercised | (50,000) | 0.05 | (1,250,460) | 0.05 |
| Granted | 8,626,000 | 0.19 | 54,683,806 | 0.15 |
| Outstanding and exercisable, June 30, 2024 | 8,576,000 | $ 0.19 | 53,433,346 | $ 0.15 |

Outstanding stock option and share purchase warrants as at June 30, 2024:

| Number | Exercise price | Expiry date | Remaining life (years) |
|---|---|---|---|
| **Stock Options** | | | |
| 6,000,000 | $ 0.25 | March 27, 2027 | 2.74 |
| 2,576,000 | 0.05 | February 2, 2029 | 4.60 |
| 8,576,000 | | | |
| **Warrants** | | | |
| 12,042,037 | $ 0.05 | November 28, 2024 | 0.66 |
| 15,436,863 | 0.05 | February 16, 2025 | 0.88 |
| 15,924,572 | 0.25 | March 15, 2027 | 2.96 |
| 1,728,487 | 0.15 | March 15, 2027 | 2.96 |
| 4,075,421 | 0.25 | March 22, 2027 | 2.98 |
| 209,566 | 0.15 | March 22, 2027 | 2.98 |
| 120,000 | 0.05 | April 8, 2027 | 0.77 |
| 2,812,400 | 0.40 | May 15, 2027 | 2.87 |
| 620,000 | 0.25 | May 15, 2027 | 2.87 |
| 400,000 | 0.40 | May 17, 2027 | 2.88 |
| 64,000 | 0.25 | May 17, 2027 | 2.88 |
| 53,433,346 | | | |

(Expressed in Canadian Dollars)

## 8. SHARE CAPITAL AND RESERVES *(cont'd…)*

**Restricted share units**

| | Number | Weighted average fair value per share at grant date |
|---|---|---|
| Outstanding, September 30, 2022 and 2023 | - | $ - |
| Granted | 3,000,000 | 0.25 |
| Outstanding, June 30, 2024 | 3,000,000 | $ 0.25 |
| Vested, June 30, 2024 | - | $ - |

The Restricted Share Units ("RSUs") have time-based vesting conditions as follows:

| | Number | Grant date price | Vesting date |
|---|---|---|---|
| **Restricted Share Units** | 3,000,000 | $ 0.25 | March 27, 2025 |

**Share-based payments**

On March 27, 2024, the Company authorized the adoption of an Omnibus Incentive Plan which authorizes the issuance of stock options, restricted share units and other equity instruments and has been shareholder approval. In the nine months ended June 30, 2024, the Company authorized the grant of 6,000,000 stock options exercisable at a price of $0.25 for a period of three years and 3,000,000 restricted share units to certain directors, officers, and consultants of the Company under the Omnibus Incentive Plan.

*Restricted Share Units*

As the performance conditions of the RSU granted were not market-related, the fair value per RSU used to calculate compensation expense for the RSU granted is determined to be equal to the market price on the date of grant. The value is then expensed over the vesting term. During the period ended June 30, 2024, the Company recognized share-based payments expense of $27,544 (2023 - $nil) with respect to RSUs.

*Stock Options*

During the nine-month period ended June 30, 2024 the Company issued 8,626,000 (2023 – nil) stock options and recorded $583,016 (2023 - $nil) of share-based payments expense related to stock options granted and vested in the consolidated statement of loss and comprehensive loss.

(Expressed in Canadian Dollars)

## 8. SHARE CAPITAL AND RESERVES *(cont'd…)*

**Share-based payments** *(cont'd…)*

*Stock Options (cont'd…)*

The following weighted average assumptions were used for the valuation of stock options:

| | 2024 | 2023 |
|---|---|---|
| Risk-free interest rate | 3.64% | - |
| Expected life | 3.31 years | - |
| Annualized volatility | 100% | - |
| Dividend rate | 0.00% | - |
| Forfeiture rate | 0.00% | - |

## 9. RELATED PARTY TRANSACTIONS

Key management personnel consist of the officers of the Company and the Company's Board of Directors.

During the period ended June 30, 2024, the Company paid or accrued management fees of $50,000 (2023 - $13,500) to a company that employed the former CFO of the Company and has loans payable of $nil (September 30, 2023 - $169,860) to the same company that was paid through a debt settlement (Note 8). The loans are non-interest bearing and due on demand.

During the period ended June 30, 2024, the Company paid or accrued consulting fees of $91,500 (2023 - $25,000) to a company owned by the CEO of the Company.

During the period ended June 30, 2024, the Company paid or accrued consulting fees of $108,000 (2023 - $nil) to companies owned by two directors of the Company.

During the period ended June 30, 2024, the Company also issued 1,787,500 (2023 - nil) stock options to certain directors and officers of the Company and recognised a share-based payment expense of $94,983 (2023 - $nil).

During the period ended June 30, 2024, the Company recorded share-based payments expense of $9,181 (2023 - $nil) for RSUs issued to key management personnel.

During the period ended June 30, 2024, the Company issued an aggregate of 525,000 common shares to the CEO for a debt settlement (Note 8).

As at June 30, 2024, $54,301 (September 30, 2023 - $72,975) is due to related parties and former related parties and included in accounts payable and accrued liabilities.

## 10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

In the nine months ended June 30, 2024, the Company incurred the following non-cash investing and financing activities:

a) Acquired 49% of the issued and outstanding common shares in the capital of Vertex. As consideration, the Company issued an aggregate of 12,000,000 common shares of the Company with a fair value of $3,540,000 (Note 4).

b) Converted convertible debentures of $15,000 by issuing 300,000 Debenture Units of one common share and one share purchase warrant to settle liabilities totaling $15,000.

There were no material non-cash transactions during the period ended June 30, 2023.

## 11. CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient capital to fund operations. Capital is comprised of the component of shareholders' deficiency as described in the statement of changes in shareholders' deficiency. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. There have been no changes to the Company's approach to capital management during the period ended June 30, 2024.

The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

## 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying value of cash, accounts receivable, loan receivable, accounts payable and accrued liabilities and short-term loans payable approximated their fair value because of the short-term nature of these instruments. The settlement value of convertible debentures as at June 30, 2024 was $198,420 which equals principal and accrued interest.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

***Financial risk factors***

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

*Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

## 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(cont'd…)*

*Liquidity risk*

The Company's approach to managing liquidity risk is to try and have sufficient liquidity to meet liabilities when due. As at June 30, 2024, the Company had a cash balance of $755,983 (September 30, 2023 - $147,656) to settle current liabilities of $597,657 (September 30, 2023 - $911,001). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

*Interest rate risk*

The Company's financial assets exposed to interest rate risk consist of cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at June 30, 2024, the Company did not have any investments in investment-grade short-term deposit certificates.

Debt instruments carrying interest charges are at fixed rates and not subject to variable adjustment, unless in certain circumstances of default (Note 7).

*Price risk*

The Company is exposed to price risk with respect to equity prices. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## 13. SUBSEQUENT EVENTS

Subsequent to June 30, 2024, the Company:

a) Issued 280,493 common shares from a warrant exercise for gross proceeds of $14,025.

b) Announced a corporate name change from "Alset Capital Inc." to "Alset AI Ventures Inc." effective August 23, 2024. Concurrently, the Company's trading symbol on the TSX Venture Exchange changed to "GPUS". The Company's trading symbols on the OTC Markets (OTC Pink) and Frankfurt Stock Exchange (FSE) will remain unchanged.