



**Unaudited Condensed Consolidated Interim Financial Statements**

**For the three and nine months ended June 30, 2023**

(Expressed in United States Dollars)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited interim financial statements of Tokens.com Corp. (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.

**TOKENS.COM CORP.**

**Unaudited Condensed Consolidated Interim Statements of Financial Position**

(Expressed in United States Dollars)

<i>As at</i>	Note	June 30, 2023	September 30, 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 4,281,910	\$ 5,837,573
Accounts receivable and other	4	162,900	382,618
Prepaid expenses		157,638	90,683
		<b>4,602,448</b>	<b>6,310,874</b>
<b>Non-current assets</b>			
Digital assets - cryptocurrency	5	7,900,066	7,312,678
Digital assets - non-fungible tokens	5	2,753,076	2,838,280
Intangible assets and goodwill	6,7	5,066,516	3,298,728
Joint venture and associate		626,048	285,053
<b>Total assets</b>		<b>\$ 20,948,154</b>	<b>\$ 20,045,613</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 1,065,364	\$ 1,051,676
Loan payable	9	125,000	475,000
		<b>1,190,364</b>	<b>1,526,676</b>
<b>Non-current liabilities</b>			
Warrant liability		428,223	425,620
<b>Total liabilities</b>		<b>1,618,587</b>	<b>1,952,296</b>
<b>Shareholders' equity</b>			
<b>Attributable to owners of the parent</b>			
Share capital	10	25,364,561	22,179,575
Accumulated other comprehensive income		909,574	909,574
Contributed surplus		3,372,851	3,150,241
Accumulated deficit		(10,397,720)	(11,357,087)
		<b>19,249,266</b>	<b>14,882,303</b>
<b>Attributable to non-owners of the parent</b>			
Non-controlling interest		80,301	3,211,014
<b>Total shareholder's equity</b>		<b>19,329,567</b>	<b>18,093,317</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 20,948,154</b>	<b>\$ 20,045,613</b>

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Approved on behalf of the Board of Directors:

"Andrew Kiguel"

Director

"Jimmy Vaiopoulos"

Director

**TOKENS.COM CORP.**
**Unaudited Condensed Consolidated Interim Statements of Income and Comprehensive Income**

(Expressed in United States Dollars, except share amounts)

<i>For the periods ended June 30</i>	Note	Three Months Ended		Nine Months Ended	
		2023	2022	2023	2022
<b>Revenue</b>	13	\$ 128,728	\$ 250,714	\$ 583,793	\$ 903,219
<b>Expenses</b>					
Operating expenses	14	(1,193,293)	(752,780)	(2,971,662)	(4,966,726)
Gain (loss) on disposition of digital assets	5	-	(1,692,878)	(90,552)	(445,829)
Gain (loss) on revaluation of digital assets - cryptocurrencies	5	82,699	(12,464,278)	1,467,636	(15,595,210)
<b>Operating loss</b>		<b>(981,866)</b>	<b>(14,659,222)</b>	<b>(1,010,785)</b>	<b>(20,104,546)</b>
Foreign exchange gain		41,096	(79,011)	89,348	(34,864)
Gain (loss) on revaluation of warrant liability		39,153	2,872,027	(2,603)	10,989,919
Net finance income (expense)		-	(19,576)	15,283	(70,498)
Gain on revaluation of contingency consideration		-	-	29,964	-
Other gain or loss		-	-	-	461,239
<b>Net loss before income tax</b>		<b>(901,617)</b>	<b>(11,885,782)</b>	<b>(878,793)</b>	<b>(8,758,750)</b>
Deferred income tax recovery		-	-	-	918,517
<b>Net loss</b>		<b>\$ (901,617)</b>	<b>\$ (11,885,782)</b>	<b>\$ (878,793)</b>	<b>\$ (7,840,233)</b>
<b>Other comprehensive income (loss)</b>					
<b>Items that will not be reclassified in profit or loss</b>					
Fair value change of non-controlling interest		\$ 705,174	\$ -	\$ 1,437,050	\$ -
Revaluation gain on digital assets, net of tax		-	-	-	2,074,458
<b>Total comprehensive income (loss)</b>		<b>\$ (196,443)</b>	<b>\$ (11,885,782)</b>	<b>\$ 558,257</b>	<b>\$ (5,765,775)</b>
<b>Net loss attributable to:</b>					
Non-controlling interests		(209,173)	-	(401,111)	(125,708)
Owners of Tokens.com		(692,444)	(11,885,782)	(477,682)	(7,714,525)
		<b>(901,617)</b>	<b>(11,885,782)</b>	<b>(878,793)</b>	<b>(7,840,233)</b>
<b>Total comprehensive income (loss) attributable to:</b>					
Non-controlling interests		496,001	-	1,035,939	(125,708)
Owners of Tokens.com		(692,444)	(11,885,782)	(477,682)	(5,640,067)
		<b>(196,443)</b>	<b>(11,885,782)</b>	<b>558,257</b>	<b>(5,765,775)</b>
<b>Loss per share</b>					
Basic and diluted		\$ (0.01)	\$ (0.12)	\$ -	\$ (0.11)
<b>Weighted average number of shares outstanding</b>					
Basic and diluted		103,579,763	96,711,975	99,703,985	66,649,114

**TOKENS.COM CORP.**

**Unaudited Condensed Consolidated Interim Statements of Changes in Equity**

(Expressed in United States Dollars, except for share amounts)

<i>For the nine months ended</i>			Accumulated other		Total attributable to			
<i>June 30, 2022</i>	Number of shares	Share capital	Contributed surplus	comprehensive income	Accumulated deficit	owners of parents	Non-controlling interests	Total
<b>Balance, September 30, 2021</b>	<b>75,160,025</b>	<b>\$ 21,104,074</b>	<b>\$ 1,413,383</b>	<b>\$ 2,344,887</b>	<b>\$ (4,690,115)</b>	<b>\$ 20,172,229</b>	<b>\$ -</b>	<b>\$ 20,172,229</b>
Net income (loss)	-	-	-	-	4,171,256	4,171,256	(125,708)	4,045,548
Other comprehensive income	-	-	-	2,074,458	-	2,074,458	-	2,074,458
<b>Total comprehensive loss</b>	<b>75,160,025</b>	<b>21,104,074</b>	<b>1,413,383</b>	<b>4,419,345</b>	<b>(518,859)</b>	<b>26,417,943</b>	<b>(125,708)</b>	<b>26,292,235</b>
<b>Other equity movements</b>								
Shares issued - settlement of trade payable	11,300	18,045	-	-	-	18,045	-	18,045
Shares issued on exercise of warrants	1,447,474	1,592,373	(557,980)	-	-	1,034,393	-	1,034,393
Shares issued on exercise of options	446,260	2,460	-	-	-	2,460	-	2,460
Shares issued for settlements of RSUs	65,000	131,198	-	-	-	131,198	-	131,198
Shares issued for investment	2,000,000	1,337,528	-	-	-	1,337,528	-	1,337,528
Shares issued for private placement	17,777,900	1,372,519	-	-	-	1,372,519	-	1,372,519
Share issue costs - broker units & warrants	-	(2,402,783)	2,402,783	-	-	-	-	-
Share issue costs - cash	-	(110,924)	-	-	-	(110,924)	-	(110,924)
Share based payments	-	-	(580,573)	-	-	(580,573)	156,919	(423,654)
Revaluation of digital assets	-	-	-	(1,208,693)	-	(1,208,693)	18,426	(1,190,267)
Business combination	-	-	-	-	-	-	1,573,761	1,573,761
Non-controlling interest transactions	-	-	-	-	840,145	840,145	3,192,908	4,033,053
<b>Balance, June 30, 2022</b>	<b>96,907,959</b>	<b>\$ 23,044,490</b>	<b>\$ 2,677,613</b>	<b>\$ 3,210,652</b>	<b>\$ 321,286</b>	<b>\$ 29,254,041</b>	<b>\$ 4,816,306</b>	<b>\$ 34,070,347</b>

<i>For the nine months ended</i>			Accumulated other		Total attributable to			
<i>June 30, 2023</i>	Number of shares	Share capital	Contributed surplus	comprehensive income	Accumulated deficit	owners of parents	Non-controlling interests	Total
<b>Balance, September 30, 2022</b>	<b>97,926,757</b>	<b>\$ 22,179,575</b>	<b>\$ 3,150,241</b>	<b>\$ 909,574</b>	<b>\$ (11,357,087)</b>	<b>\$ 14,882,303</b>	<b>\$ 3,211,014</b>	<b>\$ 18,093,317</b>
Net loss	-	-	-	-	(477,682)	(477,682)	(401,111)	(878,793)
Other comprehensive income	-	-	-	-	1,437,050	1,437,050	-	1,437,050
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>959,368</b>	<b>959,368</b>	<b>(401,111)</b>	<b>558,257</b>
<b>Other equity movements</b>								
Share based payments	-	-	222,610	-	-	222,610	-	222,610
Share issued for investment	20,576,941	3,184,986	-	-	-	3,184,986	(3,768,586)	(583,600)
Non-controlling interest transactions	-	-	-	-	-	-	1,038,984	1,038,984
<b>Balance, June 30, 2023</b>	<b>118,503,698</b>	<b>\$ 25,364,561</b>	<b>\$ 3,372,851</b>	<b>\$ 909,574</b>	<b>\$ (10,397,720)</b>	<b>\$ 19,249,266</b>	<b>\$ 80,301</b>	<b>\$ 19,329,567</b>

**TOKENS.COM CORP.****Unaudited Condensed Consolidated Interim Statements of Cash Flows**

(Expressed in United States Dollars)

<i>For the nine months ended June 30</i>	Note		2023
<b>Cash provided by (used in):</b>			
<b>Operating activities:</b>			
Net loss		\$	(878,793)
Change in non-cash operating items:			
Staking revenue	13		(181,963)
Gaming revenue	13		(4,400)
Sales of digital assets	5		1,158,238
Purchase of digital assets	5		(96,975)
Loss on sale of digital assets	5		90,552
Gain on revaluation of digital assets	5		(1,467,636)
Share based payments			202,760
Gain on revaluation of contingency consideration			(29,964)
Loss on revaluation of warrant liability			2,603
Foreign exchange gain			(89,348)
			(1,294,926)
Net change in working capital	15		337,838
Interest received - cash			15,283
<b>Net cash used in operating activities</b>			
			(941,805)
<b>Investing activities</b>			
Investment in associates			(340,995)
<b>Net cash used in investing activities</b>			
			(340,995)
<b>Financing activities</b>			
Repayment of loan			(350,000)
<b>Net cash used in financing activities</b>			
			(350,000)
Decrease in cash			
			(1,632,800)
Cash, beginning of period			
			5,837,573
FX movement on cash			
			77,137
<b>Cash, end of period</b>			
		\$	4,281,910

## **TOKENS.COM CORP.**

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended June 30, 2023 and 2022

(Expressed in United States Dollars)

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### **1. NATURE OF OPERATIONS**

Tokens.com Corp. (the “Company” or “COIN”) was incorporated on April 7, 1998 under the laws of British Columbia. The registered office is located at Suite 3200, 40 Temperance St, Toronto, Ontario Canada M5H 0B4. The Company’s common shares are traded on the NEO Exchange under the symbol COIN, in addition to the OTCQB Exchange under the symbol “SMURF”, and the Frankfurt Exchange under the symbol “76M”.

The Company operates the technology that secures next generation blockchain networks through Proof-of-Stake technology (see “Proof-of-Stake”) that supports the growth of decentralized finance applications (which are built on top of blockchains).

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION**

#### **a) Statement of Compliance**

These unaudited interim condensed consolidated financial statements (“interim financial statements”) have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting. Certain information and note disclosures normally included the audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed. These interim financial statements should be read in conjunction with the Company’s September 30, 2022 audited consolidated financial statements.

These interim financial statements were approved and authorized for issue by the Board of Directors on August 3, 2023.

#### **b) Basis of Presentation and accounting changes**

These interim financial statements have been prepared on the historical cost basis, with the exception of items that IFRS requires to be carried at fair value. All amounts are presented in United States Dollars (“USD”), unless otherwise stated.

These interim condensed consolidated financial statements include the financial statements of the Company and all entities in which the Company has a controlling interest. All significant intercompany transactions and balances are eliminated upon consolidation.

IFRS does not currently provide specific guidance to address many aspects of the digital currencies business. The Company is required to make judgments as to the application of IFRS and the selection of its accounting policies. The Company has disclosed its presentation, recognition and derecognition, and measurement of digital currencies, and the recognition of revenue as well as significant assumptions and judgments. However, if specific guidance is enacted by the IASB in the future, the impact may result in changes to the Company’s earnings and financial position as presented.

The preparation of these interim financial statements requires management to make judgments, estimates and assumptions that affect reported amounts. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities in future periods. Actual results may differ from these estimates.

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**c) Business combinations**

The Company accounts for business combinations using the acquisition method of accounting upon gaining control of an acquired business. Goodwill is calculated as the fair value of consideration paid at the date of acquisition less the fair value of identifiable assets acquired and liabilities assumed as of the acquisition date, net of non-controlling interests.

**d) Consolidation**

These interim financial statements include the financial statements of the Company, its wholly-owned subsidiaries, Tokens.com Capital Corp. and Metaverse Group Ltd., in addition to the financial statements of Hulk Labs Corp. which, as at June 30, 2023, the Company held a 93.6% (September 30, 2022 – 93.6%) ownership. All intercompany transactions and balances are eliminated upon consolidation.

**3. SELECTED SIGNIFICANT ACCOUNTING POLICIES****a) Revenue**

The Company uses Proof-of-Stake (“PoS”) technology to provide blockchain verification services (the “Services”) to selected blockchain networks in order to earn staking rewards (also referred to as staking yields) for its shareholders. The staking yields are based on a predetermined formula, specific to each blockchain network, and to the timing of the Services. As consideration for these Services, the Company receives digital currency from each specific network in which it participates. Revenue is recorded as staking yields are earned and measured based on the fair value of the digital currency received or receivable. The fair value is determined using the spot price based on the hourly volume weighted average from www.coinbase.com on the date the tokens are earned. The Company also, from time to time, provides consulting services. As consideration for these consulting services, the Company may receive fiat or digital currency dependent upon the nature of the agreement. Consulting fees are recognized as the consulting services are provided to customers over the term of the consulting contract.

The Company’s subsidiary, Metaverse Group Ltd (“MGL”), earns leasing revenue from the rental of its digital land assets. This is a fiat fee to occupy the digital space owned by MGL. The Company recognizes revenue progressively over the term of the rental contracts. MGL also generates revenue by assisting and providing advisory services to potential clients to develop their metaverse strategies. The Company recognizes revenue at the time of the completion of each client’s project. Unfinished projects at the end of reporting period are recorded as work-in-progress and payments collected in advance are recorded as deferred revenue.

**b) Digital assets**

Digital assets meet the definition of intangible assets in IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. Cryptocurrencies are initially recorded at the fair value on both the acquisition date and the date earned as revenue, and the revaluation method is used to measure the digital assets subsequently. Under the revaluation method, increases in fair value are recorded in other comprehensive income, while decreases are recorded in profit or loss. The Company revalues its digital assets at the end of each of its three interim financial reporting periods and at its annual financial reporting period end date. There is no recycling of gains from other comprehensive income to profit or loss. However, to the extent that an increase in fair value reverses a previous decrease in fair value that has been recorded in profit or loss, that increase is recorded in profit or loss. Decreases in fair value that reverse gains previously recorded in other comprehensive income are recorded in other comprehensive income.

**TOKENS.COM CORP.**

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Digital assets consisting of cryptocurrency denominated assets are measured at fair value using the quoted price on [www.coinmarketcap.com](http://www.coinmarketcap.com). Management considers this fair value to be a Level 2 input under IFRS 13 Fair Value Measurement fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges. These assets are valued based on the closing price obtained from [www.coinmarketcap.com](http://www.coinmarketcap.com) at the reporting period corresponding to the different assets held by the Company.

Digital assets consisting of non-fungible token denominated assets are measured at cost less impairment losses. These non-fungible tokens are considered to have indefinite lives, and therefore are not amortized but are tested for impairment at the Company's annual financial reporting period end date.

All digital assets, consisting of both cryptocurrency and non-fungible token denominated, are classified as non-current.

**c) Intangible assets**

Intangible assets with indefinite lives are not amortized and are tested for impairment at its annual financial reporting period end date.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses.

**d) Financial instruments**

## Classification and Measurement

Financial assets and financial liabilities are initially measured at fair value, adjusted for transaction costs where applicable, and are subsequently accounted for based on their classification as described below. The classification depends on both the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

## Financial Assets

All financial assets are initially recorded at fair value and classified upon inception into one of the following categories: amortized cost, fair value through profit or loss, or fair value through other comprehensive income.

In the periods presented, the Company does not have any financial assets categorized in fair value through profit or loss, or fair value through other comprehensive income.

## Amortized cost

Financial assets are measured at amortized cost if both the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". The Company's financial assets measured at amortized cost comprise cash. Due to their short-term nature, the carrying value of cash approximates their fair value.

Accounts receivables and other are classified as financial assets at amortized cost.

IFRS 9's impairment requirements use forward-looking information to recognize expected credit-losses – the expected credit loss (ECL) model'. The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that

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affect the expected collectability of the future cash flows of the instrument. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**Financial Liabilities**

Financial liabilities are accounted for at amortized cost using the effective interest rate method. Accounts payable, accrued liabilities and loan payable, except DSU liability and contingent consideration are classified as financial liabilities at amortized cost. Transaction costs are included in the underlying balance.

DSU liability and contingent consideration are at fair value through profit or loss.

All interest-related charges that are reported in profit or loss are included within finance expenses or finance income.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

**4. ACCOUNTS RECEIVABLE AND OTHER**

	<b>June 30, 2023</b>	<b>September 30, 2022</b>
Accounts receivable	\$ 94,603	\$ 282,393
Prepaid expenses	37,750	74,940
Deposit	25,285	25,285
	<b>\$ 157,638</b>	<b>\$ 382,618</b>

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**5. DIGITAL ASSETS**

Details of the Company's holdings of digital assets consisted of:

Cryptocurrency	June 30, 2023		September 30, 2022	
	Holdings	Fair Value	Holdings	Fair Value
Ethereum <sup>(i)</sup>	3,314	\$ 6,398,403	3,177	\$ 4,217,831
Polkadot	207,481	1,073,030	302,492	1,911,748
Solana <sup>(ii)</sup>	18,056	341,249	18,326	608,589
Others	n/a	87,384	n/a	574,510
		\$ 7,900,066		\$ 7,312,678

(i) 340 tokens held by Genesis Global Capital, LCC as collateral for a loan facility (See Note 9)

(ii) 18,000 tokens held by Genesis Global Capital, LCC as collateral for a loan facility (See Note 9)

Non-fungible tokens	June 30, 2023		September 30, 2022	
	Cost less impairment losses		Cost less impairment losses	
Decentraland	\$ 2,394,048		\$ 2,394,048	
Sandbox	254,243		254,243	
Somnium	57,906		57,906	
Others	46,879		132,083	
	\$ 2,753,076		\$ 2,838,280	

Digital asset activities have consisted of:

	Cryptocurrency	NFT's	Total
<b>Balance, December 31, 2021</b>	\$ 25,174,634	\$ 5,259,678	\$ 30,434,312
Digital assets acquired	4,643,293	1,884,651	6,527,944
Digital assets acquired by share issuance	-	156,706	156,706
Digital assets sold	(4,165,440)	-	(4,165,440)
Digital assets sold for investment purchase	(25,285)	(725,995)	(751,280)
Digital assets received from loan	1,000,000	-	1,000,000
Digital assets used for repayment of loan	(525,000)	-	(525,000)
Digital assets earned from staking and gaming	557,385	-	557,385
Gain (loss) on disposal	(1,742,696)	53,273	(1,689,423)
Revaluation of digital assets	(17,604,213)	-	(17,604,213)
Impairment of digital assets	-	(3,790,033)	(3,790,033)
<b>Balance, September 30, 2022</b>	\$ 7,312,678	\$ 2,838,280	\$ 10,150,958
Digital assets acquired <sup>(1)</sup>	96,975	-	96,975
Digital assets sold <sup>(1)</sup>	(1,061,263)	(96,975)	(1,158,238)
Digital assets earned from staking and gaming <sup>(1)</sup>	186,363	-	186,363
Gain (loss) on sale of digital assets <sup>(1)</sup>	(102,323)	11,771	(90,552)
Revaluation of digital assets <sup>(1)</sup>	1,467,636	-	1,467,636
<b>Balance, June 30, 2023</b>	\$ 7,900,066	\$ 2,753,076	\$ 10,653,142

<sup>(1)</sup> Cryptocurrencies held are revalued at each reporting period based on the fair market value on the reporting date. As at June 30, 2023, based on the price of the cryptocurrencies, the total revaluation is a gain of \$1,467,636 (June 30, 2022 – loss of \$15,595,210). During the nine months ended June 30, 2023, the Company sold digital assets for considerations totaling \$1,067,686 with a carrying value of \$1,158,238 and recorded a realized loss of \$90,552 (June 30, 2022 – \$445,829).

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For the three and nine months ended June 30, 2023 and 2022

(Expressed in United States Dollars)

**6. BUSINESS COMBINATIONS****ACQUISITION OF 2839950 ONTARIO INC.**

On July 13, 2022, the Company purchased 2839950 Ontario Inc. (“Playte”), a company with existing product roadmap and certain important existing contracts that complement the Company’s subsidiary Hulk Labs Corps’ play-to-earn gaming operation. By acquiring the key assets of Playte, the Company is considered to have obtained control of its operation.

The transaction has been accounted for by the Company as a business combination under IFRS 3 *Business Combinations* and has consolidated Playte in these consolidated financial statements and recognized non-controlling interests accordingly.

The detail of the business combination is as follows:

**Fair value of consideration transferred:**

Amount settled in equity	\$ 307,226
Contingency consideration	<u>271,395</u>
Total	578,621

**Recognized amounts of identifiable net assets:**

Digital assets	<u>\$ 883</u>
Total identifiable net assets	\$ 883

**Goodwill recognized** \$ 577,738

Contingency consideration represents the possible future considerations that the Company may need to satisfy by issuing additional common shares and common shares of Hulk Labs Corp. as part of the Playte acquisition. The considerations depend on the successful launch of Hulk Labs’ operating software and also meeting certain revenue targets. The contingency consideration is considered a financial liability and is recognized and subsequently re-measured based on the share price of the Company.

Goodwill represents the excess of digital asset fair market values above cost in addition to the management expertise obtained through the acquisition and the underlying ability to generate future revenues from these assets.

Goodwill is expected to be deductible for tax purposes as purchase price allocation is finalized in future period.

As at June 30, 2023, the purchase price allocation is preliminary. The fair values outlined above are provisional and subject to revision as a result of information discovered after acquisition date that relates to events and conditions at the acquisition date. The period when such revisions may be made is not more than 12 months from the date of the acquisition. Any such revisions made could be material. In particular, the identification and valuation of intangible assets are provisional.

**TOKENS.COM CORP.**

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For the three and nine months ended June 30, 2023 and 2022

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**6. BUSINESS COMBINATIONS (continued)**ACQUISITION OF CocoNFT Technology Inc.

On December 15, 2022, the Company's subsidiary, Metaverse Group, acquired CocoNFT Technology Inc. ("CocoNFT"), a company with existing software and intellectual properties to allow for its users to convert social media posts into NFTs. By acquiring all outstanding shares of CocoNFT, Metaverse Group is deemed to have obtained control of its operation.

The transaction has been accounted for by Metaverse Group as a business combination under IFRS 3 *Business Combinations*. The Company has consolidated CocoNFT, through the consolidation of Metaverse Group, in these consolidated financial statements and recognized non-controlling interests accordingly.

The detail of the business combination is as follows:

**Fair value of consideration transferred:**

Amount settled in equity	\$ 1,767,788
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**Recognized amounts of identifiable net assets:**

Intangible assets (software, licences, trademarks)	<u>\$ 500,000</u>
Total identifiable net assets	<u>\$ 500,000</u>

<b>Goodwill recognized</b>	<u>\$ 1,267,788</u>
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Goodwill represents the excess of digital asset fair market values above cost in addition to the management expertise obtained through the acquisition and the underlying ability to generate future revenues from these assets.

Goodwill is expected to be deductible for tax purposes as purchase price allocation is finalized in future period.

As at June 30, 2023, the purchase price allocation is preliminary. The fair values outlined above are provisional and subject to revision as a result of information discovered after acquisition date that relates to events and conditions at the acquisition date. The period when such revisions may be made is not more than 12 months from the date of the acquisition. Any such revisions made could be material. In particular, the identification and valuation of intangible assets are provisional.

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**7. INTANGIBLE ASSETS AND GOODWILL**

Intangible assets are comprised of domain names and other intellectual properties purchased by the Company and its subsidiaries, and goodwill arisen from business combination transactions.

	Intangible assets	Goodwill	Total
<b>Gross carrying amount</b>			
Balance at September 30, 2022	\$ 1,603,005	\$ 1,695,723	\$ 3,298,728
Addition	500,000	1,267,788	1,767,788
<b>Balance at June 30, 2023</b>	<b>\$ 2,103,005</b>	<b>\$ 2,963,511</b>	<b>\$ 5,066,516</b>

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	June 30, 2023	September 30, 2022
Accounts payable and accrued liabilities	\$ 730,740	\$ 548,466
DSU liability	97,717	120,639
Contingency consideration	196,907	226,871
Deferred revenue	40,000	155,700
	<b>\$ 1,065,364</b>	<b>\$ 1,051,676</b>

**9. LOAN PAYABLE**

On January 18, 2022, the Company drew down a total of \$1,000,000 in USDC on an open loan facility with Genesis Global Capital, LLC (“Genesis”) incurring interest of 11.00% (December 31, 2021 – nil). On May 12, 2022, the Company made a principal repayment of \$525,000 in USDC. During the nine months ended June 30, 2023, the Company made several additional repayments totaling \$350,000 in cash.

As at June 30, 2023, 340 Ethereum and 18,000 Solana tokens were held by Genesis as collateral for the loan facility (See Note 5).

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**10. EQUITY****a) Common shares**

<b>Tokens.com Corp.</b>	<b>Number of shares</b>	<b>Amount</b>
<b>Balance, January 1, 2022</b>	<b>96,461,879</b>	<b>\$ 22,585,641</b>
Shares issued on debt conversion	11,300	18,044
Shares issued on exercise of warrants	434,780	440,804
Shares issued on exercise of options	18,798	12,892
Shares issued for investment	1,000,000	307,226
Deferred tax asset reversal	-	(1,185,032)
<b>Balance, September 30, 2022</b>	<b>97,926,725</b>	<b>\$ 22,179,575</b>
Shares issued for investment	20,576,941	3,184,986
<b>Balance, June 30, 2023</b>	<b>118,503,666</b>	<b>\$ 25,364,561</b>

**b) Stock Options**

Details of stock option transactions are as follows:

<b>Tokens.com Corp.</b>	<b>Number of options</b>	<b>Weighted average exercise price of options</b>
<b>Outstanding, December 31, 2021</b>	<b>1,440,348</b>	<b>\$ 0.35</b>
Cancelled	(225,000)	(1.90)
Exercised	(18,798)	(0.08)
Granted	687,500	0.84
<b>Outstanding, September 30, 2022</b>	<b>1,884,050</b>	<b>\$ 0.19</b>
Cancelled	(325,000)	(0.46)
<b>Outstanding, June 30, 2023</b>	<b>1,559,050</b>	<b>\$ 0.19</b>

The fair value of share price at the time of exercise ranged between \$0.17 (CA\$0.23) and \$2.36 (CA\$3.02)

The following table summarizes the information regarding Tokens stock options outstanding as at June 30, 2023:

<b>Exercise price per share</b>	<b>Number outstanding</b>	<b>Number exercisable</b>	<b>Weighted average exercise price</b>	<b>Weighted average life</b>
CA\$0.45	462,500	137,500	CA\$0.45	3.50
US\$0.08	1,096,550	626,600	US\$0.08	7.42
	1,884,050	156,650	US\$0.08	5.13

For the three and nine months ended June 30, 2023, the Company recorded share-based compensation expense of \$60,084 and \$222,595 (three and nine months ended June 30, 2022 - \$89,009 and \$235,152, respectively) pertaining to stock options, respectively.

**TOKENS.COM CORP.**

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**Metaverse Group Ltd.**

	<b>Number of options</b>	<b>Weighted average exercise price of options</b>
Outstanding, September 30, 2022 and June 30, 2023	5,900,000	\$ 0.10

The following table summarizes the information regarding Metaverse stock options outstanding as at June 30, 2023:

<b>Exercise price per share</b>	<b>Number outstanding</b>	<b>Number exercisable</b>	<b>Weighted average exercise price</b>	<b>Weighted average life</b>
CA\$0.09	5,500,000	5,500,000	CA\$0.09	3.63
CA\$0.22	400,000	400,000	CA\$0.22	3.68
	5,900,000	5,900,000	CA\$0.09	3.63

For the three and nine months ended June 30, 2023, Metaverse Group Ltd. recorded share-based compensation expense of \$9,933 (three and nine months ended June 30, 2022 - \$92,092) pertaining to stock options.

**Hulk Labs Corp.**

	<b>Number of options</b>	<b>Weighted average exercise price of options</b>
Granted and outstanding, June 30, 2023	1,600,000	\$ 0.02

The following table summarizes the information regarding Hulk Labs stock options outstanding as at June 30, 2023:

<b>Exercise price per share</b>	<b>Number outstanding</b>	<b>Number exercisable</b>	<b>Weighted average life</b>
CA\$0.03	1,600,000	-	4.00
	1,600,000	-	4.00

For the three and nine months ended June 30, 2023, Hulk Labs Corp. recorded share-based compensation expense of \$2,693 and \$13,154 (for the same periods ended June 30, 2022 - \$nil) pertaining to stock options.

**c) Deferred Share Units (“DSU’s”)**

As at June 30, 2023, the Company had a total of 1,902,540 DSU’s (September 30, 2022 – 736,000 RSU’s) outstanding and had recorded a liability at fair value of \$97,717 (September 30, 2022 - \$120,639) related to DSU’s included within accounts payable and accrued liabilities.

**TOKENS.COM CORP.**

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the three and nine months ended June 30, 2023 and 2022

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**11. RISK MANAGEMENT**

The Company's financial instruments are exposed to the following financial risks:

**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. Financial instruments which are potentially subject to credit risk for the Company consist of cash.

The Company has credit exposure relating to accounts receivable and other of \$157,638 (September 30, 2022 - \$382,618). The expected credit loss is not significant.

The carrying amount of financial assets represents the maximum credit exposure. The Company has credit exposure at June 30, 2023 relating to cash of \$4,281,910 (September 30, 2022 - \$5,837,573). All cash is held at a Canadian chartered bank.

**Currency risk**

The Company generates all revenue in United States dollars but expenses are incurred in both U.S. and Canadian dollars, exposing the Company to fluctuations in earnings from volatility in foreign currency rates. The fluctuation in foreign currencies in relation to the United States dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of equity. Management however concludes the exposure to currency risk is not material and the Company does not utilize any financial instruments or cash management policies to mitigate such currency risks. As at June 30, 2023, the Company held \$1,960,039 (September 30, 2022 - \$3,412,889) denominated in Canadian dollars. A 10% change in the foreign exchange rate would result in an impact of \$196,004 (September 30, 2022 - \$341,289) on the Company's operations.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly with respect to ensuring the sufficiency of funds for working capital and commitments. The Company monitors the maturity dates of existing accounts payable and accrued liabilities, loans payable, and commitments to mitigate this risk. The Company manages company-wide cash projections centrally and regularly updates projections for changes in business and fluctuations cause in digital currency prices and exchange rates. The Company's financial liabilities are comprised of loan payable, accounts payable and accrued liabilities. As at June 30, 2023, loan payable, accounts payable and accrued liabilities of \$1,065,364 are expected to mature within one year (September 30, 2022 - accounts payable and accrued liabilities of \$1,051,676 expected to mature within one).

**Fair Value Risk**

Due to their short-term nature, the carrying value of cash, accounts receivable and other, loan payable, and accounts payable and accrued liabilities, approximate their fair value.

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**12. FAIR VALUE MEASUREMENT (continued)**

Non-financial assets and financial assets measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly;

Level 3: Inputs that are not based on observable market data.

<b>June 30, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Digital assets - cryptocurrency		7,900,066		7,900,066
Warrant liability		428,223		428,223
Contingent consideration		196,907		196,907
DSU liability	97,717			97,717

<b>September 30, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Digital assets - cryptocurrency		7,312,678		7,312,678
Warrant liability		425,620		425,620
Contingent consideration		226,871		226,871
DSU liability	120,639			120,639

**13. REVENUE**

<i>For the periods ended June 30</i>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Staking revenue	\$ 97,565	\$ 205,201	\$ 181,963	\$ 714,940
Consulting revenue	26,663	10,474	357,988	143,191
Leasing revenue	4,500	35,039	39,442	45,088
Gaming revenue	-	-	4,400	-
<b>Total revenue</b>	<b>\$ 128,728</b>	<b>\$ 250,714</b>	<b>\$ 583,793</b>	<b>\$ 903,219</b>

**14. OPERATING EXPENSES**

<i>For the periods ended June 30</i>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Cost of revenue	\$ 35,052	\$ 11,132	\$ 189,304	\$ 22,313
Management fees and salaries	130,368	137,432	356,404	620,667
General and administrative	269,020	155,626	626,552	252,828
Professional fees	586,346	169,094	1,368,213	1,301,474
Investor relations	95,048	151,202	178,526	1,301,028
Regulatory	14,682	87,243	49,903	227,590
Share-based payments	62,777	41,051	202,760	466,747
Listing expense	-	-	-	774,079
<b>Total operating expenses</b>	<b>\$ 1,193,293</b>	<b>\$ 752,780</b>	<b>\$ 2,971,662</b>	<b>\$ 4,966,726</b>

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**15. SUPPLEMENTARY CASH FLOW INFORMATION**

<i>For the nine months ended June 30</i>		<b>2023</b>
Accounts receivable	\$	<b>219,718</b>
Prepaid expenses		<b>(66,955)</b>
Accounts payable and accrued liabilities		<b>185,075</b>
	\$	<b>337,838</b>

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