

ALSET AI VENTURES INC.
(formerly Alset Capital Inc.)

CONDENSED INTERIM FINANCIAL STATEMENTS

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

FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2024 AND 2023

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED 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	December 31, 2024	September 30, 2024
ASSETS		
Current		
Cash	\$ 2,949,253	\$ 1,797,575
Accounts receivable	37,240	13,949
Prepaid expenses	255,343	234,246
Loans receivable (Note 5)	730,381	2,281,509
	<u>3,972,217</u>	<u>4,327,279</u>
Investment in Cedarcross (Note 4)	2,841,369	2,841,369
Investment in Vertex (Note 4)	600,000	600,000
Investment in Verses AI (Note 4)	519,879	284,474
Investment in Blueprint (Note 4)	150,000	-
	<u>\$ 8,083,465</u>	<u>\$ 8,053,122</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 497,874	\$ 584,787
Convertible debentures (Note 6)	-	206,626
	<u>497,874</u>	<u>791,413</u>
Shareholders' equity (deficiency)		
Share capital (Note 7)	36,135,643	35,726,433
Equity portion of convertible debentures (Note 6)	-	4,087
Reserves (Note 7)	3,818,888	3,605,097
Deficit	(32,368,940)	(32,073,908)
	<u>7,585,591</u>	<u>7,261,709</u>
	<u>\$ 8,083,465</u>	<u>\$ 8,053,122</u>

Nature and continuance of operations (Note 1)**Subsequent events** (Note 12)

Approved and authorized by the Board on March 19, 2025:

<u>“Zelong He”</u>	Director	<u>“Jack Huang”</u>	Director
Zelong He		Jack Huang	

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 periods ended December 31,	2024	2023
NET INVESTMENT GAIN		
Net change in unrealized gain on investments (Note 4)	\$ 184,090	\$ -
Net realized gain on sale of investments (Note 4)	78,098	-
Unrealized fair value loss on derivative financial instrument (Note 4)	111,905	-
	<u>374,093</u>	<u>-</u>
GENERAL EXPENSES		
Accretion expense (Note 6)	\$ 681	\$ 370
Consulting and management fees (Note 8)	326,308	45,000
Interest expense (Note 6)	6,920	3,760
Investor relations	27,000	15,000
Marketing	14,225	-
Office and miscellaneous	68,396	3,208
Professional fees	70,490	14,945
Share-based payments	272,189	-
Transfer agent and filing fees	1,610	1,724
	<u>(413,726)</u>	<u>(84,007)</u>
Loss before other items	(413,726)	(84,007)
Interest income (Note 5)	7,117	1,930
Gain on conversion of convertible debt (Note 6)	3,795	-
Loss on equity investment	-	(12,912)
Foreign exchange loss	143,583	-
Other income	3,061	-
Write-off of receivables	(38,862)	-
	<u>(295,032)</u>	<u>(94,989)</u>
Loss and comprehensive loss for the year	\$ (295,032)	\$ (94,989)
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	102,420,695	17,911,053

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 three-month periods ended December 31,	2024	2023
CASH FROM OPERATING ACTIVITIES		
Loss for the period	\$ (295,032)	\$ (94,989)
Items not affecting cash:		
Accretion expense	681	370
Accrued interest expense	6,920	3,760
Accrued interest receivable	(7,117)	(1,930)
Net change in unrealized gain/(loss) on investments	(184,090)	-
Unrealized fair value loss on derivative financial instrument	(111,905)	-
Realized gain on sale of investments	(78,098)	-
Gain on conversion of convertible debts	(3,795)	-
Loss on equity investment	-	12,912
Share-based payments	272,189	-
Write off of receivable	38,862	-
Other items:		
Investment in Blueprint	(150,000)	-
Proceeds from sale of investments	138,689	-
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	(86,913)	79,878
Accounts receivable	(46,320)	(8,286)
Prepaid expenses	(21,097)	(1,122)
Net cash used in operating activities	(527,026)	(9,407)
CASH FROM INVESTING ACTIVITIES		
Funds loaned	(100,000)	-
Loans repaid	1,658,245	-
Net cash used in investing activities	1,558,245	-
CASH FROM FINANCING ACTIVITIES		
Exercise of warrants	120,459	-
Shares issued for cash	-	363,441
Share issuance costs	-	(40,581)
Loan receivable	-	(300,000)
Convertible debentures	-	138,559
Net cash provided by financing activities	120,459	161,419
Change in cash during the period	1,151,678	152,012
Cash, beginning of period	1,797,575	147,656
Cash, end of period	\$ 2,949,253	\$ 299,668

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)

	Share capital		Equity portion of convertible debentures	Reserves	Subscriptions received in advance	Deficit	Total
	Number	Amount					
Balance at September 30, 2023	13,155,972	\$ 24,720,681	\$ -	\$ 499,971	34,375	\$ (25,724,887)	\$ (469,860)
Private placements	13,112,497	393,375	-	-	(34,375)	-	359,000
Share issuance costs	-	(40,581)	-	-	-	-	(40,581)
Issuance of convertible debentures	-	-	4,441	-	-	-	4,441
Loss for the period	-	-	-	-	-	(94,989)	(94,989)
Balance at December 31, 2023	26,268,469	\$ 25,073,475	\$ 4,441	\$ 499,971	-	\$ (25,819,876)	\$ (241,989)
Private placements	45,676,799	7,419,200	-	-	-	-	7,419,200
Exercise of convertible debentures	300,000	15,354	(354)	-	-	-	15,000
Exercise of options	50,000	4,753	-	(2,253)	-	-	2,500
Exercise of warrants	1,530,953	82,557	-	(6,009)	-	-	76,548
Share issuance costs	-	(515,120)	-	-	-	-	(515,120)
Finders' warrants	-	(612,070)	-	612,070	-	-	-
Acquisition of Vertex	12,000,000	3,540,000	-	-	-	-	3,540,000
Debt settlement	15,961,863	718,284	-	341,966	-	-	1,060,250
Share-based payments	-	-	-	2,159,352	-	-	2,159,352
Loss for the period	-	-	-	-	-	(6,254,032)	(6,254,032)
Balance at September 30, 2024	101,788,084	35,726,433	4,087	3,605,097	-	(32,073,908)	7,261,709
Share issuance for conversion of Convertible debts	4,290,400	214,520	(4,087)	-	-	-	210,433
Exercise of warrants	2,725,832	194,690	-	(58,398)	-	-	136,292
Share-based payments	-	-	-	272,189	-	-	272,189
Loss for the period	-	-	-	-	-	(295,032)	(295,032)
Balance at December 31, 2024	108,804,316	\$ 36,135,643	\$ -	\$ 3,818,888	\$ -	\$ (32,368,940)	\$ 7,585,591

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

ALSET AI VENTURES INC.

(formerly Alset Capital Inc.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

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, 2024.

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.

ALSET AI VENTURES INC.

(formerly Alset Capital Inc.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

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

Basis of presentation and consolidation

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 condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The Company qualifies as an investment entity as it meets the following definition of an investment entity as outlined in IFRS 10, Consolidated Financial Statements:

- Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

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

The preparation of these condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

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

Income taxes

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 investments

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.

ALSET AI VENTURES INC.

(formerly Alset Capital Inc.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

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

Critical accounting estimates *(cont'd...)*

Valuation of investments *(cont'd...)*

The Company holds 49% interests in Cedarcross and Vertex as at December 31, 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 Company applied a transactional approach for valuing the investments in Cedarcross and Vertex for the year ended September 30, 2024. This approach assesses recent transactions of the investees to support the fair value of the investments as at year end.

Investments held in public entities are valued by the publicly available market data, and warrants of investments in publicly held entities are valued using the Black-Scholes option pricing model.

Share-based payments

The fair value of share-based payments is determined using the Black-Scholes option pricing model. This option pricing model requires the input of subjective assumptions including the expected price volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant.

Convertible debenture

The determination of the carrying value of the convertible debentures on initial issuance is subject to management's estimates in determining an appropriate discount rate based on similar instruments with no conversion features.

Critical accounting judgments

Going concern

The determination of whether the Company will continue as a going concern for the next year (Note 1).

Investment entity

Investees operate independently of the management of the Company, and management has determined that the Company currently invests its funds solely for capital appreciation. Accordingly, management considers the Company to meet the definition of an investment entity.

Collectability of loan

The determination of the collectability of the loans to Cedarcross requires significant judgment. Management has considered the loans as collectable, based on the history of collection to date and have extended the maturity date by one year during the three months ended December 31, 2024 (Note 12).

ALSET AI VENTURES INC.

(formerly Alset Capital Inc.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

3. MATERIAL ACCOUNTING POLICIES

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, 2024 and reflect all the adjustments necessary for fair presentation in accordance with IAS 34.

4. INVESTMENTS

Cedarcross International Technologies Inc.

During the year ended September 30, 2024, the Company acquired common shares equal to 49% ownership stake in Cedarcross for a total consideration of \$210,000. Cedarcross provides access to AI computing by providing access to AI servers. Its servers are configured in a data center located in Vancouver, British Columbia. As at December 31, 2024, the Company holds a 49% interest in Cedarcross. The Company has provided initial funding to Cedarcross (Note 5) to support Cedarcross' initial expenditures and capital acquisitions.

The Company evaluated the fair value of the investment in Cedarcross as at December 31, 2024 to be \$2,841,369 (September 30, 2024 - \$2,841,369), based on subsequent additions (Note 12).

Subsequent to the three months ended December 31, 2024, on February 26, 2025, the Company acquired an additional 26% stake in Cedarcross. Upon the completion of the acquisition, the Company holds an aggregate 75% ownership in Cedarcross. In consideration for the acquisition, the Company issued 19,999,988 common shares at a deemed value of \$0.075 for total consideration of \$1,499,999.

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. Vertex is incorporated in Ontario, Canada and is focused on identifying and acquiring intellectual property ("IP") and providing data management services.

The Company evaluated the fair value of the investment in Vertex as at December 31, 2024 to be \$600,000 (September 30, 2024 - \$600,000).

VERSES AI Inc.

On September 26, 2024, the Company acquired 312,500 units of VERSES AI Inc ("Verses") for \$250,000. Each unit of Verses consists of one common share and one warrant that is exercisable for three years from issuance at a price of \$1.20 per share. The Company recorded an initial value of \$250,000 towards the Verses shares and warrants.

During the three months ended December 31, 2024, the Company sold 100,000 common shares of Verses for gross proceeds of \$138,689 and recorded a realized gain of \$78,098 as a result of the sale. As at December 31, 2024, the Company held 212,500 common shares which had a fair value of \$348,500 (September 30, 2024 - \$225,000) based on the quoted market price of the shares (Cboe: VERS), and the warrants had a fair value of \$171,379 (September 30, 2024 - \$59,474), for a total fair value associated with Verses of \$519,879 as at December 31, 2024 (September 30, 2024 - \$284,474). During the three months ended December 31, 2024, Company recorded an unrealized gain on investment of \$184,090 and an unrealized fair value gain on derivative financial instrument of \$111,905. The warrants were valued using the Black-Scholes option pricing model with the following inputs: expected life of 2.74 years, volatility of 100%, risk-free rate of 2.92% ,and 0% for dividends and forfeitures.

ALSET AI VENTURES INC.

(formerly Alset Capital Inc.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

4. INVESTMENTS (cont'd...)

Blueprint AI Technologies Inc.

On December 13, 2024, the Company acquired 1,111,111 common shares of Blueprint AI Technologies Inc. ("Blueprint"), representing a 11.56% interest. The acquisition was at a price of \$0.135 per share for a total cash payment of \$150,000. The Company includes a commitment to invest an additional \$200,000 in Blueprint's net equity financing round, contingent upon Blueprint achieving aggregate gross proceeds of \$400,000 in that financing round. Further, the Company is eligible to receive up to 555,532 additional common shares of Blueprint upon achieving specific milestones.

5. LOANS RECEIVABLE

The following is a continuity schedule of loans receivable:

Loans receivable	
Balance, September 30, 2023	\$ 50,000
Loans sent	4,248,584
Loans repaid	(2,259,094)
Interest receivable	<u>242,019</u>
Balance, September 30, 2024	\$ 2,281,509
Loans sent	100,000
Loans repaid	(1,658,245)
Interest receivable	<u>7,117</u>
Balance, December 31, 2024	<u>\$ 730,381</u>

During the three months ended December 31, 2024, the Company:

- Entered into a loan agreement with Inverite Insights Inc. ("Inverite") on November 28, 2024, loaned \$100,000 at an interest rate of 10% per annum. The loan is unsecured and is due on December 31, 2025.
- Received \$1,658,245 repayment from Cedarcross with respect to the loan agreement signed on April 2, 2024. The loan is fully repaid.

During the year ended September 30, 2024, the Company:

- 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 one year from the date of the loan. Subsequent to the three months ended December 31, 2024, the maturity date of this loan was extended for one year (Note 12).
- 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 one year from the date of the loan. Subsequent to the three months ended December 31, 2024, the maturity date of this loan was extended for one year (Note 12).

ALSET AI VENTURES INC.

(formerly Alset Capital Inc.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

5. LOANS RECEIVABLE *(cont'd...)*

- 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 one year from the date of the loan. Subsequent to the three months ended December 31, 2024, the maturity date of this loan was extended for one year (Note 12).
- 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 one year from the date of the loan. Subsequent to the three months ended December 31, 2024, the maturity date of this loan was extended for one year (Note 12).
- 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.

During the year ended September 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 (i) received a cash prepayment in the amount of \$203,517 towards the principal amount of the Loan; (ii) received a cash prepayment in the amount of \$1,296,466 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. On September 17, 2024, the Company received a further \$759,110 from Cedarcross as payment to the loan.

ALSET AI VENTURES INC.

(formerly Alset Capital Inc.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

6. CONVERTIBLE DEBENTURES

24% Convertible debentures

Balance, September 30, 2023	\$	-
Proceeds		188,000
Equity component of convertible debenture		(4,441)
Accretion expense		370
Accrued interest payable		3,760
Balance December 31, 2023		<u>187,689</u>
Settled with the issuance of common share units (Note 8)		(16,437)
Accretion expense		2,973
Accrued interest payable		32,401
Balance September 30, 2024		<u>206,626</u>
Settled with the issuance of common share units (Note 8)		(210,432)
Accretion expense		681
Accrued interest payable		6,920
Gain on conversion of convertible debt		<u>(3,795)</u>
Balance, December 31, 2024	\$	<u>-</u>

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 three months ended December 31, 2024, the Company incurred interest expense of \$6,920 (2023 - \$3,760) and accretion expense of \$681 (2023 - \$370) on the convertible debentures, which has been recorded on the statement of operations and comprehensive loss. The Company issued 4,290,400 units in settlement of \$210,432 of convertible debt during the three months ended December 31, 2024.

ALSET AI VENTURES INC.

(formerly Alset Capital Inc.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

7. SHARE CAPITAL AND RESERVES

Authorized share capital

As at December 31, 2024, the authorized share capital of the Company is an unlimited number of common shares without par value.

Issued share capital

During the three months ended December 31, 2024, the Company:

- a) Issued an aggregate 2,725,832 common shares for the exercise of warrants and options of the Company for gross proceeds of \$136,292 of which \$8,333 is outstanding as a receivable as at the date of filing.
- b) Issued an aggregate 4,290,400 units for the conversion of the convertible debt. Each unit consists of one common share and one share purchase warrant exercisable at a price of \$0.05 for one year from the date of conversion.

During the year ended September 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 \$0.045 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 recorded a total value of \$ 341,966 for the warrant in the Debt Unit. The warrants of the debt unit were calculated using Black-Scholes with the following assumptions:

Grant Date	
Expiry date	February 16, 2025
Expected life (years)	1 year
Expected dividend	0%
Risk-free interest rate	3.48%
Expected volatility	132%

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

ALSET AI VENTURES INC.

(formerly Alset Capital Inc.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

7. SHARE CAPITAL AND RESERVES (cont'd...)**Issued share capital (cont'd...)**

- 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 share issuance costs of \$117,952, 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	133%	133%
Fair value	\$422,606	\$47,932

- 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 share issuance costs of \$96,598, 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	133%	133%
Fair value	\$126,729	\$14,803

- 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.

The Company incurred additional share issuance costs of \$207,629 associated with the above noted financings.

ALSET AI VENTURES INC.

(formerly Alset Capital Inc.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

7. 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, 2023	-	-	-	-
Exercised	(50,000)	0.05	(1,530,953)	0.05
Granted	12,876,000	0.15	54,309,806	0.15
Outstanding and exercisable, September 30, 2024	12,826,000	\$ 0.15	52,778,853	\$ 0.15
Exercised	-	-	(2,725,832)	0.05
Granted	3,020,000	-	4,290,700	0.05
Expired/Cancelled	(5,695,000)	0.23	(9,316,205)	0.05
Outstanding and exercisable, December 31, 2024	10,151,000	0.07	45,027,516	0.17

Outstanding stock option and share purchase warrants as at December 31, 2024:

Number	Exercise price	Expiry date	Remaining life (years)
Stock Options			
625,000	\$ 0.25	March 27, 2027	2.24
2,326,000	0.05	February 2, 2029	4.09 ⁽¹⁾
4,180,000	0.06	September 20, 2027	2.73 ⁽²⁾
<u>3,020,000</u>	0.05	November 18, 2027	2.88
10,151,000			

⁽¹⁾ Subsequent to December 31, 2024, 876,000 stock options were exercised (Note 13)⁽²⁾ Subsequent to December 31, 2024, 1,050,000 stock options were exercised and 70,000 stock options have expired (Note 13).

ALSET AI VENTURES INC.

(formerly Alset Capital Inc.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

7. SHARE CAPITAL AND RESERVES (cont'd...)**Stock Options and Share Purchase Warrants (cont'd...)**

Number	Exercise price	Expiry date	Remaining life (years)
Warrants			
15,156,370	0.05	February 16, 2025	0.38 ⁽¹⁾
15,924,572	0.25	March 15, 2027	2.45
1,728,487	0.15	March 15, 2027	2.45
4,075,421	0.25	March 22, 2027	2.47
209,566	0.15	March 22, 2027	2.47
120,000	0.05	April 8, 2025	0.52 ⁽²⁾
2,812,400	0.40	May 15, 2027	2.62
620,000	0.25	May 15, 2027	2.62
26,000	0.40	May 17, 2027	2.63
64,000	0.25	May 17, 2027	2.63
4,290,700	0.05	November 28, 2025	0.91 ⁽³⁾
<u>45,027,516</u>			

(1) Subsequent to December 31, 2024, 10,023,906 share purchase warrants were exercised and 5,132,464 share purchase warrants expired unexercised (Note 13).

(2) Subsequent to December 31, 2024, 120,000 share purchase warrants were exercised (Note 13).

(3) Subsequent to December 31, 2024, 2,504,800 share purchase warrants were exercised (Note 13)

Restricted share units

	Number	Weighted average fair value per share at grant date
Outstanding, September 30, 2023	-	\$ -
Granted	3,000,000	0.25
Outstanding and exercisable, September 30, 2024	3,000,000	\$ 0.25
Granted	3,036,000	\$ 0.05
Outstanding and exercisable, December 31, 2024	6,036,000	# 0.15

The Restricted Share Units (“RSUs”) vested immediately upon grant.

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. The Omnibus Incentive Plan enables the Company to authorize to grant options to executive officers, directors, employees and consultants enabling them to acquire 10% of the issued and outstanding common stock of the Company of up to a maximum of 10 years as decided by the board of directors. Under the plan, the exercise price of each option equals the market price of the Company’s stock, less applicable discount, as calculated on the date of grant. The Omnibus Incentive Plan authorizes the Company to grant up to 9,423,033 RSUs.

ALSET AI VENTURES INC.

(formerly Alset Capital Inc.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

7. SHARE CAPITAL AND RESERVES (cont'd...)

Stock Options and Share Purchase Warrants (cont'd...)

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 three months ended December 31, 2024, the Company recognized share-based payments expense of \$151,800 (2023 - \$nil) with respect to RSUs.

Stock Options

During the three months ended December 31, 2024 the Company issued 3,020,000 (2023 – nil) stock options and recorded \$120,389 (2023 - \$nil) of share-based payments expense related to stock options granted and vested in the statement of operations and comprehensive loss.

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

	2024	2023
Risk-free interest rate	3.16%	-
Expected life	3.41 years	-
Annualized volatility	144%	-
Dividend rate	0.00%	-
Forfeiture rate	0.00%	-

Escrowed shares and warrants

As at December 31, 2024, 15,316,231 (September 30, 2024 - 15,316,231) common shares and 6,316,231 (September 30, 2024 – 6,316,231) share purchase warrants remain in escrow.

8. RELATED PARTY TRANSACTIONS

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

During the three months ended December 31, 2024, the Company paid or accrued management fees of \$15,750 (December 31, 2023 - \$15,000) to a company that is associated with the CFO of the Company.

During the three months ended December 31, 2024, the Company paid or accrued consulting fees of \$38,750 (December 31, 2023 - \$15,000) to a company owned by the CEO of the Company.

During the three months ended December 31, 2024, the Company paid or accrued consulting fees of \$30,000 (December 31, 2023 - \$nil) to companies owned by a director of the Company.

During the three months ended December 31, 2024, the Company also issued 1,020,000 (December 31, 2023 – nil) stock options to certain directors and officers of the Company and recognised a share-based payment expense of \$40,661 (December 31, 2023 - \$nil).

ALSET AI VENTURES INC.

(formerly Alset Capital Inc.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

8. RELATED PARTY TRANSACTIONS

During the three months ended December 31, 2024, the Company recorded share-based payments expense of \$101,800 (December 31, 2023 - \$nil) for RSUs issued to key management personnel.

As at December 31, 2024, \$30,750 (September 30, 2024 - \$97,182) is due to related parties and former related parties and included in accounts payable and accrued liabilities.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

In the three months ended December 31, 2024, the Company incurred the following non-cash investing and financing activities:

- a) Converted convertible debentures of \$214,520 by issuing 4,290,400 Debenture Units of one common share and one share purchase warrant to settle liabilities totaling \$218,315. The company recorded a gain on the conversion of \$3,795.
- b) Exercise of warrants for gross proceeds of \$136,292, of which \$15,833 were recorded as a receivable as at December 31, 2024.

During the period ended December 31, 2023, the Company incurred the following non-cash investing and financing activities:

- a) The Company allocated a \$210,000 deposit to the investment in Cedarcross.

10. 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' equity (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 three months ended December 31, 2024.

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

ALSET AI VENTURES INC.

(formerly Alset Capital Inc.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial assets and liabilities by category and information about financial assets and liabilities measured at fair value on a recurring basis in the statement of financial position are classified and measured as follows:

		December 31,		September 30, 2024	
Category					
Financial Assets					
Cash	Amortized cost	\$	2,949,253	\$	1,797,575
Accounts receivable	Amortized cost		37,240		13,949
Loans receivable	Amortized cost		730,381		2,281,509
Investment in Cedarcross	FVTPL		2,841,369		2,841,369
Investment in Vertex	FVTPL		600,000		600,000
Investment in VERSES AI	FVTPL		519,879		284,474
Investment in Blueprint	FVTPL		150,000		-
Financial Liabilities					
Accounts payable and accrued liabilities	Amortized cost	\$	497,874	\$	584,787
Convertible debentures	Amortized cost		-		206,626

Due to the short-term nature of cash, accounts receivable, loans receivable, convertible debentures, accounts payable and accrued liabilities, and short-term loans payable, the Company determined that the carrying amounts of these financial instruments approximate their fair value.

The following table presents the Company's financial instruments, measured at fair value, and categorized into levels of the fair value hierarchy:

	Balance at December 31, 2024	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment in Cedarcross	\$ 2,841,369	\$ -	\$ 2,841,369	\$ -
Investment in Vertex	600,000	-	600,000	-
Investment in Verses	519,879	348,500	-	171,379
Investment in Blueprint	150,000	-	150,000	-
	\$ 4,111,248	\$ 348,500	\$ 3,591,369	\$ 171,379
	Balance at September 30, 2024	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment in Cedarcross	\$ 2,841,369	\$ -	\$ 2,841,369	\$ -
Investment in Vertex	600,000	-	600,000	-
Investment in Verses	284,474	225,000	-	59,474
	\$ 3,725,843	\$ 225,000	\$ 3,441,369	\$ 59,474

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.

ALSET AI VENTURES INC.

(formerly Alset Capital Inc.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

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

Financial risk factors

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

Currency risk

Currency risk is the risk that the Company will be subject to foreign currency fluctuation. The Company is exposed to foreign currency risk on fluctuations related to cash that is denominated in US Dollars. As at December 31, 2024, the Company has US\$1,841,911 (CA\$2,492,323). A 10% change in CAD-USD would affect comprehensive loss by approximately \$249,232 (September 30, 2024 - \$169,393).

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.

Liquidity risk

The Company's approach to managing liquidity risk is to try and have sufficient liquidity to meet liabilities when due. As at December 31, 2024, the Company had a cash balance of \$2,949,253 (September 30, 2024 - \$1,797,575) to settle current liabilities of \$497,874 (September 30, 2024 - \$791,413). 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 December 31, 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.

ALSET AI VENTURES INC.

(formerly Alset Capital Inc.)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

13. SUBSEQUENT EVENTS

- a) On February 26, 2025, the Company acquired an additional 26% stake in Cedarcross. With the completion of the acquisition, the Company now holds an approximate 75% ownership in Cedarcross. In consideration for the acquisition, the Company issued 19,999,988 common shares at a deemed value of \$0.075 for total consideration of \$1,499,999.
- b) On February 28, 2025, The Company completed a debt settlement totaling \$160,698 owed to certain creditors of the Company in consideration of 788,331 common shares and 640,092 units of the Company. Each unit consists of one common share and one share purchase warrant exercisable at a price of \$0.15 for a period of two years.
- c) On February 4, 2025, loans with Cedarcross (Note 5) were extended for one year beyond their original maturity date.
- d) During February 2025, the Company granted an aggregate of 500,000 RSUs to certain consultants of the Company.
- e) On January 21, 2025, the Company granted 2,900,000 RSUs to certain directors, officers, and consultants of the Company.
- f) Subsequent to December 31, 2024, the Company sold an aggregate of 212,500 shares in Verses for gross proceeds of \$389,628.
- g) Subsequent to December 31, 2024, an aggregate of 1,926,000 stock options and 12,649,705 share purchase warrants were exercised for gross proceeds of \$739,235, \$73,333 of which is outstanding as a receivable as at the date of filing.
- h) Subsequent to December 31, 2024, an aggregate of 5,132,464 share purchase warrants expired unexercised.