ALSET CAPITAL INC.

FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Alset Capital Inc.

Opinion

We have audited the accompanying financial statements of Alset Capital Inc. (the "Company"), which comprise the statements of financial position as at September 30, 2023 and 2022, and the statements of operations and comprehensive loss, cash flows, and changes in shareholders' deficiency for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2023 and 2022, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred losses since its inception and does not currently have the financial resources to sustain operations in the long-term. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Stephen Hawkshaw.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

January 24, 2024

ALSET CAPITAL INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

AS AT SEPTEMBER 30,	2023	2022
ASSETS		
Current		
Cash	$ 147,656	$ 419,520
Accounts receivable	32,705	21,668
Prepaid expense	780	843
Loan receivable (Note 4)	50,000	-
	231,141	442,031
Deposit in investment in Cedarcross (Note 12)	210,000	-
	$ 441,141	$ 442,031
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities (Note 7)	$ 608,118	$ 431,675
Convertible debenture proceeds received in advance (Note 12)	45,000	-
Short-term loans payable (Note 5)	257,883	257,883
	911,001	689,558
Shareholders' deficiency		
Share capital (Note 6)	24,720,681	24,720,681
Reserves (Note 6)	499,971	499,971
Subscriptions received in advance (Note 6)	34,375	-
Deficit	(25,724,887)	(25,468,179)
	(469,860)	(247,527)
	$ 441,141	$ 442,031

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

Approved and authorized by the Board on January 24, 2024:

"Zelong He"	Director	*"Morgan Good"*	Director
Zelong He		Morgan Good	

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

ALSET CAPITAL INC.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

For the years ended September 30,	2023	2022
GENERAL EXPENSES		
Consulting and management fees (Note 7)	$ 96,119	$ 24,000
Office and miscellaneous	3,316	4,672
Investor relations	80,500	63,278
Professional fees	57,023	45,107
Transfer agent and filing fees	19,750	12,853
Loss before other items	(256,708)	(149,910)
OTHER ITEMS		
Gain on write-off of debts	-	928
Loss and comprehensive loss for the year	$ (256,708)	$ (148,982)
Basic and diluted loss per share	$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	13,155,972	12,313,458

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

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

For the years ended September 30,		2023		2022
CASH FROM OPERATING ACTIVITIES				
Loss for the year	$	(256,708)	$	(148,982)
Changes in non-cash working capital items:				
Accounts receivable		(11,037)		(7,924)
Prepaid expense		63		(843)
Accounts payable and accrued liabilities		176,443		(44,798)
Net cash used in operating activities		(91,239)		(202,547)
CASH FROM INVESTING ACTIVITY				
Deposit in equity investment funding		(210,000)		-
Net cash used in investing activities		(210,000)		-
CASH FROM FINANCING ACTIVITIES				
Private placement		-		750,003
Subscriptions received in advance		34,375		-
Convertible debenture proceeds received in advance		45,000		-
Loan payable		-		(77,357)
Loan receivable		(50,000)		-
Share issuance costs		-		(51,265)
Net cash provided by financing activities		29,375		621,381
Change in cash during the year		(271,864)		418,834
Cash, beginning of year		419,520		686
Cash, end of year	$	147,656	$	419,520

Supplemental disclosure with respect to cash flows (Note 8)

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

ALSET CAPITAL INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Expressed in Canadian Dollars)

	Share capital					
	Number	Amount	Reserves	Subscriptions received in advance	Deficit	Total
Balance at September 30, 2021	1,767,067	$ 22,761,972	$ 459,942	$ -	$ (25,319,197)	$ (2,097,283)
Private placement	4,166,683	750,003	-	-	-	750,003
Share issued for debt settlement	7,222,222	1,300,000	-	-	-	1,300,000
Share issuance costs, cash	-	(51,265)	-	-	-	(51,265)
Share issuance costs, non-cash	-	(40,029)	40,029	-	-	-
Loss for the year	-	-	-	-	(148,982)	(148,982)
Balance at September 30, 2022	13,155,972	24,720,681	499,971	-	(25,468,179)	(247,527)
Subscriptions received in advance	-	-	-	34,375	-	34,375
Loss for the year	-	-	-	-	(256,708)	(256,708)
Balance at September 30, 2023	13,155,972	$ 24,720,681	$ 499,971	34,375	$ (25,724,887)	$ (469,860)

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

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.H".

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 financial statements have been prepared in accordance with International Financial Reporting 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 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 financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation and consolidation

The financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these 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.

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.

Critical accounting judgments

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

3. SIGNIFICANT ACCOUNTING POLICIES

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, and stock options are classified as equity instruments.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payments. Otherwise, share-based payments are measured at the fair value of goods or services received.

If and when the stock options are exercised, the applicable amounts of reserves are transferred to share capital. When vested options are forfeited or not exercised at the expiry date the amount previously recognized in share-based payments is revised from reserves to deficit.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Income (loss) per share

Basic income (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted income (loss) per share is computed similar to basic income (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Income taxes

Income tax expense is comprised of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not provide for the excess.

Financial instruments

Recognition

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value.

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

i. those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
ii. those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows are generally measured at amortized cost at each subsequent reporting periods. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Financial instruments *(cont'd…)*

After initial recognition at fair value, financial instruments are classified and measured at either:

i) amortized cost;
ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or
iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

Cash, accounts receivable, loan receivable, accounts payable and accrued liabilities and short-term loans payable are carried at amortized cost.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

Derecognition

Financial assets are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire.

Financial liabilities are derecognized when, and only when, the Company's obligations are discharged, cancelled or they expire.

The Company assesses all information available, including on a forward-looking basis when estimating the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Financial Instruments Fair Value Disclosures

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the year and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) 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 (i.e., as prices) or indirectly (i.e., derived from prices); and

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd…)*

Financial instruments *(cont'd…)*

Financial Instruments Fair Value Disclosures (cont'd…)

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

4. LOAN RECEIVABLE

During the year ended September 30, 2023, the Company advanced $50,000 to Cedarcross International Technologies Inc. ("Cedarcross") (Note 12). The amount accrues interest at a rate of 1% per annum, is unsecured and is due on demand.

5. SHORT-TERM LOANS PAYABLE

The loans are non-interest bearing and due on demand.

During the year ended September 30, 2022, the Company issued 6,461,329 units to settle $1,163,040 in loans payable (Note 6). The Company also repaid $77,357 loans payable in cash.

Short-term loans payable		
Balance, September 30, 2021	$	1,498,280
Settlement in cash		(77,357)
Settlement in shares		(1,163,040)
Balance, September 30, 2022 and 2023	$	257,883

6. SHARE CAPITAL AND RESERVES

Authorized share capital

As at September 30, 2023, the authorized share capital of the Company is an unlimited number of common shares without par value.

Issued share capital

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 subsequent to September 30, 2023 (Note 12).

During the year ended September 30, 2022:

a) Closed a non-brokered private placement by issuing 4,166,683 units at a price of $0.18 per unit for gross proceeds of $750,003. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of $0.24 per common share for 12 months from the date of issuance. The warrants were valued at $nil.

   Pursuant to the private placement, the Company issued 266,680 non-transferable finder’s warrants exercisable at a price of $0.24 per common share for a period of 12 months from the date of issuance, paid cash of $48,002 as finders’ fees, and incurred other share issuance costs of $3,263. The warrants were valued at $40,029 based on the following Black-Scholes assumptions: risk-free interest rate of 0.98%, expected life of 1 year, annualized volatility of 204.82% and dividend rate of 0%.

b) Issued 7,222,222 units at a fair value of $1,300,000 to settle accounts payable of $136,960 and short-term loans payable of $1,163,040 (Note 5). Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of $0.24 per common share for 12 months from the date of issuance. The warrants were valued at $nil.

(Expressed in Canadian Dollars)

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

Stock options and share purchase warrants

Stock option and share purchase transactions are summarized as follows:

	Stock options		Warrants	
	Number of options	Weighted Average Exercise Price	Number of warrants	Weighted Average Exercise Price
Outstanding, September 30, 2021	3,750	$ 17.60	-	$ -
Expired/Cancelled	(3,750)	17.60	-	-
Grant	-	-	11,655,585	0.24
Outstanding, September 30, 2022	-	-	11,655,585	0.24
Expired/Cancelled	-	-	(11,655,585)	0.24
Outstanding and exercisable, September 30, 2023	-	$ -	-	$ -

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.

7. RELATED PARTY TRANSACTIONS

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

During the year ended September 30, 2023, the Company paid or accrued management fees of $28,500 (2022 - $24,000) to a company that employs the CFO of the Company and has loans payable of $169,860 (2022 - $169,860) to the same company. The loans are non-interest bearing and due on demand.

During the year ended September 30, 2023, the Company paid or accrued consulting fees of $35,000 (2022 - $nil) to a company owned by the CEO of the Company.

As at September 30, 2023, $72,975 (2022 - $21,525) is due to related parties and former related parties and included in accounts payable and accrued liabilities.

During the year ended September 30, 2022, the Company issued 167,500 common shares to settle $3,189 accounts payable and $26,961 in short-term loans payable due to the former CFO of the Company.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no material non-cash transactions during the year ended September 30, 2023.

Significant non-cash transactions for the year ended September 30, 2022 included:

a) 7,222,222 common shares issued to settle accounts payable of $136,960 and short-term loan payable of $1,163,040.
b) 266,680 broker warrants issued as share issuance costs of $40,029.

9. 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 year ended September 30, 2023.

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

10. 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.

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.

Liquidity risk

The Company's approach to managing liquidity risk is to try and have sufficient liquidity to meet liabilities when due. As at September 30, 2023, the Company had a cash balance of $147,656 (2022 - $419,520) to settle current liabilities of $911,001 (2022 - $689,558). 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.

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

Financial risk factors *(cont'd…)*

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 September 30, 2023, the Company did not have any investments in investment-grade short-term deposit certificates.

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.

(Expressed in Canadian Dollars)

11. INCOME TAXES

Following is a reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax recovery.

A reconciliation of income taxes at statutory rates is as follows:

	2023	2022
Loss for the year before income tax	$ (256,708)	$ (148,982)
Expected income tax (recovery)	$ (69,000)	$ (40,000)
Impact of future income tax rates applied versus current statutory rate and other	2,000	-
Adjustment to prior year's provision versus statutory tax returns	(26,000)	-
Share issue costs	-	(14,000)
Change in unrecognized deductible temporary differences	93,000	54,000
Total income tax (recovery)	$ -	$ -

The significant components of the Company's deferred tax assets which have not been set up are as follows:

	2023	2022
Deferred tax assets (liabilities)		
Exploration and evaluation assets	$ 383,000	$ 383,000
Allowable capital losses	95,000	95,000
Property and equipment	9,000	9,000
Share issue costs	8,000	11,000
Non-capital losses available for future period	1,739,000	1,643,000
	2,234,000	2,141,000
Unrecognized deferred tax assets	(2,234,000)	(2,141,000)
Net deferred tax assets	$ -	$ -

Tax losses carried forward are as follows:

	2023	Expiry date range	2022	Expiry date range
Exploration and evaluation assets	$ 1,395,000	No expiry date	$ 1,395,000	No expiry date
Property and equipment	34,000	No expiry date	34,000	No expiry date
Allowable capital losses	352,000	No expiry date	352,000	No expiry date
Share issue costs	31,000	2041-2046	41,000	2041-2045
Investment tax credit	9,000	2031	9,000	2031
Non-capital losses available for future periods	6,442,000	2027-2043	6,084,000	2027-2042

12. SUBSEQUENT EVENTS

Subsequent to the year ended September 30, 2023, the Company:

Acquired 490,000 common shares of Cedarcross, equal to a 49% ownership in consideration of $210,000.

Completed a non-brokered private placement of 13,112,497 units, at a price of $0.03 per unit (each a “Unit”), for gross proceeds of $393,375 (the “Unit Offering”). Each unit consisted of one common share and one share purchase warrant. Each whole warrant entitles the holder to purchase a common share at a price of $0.05 per share until November 28, 2024. No finders’ fees were payable in connection with the private placement. The Company received $34,375 in advance of the closing of the private placement during the year ended September 30, 2023 (Note 6).

Concurrent with the Unit Offering, the Company completed the offering of unsecured convertible debentures (the “Debentures”) in aggregate principal of $188,000. Each Debenture consists of $1,000 in principal and is convertible into units (each, a “Debenture Unit”), at a conversion price of $0.05 per Debenture Unit. Each Debenture Unit consists of one common share and one share purchase warrant (each, a “Debenture Warrant”). Each Debenture Warrant entitles the holder to acquire an additional common share (each, a “Debenture Warrant Share”) at a price of $0.05 per Debenture Warrant Share until November 28, 2024. The Debentures will mature on the first anniversary of the date of issuance and bear interest at a rate of 24% per annum, commencing on the date of issuance. The Company received $45,000 in advance of the closing of the financing during the year ended September 30, 2023.

Entered into a share exchange agreement (the “Agreement”) between Vertex AI Ventures Inc. (“Vertex”) and the shareholders of Vertex, pursuant to which the Company will acquire 49% of the current issued and outstanding common shares in the capital of Vertex (“Vertex Interest”). As consideration for the Vertex Interest, the Company will issue an aggregate of 12,000,000 common share in the capital of the Company (the “Payment Shares”). Completion of the proposed transaction is subject to a number of conditions, including but not limited to, TSX-V, including the NEX Board (collectively, the “Exchange”) acceptance. There can be no assurance that the transaction will be completed as proposed or at all.