

ALSET CAPITAL INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

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

FOR THE THREE AND SIX MONTH PERIODS ENDED MARCH 31, 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 CAPITAL INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

AS AT	March 31, 2024	September 30, 2023
ASSETS		
Current		
Cash	\$ 4,913,042	\$ 147,656
Accounts receivable	117,878	32,705
Prepaid expense	436,533	780
Loans receivable (Note 5)	<u>613,064</u>	<u>50,000</u>
	6,080,517	231,141
Deposit in investment in Cedarcross (Note 4)	-	210,000
Investment in Cedarcross (Note 4)	196,542	-
Investment in Vertex (Note 4)	<u>3,564,143</u>	<u>-</u>
	<u>\$ 9,841,202</u>	<u>\$ 441,141</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 382,108	\$ 608,118
Convertible debentures (Note 7)	200,079	-
Convertible debenture proceeds received in advance (Note 7)	-	45,000
Short-term loans payable (Note 6)	<u>-</u>	<u>257,883</u>
	582,187	911,001
Shareholders' equity (deficiency)		
Share capital (Note 8)	34,466,979	24,720,681
Equity portion of convertible debentures (Note 7)	4,441	-
Reserves (Note 8)	1,102,065	499,971
Subscriptions received in advance (Note 8)	-	34,375
Deficit	<u>(26,314,470)</u>	<u>(25,724,887)</u>
	<u>9,259,015</u>	<u>(469,860)</u>
	<u>\$ 9,841,202</u>	<u>\$ 441,141</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

Approved and authorized by the Board on May 30, 2024:

<u>“Zelong He”</u> Zelong He	Director	<u>“Morgan Good”</u> Morgan Good	Director
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The accompanying notes are an integral part of these condensed interim financial statements.

ALSET CAPITAL INC.**CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited)

For the	Three-month period ended March 31, 2024	Three-month period ended March 31, 2023	Six-month period ended March 31, 2024	Six-month period ended March 31, 2023
GENERAL EXPENSES				
Accretion expense (Note 7)	\$ 1,110	\$ -	\$ 1,480	\$ -
Consulting and management fees (Note 9)	96,000	14,500	141,000	19,000
Interest expense (Note 7)	11,280	-	15,040	-
Investor relations	13,085	20,000	28,085	35,000
Loss on equity investments (Note 4)	3,976	-	16,888	-
Marketing	25,073	-	25,073	-
Office and miscellaneous	67,359	929	70,567	2,667
Professional fees	119,390	8,689	134,335	10,735
Shareholder communications	31,454	-	31,454	-
Share-based payments	99,608	-	99,608	-
Transfer agent and filing fees	<u>26,748</u>	<u>7,273</u>	<u>28,472</u>	<u>12,260</u>
Loss before other items	(495,083)	(51,391)	(592,002)	(79,662)
Foreign exchange loss	(545)	-	(545)	-
Interest income (Note 5)	<u>1,034</u>	<u>-</u>	<u>2,964</u>	<u>-</u>
Loss and comprehensive loss for the period	\$ (494,594)	\$ (51,391)	\$ (589,583)	\$ (79,662)
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	<u>34,385,315</u>	<u>13,155,972</u>	<u>30,206,608</u>	<u>13,155,972</u>

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

ALSET CAPITAL INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

For the six-month periods ended March 31,	2024	2023
CASH FROM OPERATING ACTIVITIES		
Loss for the period	\$ (589,583)	\$ (79,662)
Items not affecting cash:		
Accretion expense	1,480	-
Accrued interest expense	15,040	-
Accrued interest receivable	(2,964)	-
Loss on equity investments	16,888	-
Share-based payments	99,608	-
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	247,411	8,694
Accounts receivable	(85,173)	(4,531)
Prepaid expenses	<u>(435,752)</u>	<u>63</u>
Net cash used in operating activities	<u>(733,045)</u>	<u>(75,436)</u>
CASH FROM INVESTING ACTIVITIES		
Funding provided to Cedarcross as loans	(560,100)	-
Acquisition of Vertex	<u>(10,314)</u>	<u>-</u>
Net cash used in investing activities	<u>(570,414)</u>	<u>-</u>
CASH FROM FINANCING ACTIVITIES		
Shares issued for cash	6,359,000	-
Share issuance costs	(433,155)	-
Convertible debentures	<u>143,000</u>	<u>-</u>
Net cash provided by financing activities	<u>6,068,845</u>	<u>-</u>
Change in cash during the period	4,765,386	(75,436)
Cash, beginning of period	<u>147,656</u>	<u>419,520</u>
Cash, end of period	<u>\$ 4,913,042</u>	<u>\$ 344,084</u>

Supplemental disclosure with respect to cash flows (Note 10)

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

ALSET CAPITAL INC.**CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

(Expressed in Canadian Dollars)

(Unaudited)

	Share capital		Equity portion of convertible debentures	Reserves	Subscriptions received in advance	Deficit	Total
	Number	Amount					
Balance at September 30, 2022	13,155,972	\$ 24,720,681	\$ -	\$ 499,971	\$ -	\$ (25,468,179)	\$ (247,527)
Loss for the period	-	-	-	-	-	(79,662)	(79,662)
Balance at March 31, 2023	13,155,972	\$ 24,720,681	\$ -	\$ 499,971	\$ -	\$ (25,547,841)	\$ (327,189)
Loss for the period	-	-	-	-	34,375	(177,046)	(142,671)
Balance at September 30, 2023	13,155,972	\$ 24,720,681	\$ -	\$ 499,971	34,375	\$ (25,724,887)	\$ (469,860)
Private placements	53,112,496	6,393,375	-	-	(34,375)	-	6,359,000
Share issuance costs	-	(482,684)	-	-	-	-	(482,684)
Finders' warrants	-	(422,677)	-	422,677	-	-	-
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	-	-	-	99,608	-	-	99,608
Loss for the period	-	-	-	-	-	(589,583)	(589,583)
Balance at March 31, 2024	94,230,331	\$ 34,466,979	\$ 4,441	\$ 1,102,065	\$ -	\$ (26,314,470)	\$ 9,259,015

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

ALSET CAPITAL INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month periods ended March 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

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 “KSUM”.

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.

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.

ALSET CAPITAL INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month periods ended March 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

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

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 International Technologies Inc. (“Cedarcross”) and Vertex AI Ventures Inc. (“Vertex”) as at March 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 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.

Critical accounting judgments

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

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 period ended September 30, 2023 and reflect all the adjustments necessary for fair presentation in accordance with IAS 34.

Refer to Note 3 of the Company’s financial statements for the year ended September 30, 2023, for more information on new accounting standards.

ALSET CAPITAL INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month periods ended March 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

3. MATERIAL ACCOUNTING POLICIES (cont'd...)

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.

4. INVESTMENTS IN ASSOCIATES

Cedarcross International Technologies Inc.

On October 31, 2023, the Company acquired common shares equal to 49% ownership take in Cedarcross for a total consideration of \$210,000.

The Company accounts for its interest in Cedarcross on an equity basis. As at March 31, 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 March 31, 2024	
Non-current assets	\$ 1,122,322
Current liabilities	<u>(727,028)</u>
Net assets	395,294
The Company's share of net assets – 49%	\$ 193,694
Adjustment for intercompany transactions	2,948
Investment in Cedarcross	<u>\$ 196,542</u>

ALSET CAPITAL INC.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the six-month periods ended March 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

4. INVESTMENTS IN ASSOCIATES (cont'd...)

For the period from October 31, 2023 to March 31, 2024	
Loss and comprehensive loss for the period	\$ (33,277)
The Company's share of comprehensive loss – 49%	\$ (16,306)
Adjustment for intercompany transactions	2,848
Loss from equity investment for the Company	\$ (13,458)

Investment in associate	
Opening balance, October 31, 2023	\$ -
Equity investment	210,000
Loss on equity investment	(16,306)
Adjustment for intercompany transactions	2,848
Ending balance, March 31, 2024	\$ 196,542

Vertex AI Ventures Inc.

On March 15, 2024, the Company acquired common shares equal to 49% ownership take 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.

The Company accounts for its interest in Vertex on an equity basis. As at March 31, 2024, the Company holds a 49% interest in Cedarcross. 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 March 31, 2024	
Non-current assets	\$ 7,298,762
Current liabilities	(25,000)
Net assets	7,273,762
The Company's share of net assets – 49%	\$ 3,564,143

ALSET CAPITAL INC.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the six-month periods ended March 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

4. INVESTMENTS IN ASSOCIATES (cont'd...)

For the period from acquisition on March 15, 2024 to March 31, 2024	
Loss and comprehensive loss for the period	\$ (7,000)
The Company's share of comprehensive loss – 49%	\$ (3,430)
<hr/>	
Investment in associate	
Opening balance, October 31, 2023	\$ -
Equity investment	3,567,573
Loss on equity investment	(3,430)
Ending balance, March 31, 2024	\$ 3,564,143

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	560,100
Interest receivable, adjusted for intercompany transactions	2,964
Balance, March 31, 2024	\$ 613,064

During the period ended March 31, 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.

ALSET CAPITAL INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month periods ended March 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

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 March 31, 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)
Accretion expense		1,480
Accrued interest payable		<u>15,040</u>
Balance, March 31, 2024	\$	<u>200,079</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%.

ALSET CAPITAL INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month periods ended March 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

7. CONVERTIBLE DEBENTURES *(cont'd...)*

During the six months ended March 31, 2024, the Company incurred interest expense of \$15,040 and accretion expense of \$1,480 on the convertible debentures, which has been recorded on the condensed interim statement of operations and comprehensive loss.

8. SHARE CAPITAL AND RESERVES

Authorized share capital

As at March 31, 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 March 31, 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

ALSET CAPITAL INC.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the six-month periods ended March 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

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

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 six months ended March 31, 2024.

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	-	-	-	-
Granted	2,626,000	0.05	50,486,406	0.13
Outstanding and exercisable, March 31, 2024	2,626,000	\$ 0.05	50,486,406	\$ 0.13

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

	Number	Exercise price	Expiry date	Remaining life (years)
Stock Options				
	2,626,000	\$ 0.05	February 02, 2029	4.85
Warrants				
	13,112,497	\$ 0.05	November 28, 2024	0.66
	15,435,863	0.05	February 16, 2024	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
	50,486,406			

ALSET CAPITAL INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month periods ended March 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

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

Share-based payments

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 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. An option shall be granted as fully vested unless a vesting schedule is imposed by the board of directors as a condition of the grant on the grant date.

During the six-month period ended March 31, 2024 the Company issued 2,626,000 (2023 – nil) stock options and recorded \$99,608 (2023 - \$nil) of share-based payments expense related to stock options granted and vested in the consolidated statement of loss and comprehensive loss.

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

	2024	2023
Risk-free interest rate	3.48%	-
Expected life	5 years	-
Annualized volatility	100%	-
Dividend rate	0.00%	-
Forfeiture rate	0.00%	-

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 is subject to shareholder approval. In the six months ended March 31, 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. These grants are subject to shareholder approval.

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 March 31, 2024, the Company paid or accrued management fees of \$30,000 (2023 - \$9,000) to a company that employs the 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 March 31, 2024, the Company paid or accrued consulting fees of \$30,000 (2023 - \$10,000) to a company owned by the CEO of the Company.

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

During the period ended March 31, 2024, the Company also issued 1,200,000 (2023- nil) stock options to certain directors and officers of the Company and recognised a share-based payment expense of \$45,518 (2023 - \$nil).

During the period ended March 31, 2024, the Company issued an aggregate of 525,000 common shares to the CEO for a debt settlement (Note 8).

ALSET CAPITAL INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month periods ended March 31, 2024 and 2023

(Expressed in Canadian Dollars)

(Unaudited)

9. RELATED PARTY TRANSACTIONS (cont'd...)

As at March 31, 2024, \$74,854 (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 six months ended March 31, 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) and incurred acquisition costs of \$17,259 through accounts payable and accrued liabilities.
- b) Incurred share issuance costs of \$49,529 through accounts payable and accrued liabilities.

There were no material non-cash transactions during the period ended March 31, 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 March 31, 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 March 31, 2024 was \$203,040 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.

ALSET CAPITAL INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars)

(Unaudited)

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 March 31, 2024, the Company had a cash balance of \$4,913,042 (September 30, 2023 - \$147,656) to settle current liabilities of \$382,108 (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 March 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.

13. SUBSEQUENT EVENTS

Subsequent to March 31, 2024, the Company:

- a) Completed a non-brokered private placement of 6,424,800 units of the Company at a price of \$0.25 per unit, for gross proceeds of \$1,606,200. Each unit is comprised of one common share 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 76,000 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.
- b) Entered into a secured loan agreement with Cedarcross for a principal amount of \$3,700,000. The loan will be secured against all present and after-acquired property of Cedarcross, including specific asset security against five Nvidia 8GPU HGX H100 servers. The loan is repayable in full on July 1, 2025, and will bear interest at a rate of 15 per cent per annum. Interest is payable every quarter, with the first payment due July 1, 2024.
- c) Converted convertible debentures of \$15,000 by issuing 300,000 Debenture Units (Note 7).