

CYPHER METaverse INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE THREE-MONTH PERIOD ENDED
MARCH 31, 2023

(Expressed in Canadian Dollars)

Cypher Metaverse Inc.

Condensed Consolidated Interim Balance Sheets

(Expressed in Canadian Dollars)

		(Unaudited) March 31, 2023	(Audited) December 31, 2022
	Note	\$	\$
ASSETS			
Current			
Cash		1,407,401	1,857,007
Receivables		3,648	3,648
Prepaid expenses		53,114	54,367
Digital assets	4	299,100	176,473
		1,763,263	2,091,495
Non-Current			
Non-fungible tokens	4	32,384	32,384
Long term investments	7	-	34,854
Total assets		1,795,647	2,158,733
LIABILITIES AND EQUITY			
Current			
Accounts payable and accrued liabilities	8	53,210	91,337
Equity			
Share capital	9	31,900,586	31,900,586
Contributed surplus	9	7,834,752	7,834,752
Subscriptions received	9,13	50,060	-
Deficit		(38,042,961)	(37,667,942)
Total equity attributed to shareholders of the Company		1,742,437	2,067,396
Non-controlling interest		-	-
Total Equity		1,742,437	2,067,396
Total liabilities and equity		1,795,647	2,158,733

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

Approved for issuance by the Board of Directors on May 24, 2023:

"George Tsafalas" - Director"Brian Keane" - Director

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

Cypher Metaverse Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

		Three Months Ended March 31, 2023	Three Months Ended (Restated - Note 14) March 31, 2022
	Note	\$	\$
Revenue			
Digital assets mined		-	29,310
Cost of revenues			
Site operating costs		-	12,536
Depreciation		-	15,609
Gross profit		-	1,165
Revaluation of digital assets	4	122,627	(38,654)
Realized loss on sale of digital assets	4	-	(18,797)
		122,627	(56,286)
Expenses			
Advertising and promotion		44,025	67,802
General and administrative		71,531	134,882
Professional fees		41,067	45,277
Regulatory and transfer agent		13,841	10,907
Management and consulting	8	300,697	416,600
Total expenses		471,161	675,468
Other Items			
Other income (expense)		8,369	477
Foreign exchange		-	(4,204)
Loss from investments in associates	5	-	(1,242)
Unrealized gain (loss) on long-term investments	7	(34,854)	(326,922)
Total other items		(26,485)	(331,891)
Net and comprehensive loss for the year		(375,019)	(1,063,645)
Loss per share			
Basic and diluted		(0.03)	(0.08)
Weighted average number of common shares			
Basic and diluted		14,697,906	13,639,073

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

Cypher Metaverse Inc.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended March 31, 2023	Three Months Ended (Restated - Note 14) March 31, 2022
	\$	\$
Operating activities		
Net loss for the period	(375,019)	(1,063,645)
Adjusted for:		
Depreciation	-	15,609
Loss from investments in associates	-	1,242
Unrealized (gain) loss on long-term investments	34,854	326,922
Changes in non-cash working capital:		
Prepaid expenses and deposits	1,253	(84,931)
Digital assets	(122,627)	6,927
Accounts payable and accrued liabilities	(38,127)	(128,789)
Cash flows from operating activities	(499,666)	(926,665)
Financing activities		
Proceeds from private placements	-	1,102,500
Proceeds from exercise of warrants and options	-	33,750
Subscriptions received	50,060	-
Share issuance costs	-	(45,480)
Cash flows from financing activities	50,060	1,090,770
Change in cash	(449,606)	164,105
Cash, beginning of period	1,857,007	3,104,747
Cash, end of period	1,407,401	3,268,852
	March 31, 2023	March 31, 2022
Supplemental cash flow information		
	\$	\$
Fair value of warrants exercised	-	36,488

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

Cypher Metaverse Inc.
Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Number of common shares	Share Capital	Contributed surplus	Subscriptions received	Accumulated other comprehensive income	Non-controlling interest	Deficit	Total equity
		\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2021	13,077,906	30,846,304	7,798,264	-	(9,650)	10,460	(34,432,574)	4,212,804
Shares issued for private placements	1,575,000	1,102,500	-	-	-	-	-	1,102,500
Shares issued for warrants exercised	45,000	33,750	-	-	-	-	-	33,750
Finders' fees - cash	-	(45,480)	-	-	-	-	-	(45,480)
Finders' fees - warrants	-	(36,488)	36,488	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	(10,460)	10,460	-
Net and comprehensive loss for the period (Note 14)	-	-	-	-	-	-	(1,063,645)	(1,063,645)
Balance, March 31, 2022	14,697,906	31,900,586	7,834,752	-	(9,650)	-	(35,485,759)	4,239,929
Balance, December 31, 2022	14,697,906	31,900,586	7,834,752	-	-	-	(37,667,942)	2,067,396
Subscriptions received	-	-	-	50,060	-	-	-	50,060
Net and comprehensive loss for the period	-	-	-	-	-	-	(375,019)	(375,019)
Balance, March 31, 2023	14,697,906	31,900,586	7,834,752	50,060	-	-	(38,042,961)	1,742,437

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Cypher Metaverse Inc. (the "Company") was incorporated in British Columbia on February 19, 2009. The Company's registered address is 1780-355 Burrard Street, Vancouver, British Columbia, Canada. On March 15, 2022 the Company changed its name from Codebase Ventures Inc. to Cypher Metaverse Inc.

Shares of the Company are listed on the Canadian Securities Exchange ("CSE") under the symbol CODE, and are quoted on the Frankfurt Stock Exchange ("FWB") under the symbol C5B, and on the OTCQB under the symbol BKLLF.

The Company is a diversified investment company which holds cryptocurrencies and Non-Fungible Tokens ("NFTs").

The Company is also involved in the business of utilizing specialized equipment to solve complex computational problems to validate transactions on the Bitcoin blockchain. The Company receives Bitcoin in return for successful service. The Company's bit mining operations are currently on hold pending managements review of strategic alternatives which may include purchasing new hardware, pursuing proof of stake crypto asset based revenue models, or alternative investments.

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for at least the next twelve months. During the period ended March 31, 2023 the Company has incurred a net loss of \$375,019 (March 31, 2022 - \$1,110,992) and has an accumulated deficit of \$38,042,961 (December 31, 2022 - \$37,667,942). In addition, the Company has experienced negative cash flows from operations of \$499,666 (March 31, 2022 - \$926,662).

These events and conditions, create a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, identifying and acquiring businesses or assets, and generating profitable operations in the future. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

On December 14, 2022, the Company completed a consolidation of its common shares ("share consolidation") on the basis of one post-consolidation common share for every ten pre-consolidation common shares held (10-to-1). All references contained in these consolidated financial statements to issued and outstanding common shares, warrants, per share amounts, and exercise prices, have been retroactively restated to reflect the effect of the share consolidations.

The Company is in the business of crypto assets, many aspects of which are not specifically addressed by current IFRS guidance. IFRS does not currently provide specific guidance to address many aspects of the digital asset industry. 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 crypto assets, 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.

2. SIGNIFICANT ACCOUNTING POLICIES*Basis of Presentation*

The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting. The Company followed the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements of the Company as at and for the year ended December 31, 2022 (the “Annual Financial Statements”), which are available under the Company’s profile on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com. The Interim Financial Statements should be read in conjunction with the Annual Financial Statements, which were prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). In management’s opinion, the accompanying unaudited condensed interim consolidated financial statements contain all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company’s interim financial statements. The results for such periods are not necessarily indicative of the results to be expected for the full year.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain assets that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. These consolidated financial statements include the accounts of the Company, and its subsidiaries as follows:

Name of subsidiary	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
360 Blockchain USA Inc.	USA	100%	USD	Inactive
SV CryptoLab Inc.	USA	80%	USD	Inactive

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. The accounting policies of its subsidiaries are consistent with the accounting policies adopted by the Company. Both 360 Blockchain USA Inc. and SV CryptoLab Inc. were wound up during the year ended December 31, 2022.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currencies

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. The functional currency of 360 USA, and SV Crypto is the US dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate in effect at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in Statement of Loss and Comprehensive Loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss).

Subsidiaries

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at period-end rates; and
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations in each period are classified in the consolidated statement of comprehensive loss and the cumulative effect as at the period end is reported as accumulated other comprehensive loss. Cumulative differences are recognized in Statement of Loss and Comprehensive Loss in the period in which the operation is disposed of.

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 and 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 initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (Continued)

Classification and Measurement

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

- i) those to be measured subsequently at fair value, either through Statement of Loss and Comprehensive 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, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period, using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial instruments, or where appropriate, a shorter period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through Statement of Loss and Comprehensive Loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities 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.

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

The classification and measurement bases of the Company's financial instruments are as follows:

Financial Instrument	Classification
Cash	Amortized cost
Receivables	Amortized cost
Long-term investments	FVTPL
Accounts payable and accrued liabilities	Amortized cost

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 or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed within Statement of Loss and Comprehensive Loss in the period incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (Continued)

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

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

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Revenue Recognition – Digital assets mined

The Company recognizes revenue from the provision of transaction verification services within digital asset networks, commonly described as “crypto currency mining”. As consideration for these services, the Company receives digital assets from each specific cryptocurrency mining pool in which it participates. Revenue is measured based on the fair value of the digital assets received. The fair value is determined using the quoted price of the digital assets on the date of receipt. Management has exercised significant judgement in determining the completion stage for this revenue stream and examined various factors surrounding the nature of the Company’s operations and determined the stage of completion being the completion and addition of a block to a blockchain. Revaluation gains or losses, as well as gains or losses on the sale of coins for traditional (fiat) currencies from the exchange which the Company most frequently uses are included in consolidated statements of loss and comprehensive loss.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the production and mining of digital assets, management has exercised significant judgment in determining appropriate accounting treatment for the recognition of revenue. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which could result in a change in the Company’s financial position and earnings.

Digital Assets

Digital assets consist of cryptocurrency denominated assets and are included in current assets. Digital assets are initially recorded at cost, which is the fair value of the digital asset received. Subsequent to initial recognition, digital assets are carried at their fair value at each reporting date for revaluation gains and losses through the consolidated statement of loss and comprehensive loss as well as when digital currencies are exchanged or sold for traditional (fiat) currencies. Digital assets are measured at fair value using publicly available quoted prices from coingecko.com at average rate per closing reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-fungible tokens

Digital assets existing in the form of Non-fungible tokens meet the definition of intangible assets in accordance with IAS 38 Intangible Assets as they are identifiable non-monetary assets without physical substance. Non-fungible tokens are not amortized as they have indefinite useful life. Non-fungible tokens are tested for impairment at the Company's annual financial reporting period end date.

Non-monetary transactions

Where the Company is settling a liability for the purchase of goods and services where the price was established in a fiat currency, the difference between the liability settled and the fair value of the digital assets transferred is recognized as a gain or loss on settlement. Otherwise, the transaction is measured based on the fair value of the digital assets exchanged. Any difference between the fair value of the digital assets exchanged and the carrying amount of the digital assets is recognized in profit and loss.

Impairment

At the end of each reporting period the carrying amounts of the Company's non-monetary assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statements of loss and comprehensive loss in the period in which the impairment arises. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in Associates

The Company follows the equity method of accounting for its investments in associates in which it owns 50% or less and over which it exercises significant influence. Under this method, the Company includes in Statement of Loss and Comprehensive Loss its share of the net earnings or losses of the associate less dividends received, if any.

If management determines that the Company no longer has significant influence, it reclassifies the investment as a financial instrument measured at fair value, with any gain or loss recognized in the consolidated statements of loss and comprehensive loss.

Share Capital

Financial instruments issued by the Company are classified as equity only to the extent they do not meet the definition of a financial liability or financial asset. The Company's common shares, options and warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued as consideration for goods or services are measured at the fair value of the goods or services received unless that fair value cannot be estimated reliably. If the fair value of the goods or services cannot be estimated reliably, then the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the value of the common shares, based on the market value of the common shares on the date that the common shares are issued.

Equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. The proceeds received on unit financings are allocated between common shares and warrants that are part of units using the residual value method. The proceeds are allocated first to the common shares based on the market price at date of grant, with the residual value (if any) being assigned to the warrants and included in contributed surplus. Warrants that are issued as transaction costs are accounted for as share-based payments using an option pricing model.

Share Issue Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise, they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to the statement of loss and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share Capital

Share-based Payment Transactions

The Company offers equity-settled share-based payments to directors, officers, employees, and non-employees. Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are valued at the date the goods or services are received.

The fair value of instruments granted is measured using the Black-Scholes Option Pricing Model, considering the terms and conditions under which the instruments are granted. The fair value of the awards is adjusted by an estimate of the number of awards that are expected to vest as a result of non-market conditions. At each consolidated statement of financial position date, the Company revises its estimates of the number of options that are expected to vest based on the non-market conditions including the impact of the revision to original estimates, if any, with corresponding adjustments to equity.

Consideration received on the exercise of stock options and warrants is recorded as share capital and the related contributed surplus is transferred to share capital.

Earnings (Loss) per Share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is based on the weighted average number of common shares, stock options, and warrants outstanding at the beginning of or granted during the period, calculated using the treasury stock method. Under this method, the proceeds from the exercise of the options and warrants are assumed to be used to repurchase the Company's shares. The difference between the number of shares assumed purchased and the number of options and warrants assumed exercised is added to the actual number of shares outstanding to determine diluted shares outstanding for purposes of calculating diluted earnings per share. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive, in which case the diluted loss per share is equivalent to the basic loss per share.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Income tax expense is comprised of current and deferred tax components. Income tax is recognized in Statement of Loss and Comprehensive Loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the related tax is recognized in equity or other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the asset and liability method. Under this method, the Company calculates all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the period end date. Deferred tax is calculated based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply to the year of realization or settlement based on tax rates and laws enacted or substantively enacted at the period end date.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses and tax credits can be utilized. The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Significant Accounting Estimates and Judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant estimates include:

Revaluation of digital assets

Digital assets are measured at fair value using the quoted price on coingecko.com using average rate per closing reporting date. Coingecko.com is a pricing aggregator, as the principal market or most advantageous market is not always known. Management believes any price difference amongst the principal market and an aggregated price would be immaterial. 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 asset exchanges.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Estimates and Judgements (continued)

Non-fungible tokens

Non-fungible tokens are carried at their cost less accumulated amortization and impairment losses. Management uses estimates of similar digital properties to evaluate whether there is any impairment to these assets that require recording.

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments and derivative financial assets (e.g. investments in warrants). Option price models require the input of subjective assumptions including expected price volatility, interest rates and forfeiture rates. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Fair value of private company investments

Where the fair values of investments in private companies recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgement is required to establish fair value and this value may not be indicative of recoverable value.

3. ADOPTED AND UPCOMING ACCOUNTING PRONOUNCEMENTS

There were no new accounting standards or amendments that became effective during the period ended March 31, 2023, which had a material impact on the consolidated financial statements.

New accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either considered to be not applicable or are not expected to have a material impact on the Company's consolidated financial statements.

4. DIGITAL ASSETS

Digital assets are recorded at their fair value on the acquisition date or when they are received as revenues and are revalued at their current market value at each reporting date. Fair value is determined based on the closing price quoted on www.coingecko.com. A summary of the digital currency balances is as follows:

	March 31, 2023	December 31, 2022
	\$	\$
Bitcoin	254,031	147,532
Ethereum	34,435	23,122
Curve governance token	5,701	3,024
The Sandbox	4,933	2,795
Total Digital Assets	299,100	176,473

Bitcoin

A continuity of the Company's Bitcoin holdings is as follows:

	Number	Value \$
		\$
Balance, December 31, 2021	5.6549	331,491
Bitcoin mined	0.9437	45,867
Transaction fees	(0.0131)	(501)
Revaluation	-	(229,325)
Balance, December 31, 2022	6.5855	147,532
Revaluation	-	106,499
Balance, March 31, 2023	6.5855	254,031

Ethereum

A continuity of the Company's Ethereum holdings is as follows:

	Number	Value \$
Balance, December 31, 2021	22.94	107,402
Ethereum acquired	21.45	32,618
Transaction fees	(0.10)	(338)
Ethereum exchanged for NFTs	(30.03)	(106,253)
Revaluation	-	(10,307)
Balance, December 31, 2022	14.26	23,122
Revaluation	-	11,313
Balance, March 31, 2023	14.26	34,435

Cypher Metaverse Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

March 31, 2023

(Expressed in Canadian Dollars)

4. DIGITAL ASSETS (Continued)**Curve Governance Token**

A continuity of the Company's Curve Governance token holdings is as follows:

	Number	Value \$
Balance, December 31, 2021	4,254.30	28,857
Revaluation	-	(25,833)
Balance, December 31, 2022	4,254.30	3,024
Revaluation	-	2,677
Balance, March 31, 2023	4,254.30	5,701

The Sandbox

A continuity of the Company's The Sandbox token holdings is as follows:

	Number	Value \$
Balance, December 31, 2021	4,511.18	35,193
The Sandbox acquired	25,873.54	162,292
The Sandbox sold		(159,669)
Revaluation	(25,000)	(35,021)
Balance, December 31, 2022	5,384.72	2,795
Revaluation	-	2,138
Balance, March 31, 2023	5,384.72	4,933

During the period ended March 31, 2023, the Company recorded a revaluation gain on digital assets of \$122,627 (March 31, 2022 – loss of \$38,654).

The Company also holds Non-Fungible Tokens as follows:

	Otherdeed	Sandbox	Total
	\$	\$	\$
Balance, December 31, 2021	-	57,092	57,092
NFT acquired	12,510	33,859	46,369
Impairment	-	(71,077)	(71,077)
Balance, December 31, 2022 and March 31, 2023	12,510	19,874	32,384

5. INVESTMENT IN ASSOCIATE – CAPITAL BLOCKTECH INC.

The Company's 30% interest (December 31, 2021 – 30%) in Capital Blocktech Inc. ("Capital Blocktech") has been included in the consolidated financial statements using the equity method. Capital Blocktech is incorporated in Alberta, Canada.

In 2018, the Company entered into an agreement with Capital Blocktech, a private Canadian blockchain technology company. In 2018, the Company advanced \$1,000,000 to earn a 30% interest in Capital Blocktech. The Company also had the right to earn an additional 21% interest in Capital Blocktech for an additional \$1,000,000 to be paid on or before January 1, 2022.

The tables below provide summarised financial information for the Company's equity investment in Capital Blocktech. The information disclosed reflects the amounts presented in the financial statements of Capital Blocktech and not the Company's share of those amounts:

Summarized Balance Sheet	March 31, 2023	December 31, 2022
	\$	\$
Cash	-	5,000
Computer equipment	-	42,766
Total Assets	-	47,766
Accounts payable	1,350,481	1,350,481
Share capital	1,009,337	1,009,337
Deficit	(2,359,818)	(2,299,636)
Total Liabilities and equity	-	60,182

Summarized Income Statement	Period ended March 31, 2023	Period ended March 31, 2022
	\$	\$
Professional fees	5,000	30,459
Impairment of equipment	42,766	-
Depreciation	-	6,898
Not loss for the period	47,766	37,357

Summarized aggregated financial information of the Company's share in the associate is as follows:

Equity Accounting Investment Continuity	March 31, 2023	December 31, 2022
	\$	\$
Balance, beginning of period	-	56,000
Equity pick up - 30% of net loss	-	(3,726)
Impairment	-	(52,274)
Balance, end of period	-	-

5. INVESTMENT IN ASSOCIATE – CAPITAL BLOCKTECH INC. (continued)

During the year ended December 31, 2022, the Company completed an engagement with an independent third-party consulting firm to evaluate performance metrics and capabilities of Capital Blocktech's open-source software project known as Arcology. Arcology's roadmap may progress toward a public coin offering, which for regulatory reasons the Company will not participate in. The Company intends to advance the IP from Arcology to the development of Enterprise blockchain tools, with the long-term goal of enabling enterprises to leverage the power of blockchain technology in a high-performance and fully customizable manner. Due to the uncertain timeline to launching a commercially viable product the Company determined that an impairment of the remaining balance of \$52,274 was appropriate.

6. INVESTMENT IN ASSOCIATE – GLANIS PHARMACEUTICALS INC

The Company's 49% interest (December 31, 2021 – 49%) in Glanis Pharmaceuticals Inc. ("Glanis") has been included in the consolidated financial statements using the equity method. Glanis is incorporated in British Columbia, Canada.

During the year ended December 31, 2020, the Company entered into an agreement with the shareholders of Glanis a private Canadian pharmaceutical company. During the year ended December 31, 2020, the Company issued 6,600,000 common shares with a fair value of \$990,000 to acquire a 49% interest in Glanis and paid \$28,000 of expenses toward the ongoing research studies to develop Glanis' technology.

During the year ended December 31, 2021, the Company recognized an impairment loss on the investment in Glanis of \$1,004,808.

The tables below provide summarised financial information for the Company's equity investment in Glanis. The information disclosed reflects the amounts presented in the financial statements of Glanis and not the Company's share of those amounts:

Summarized Balance Sheet	March 31, 2023	December 31, 2022
	\$	\$
Cash	3,409	3,409
Total Assets	3,409	3,409
Accounts payable	400	400
Share capital	100	100
Deficit	2,909	2,909
Total Liabilities and equity	3,409	3,409

Cypher Metaverse Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

March 31, 2023

(Expressed in Canadian Dollars)

6. INVESTMENT IN ASSOCIATE – GLANIS PHARMACEUTICALS INC (Continued)

Summarized aggregated financial information of the Company's share in the associate is as follows:

Equity Accounting Investment Continuity	March 31, 2023	December 31, 2022
	\$	\$
Balance, beginning of period	-	-
Contribution by Cypher Metaverse Inc.	-	127,954
Equity pick up - 49% of net loss	-	-
Impairment	-	(127,954)
Balance, end of period	-	-

During the period ended March 31, 2023, the Company incurred Research and development expenses in amount of \$Nil (2022 - \$Nil) on behalf of Glanis Pharmaceuticals Inc.

7. LONG TERM INVESTMENTS

A continuity of the Company's investments is as follows:

	Love Hemp Group
	\$
Balance, December 31, 2021	507,000
Unrealized fair value gain (loss)	(472,146)
Balance, December 31, 2022	34,854
Unrealized fair value gain (loss)	(34,854)
Balance, March 31, 2023	-

At March 31, 2023, the Company held 25,733,699 (December 31, 2021 – 25,733,699) ordinary common shares of Love Hemp Group Plc, which are now fully impaired.

8. RELATED PARTY TRANSACTIONS

The key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company. The Company has identified its directors and senior officers as its key management personnel. Total compensation to key management personnel was as follows:

	March 31, 2023	March 31, 2022
	\$	\$
Consulting fees	115,825	83,650
Share-based compensation	-	-
Total	115,825	83,650

Consulting fees of \$Nil (2022 - \$94,500) were paid to a company owned by an individual with a family relationship to a director of the Company.

Included in accounts payable is \$1,575 (December 31, 2021 - \$1,746) owing to key management personnel.

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS**Authorized Share Capital**

The Company is authorized to issue an unlimited number of common shares without par value.

Issued and Outstanding – Common Shares Period Ended March 31, 2023:

- a) In relation to a private placement that was completed subsequent to period end (Note 13) the Company collected subscription receipts totalling \$50,060.

Issued and Outstanding – Common Shares Year Ended December 31, 2022:

- a) The Company issued 1,320,000 units at a price of \$0.70 per unit, for gross proceeds of \$924,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.90 for a period of two years from the date of closing. The Company paid \$31,200 in cash and issued 44,571 warrants on the same terms as noted above to a qualified finder.
- b) The Company issued 255,000 units at a price of \$0.70 per unit, for gross proceeds of \$178,500. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.90 for a period of two years from the date of closing. The Company paid \$14,280 in cash and issued 20,400 broker warrants on the same terms as noted above to a qualified finder.
- c) The Company issued 45,000 common shares upon the exercise of warrants at a price of \$0.75 for gross proceeds of \$33,750.

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**Stock Options**

The Company grants options under the terms of its rolling stock option plan to executive officers, directors, employees, and consultants, enabling them to acquire up to 10% of the then issued and outstanding shares of the Company. The exercise price of each option equals the market price of the Company's shares, less allowable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years.

A summary of change in stock options as follows:

	Number of	Weighted
	Options	Average Exercise
		Price
Balance at December 31, 2021	1,307,500	\$ 3.60
Expired	(20,000)	2.10
Balance at December 31, 2022	1,287,500	\$ 1.27
Cancelled	(1,287,500)	1.20
Balance at March 31, 2023	-	\$ -

Cypher Metaverse Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

March 31, 2023

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**Warrants**

A summary of change in warrants as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2021	3,460,771	\$ 3.60
Granted	1,639,971	1.40
Exercised	(45,000)	1.40
Expired	(2,236,077)	6.90
Balance at December 31, 2022	2,819,665	\$ 3.90
Expired	(416,994)	2.20
Balance at March 31, 2023	2,402,671	\$ 3.24

The following table summarizes warrants outstanding at March 31, 2023:

Expiry date	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Years
September 24, 2023	607,500	\$10.00	0.48
September 24, 2023	20,800	\$5.00	0.48
October 4, 2023	128,000	\$1.05	0.51
October 4, 2023	6,400	\$1.05	0.51
February 23, 2024	1,320,000	\$0.90	0.90
February 23, 2024	44,571	\$0.90	0.90
March 24, 2024	255,000	\$0.90	0.98
March 24, 2024	20,400	\$0.90	0.98
	2,402,671	\$3.24	0.78

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**Warrants (Continued)**

During the period ended December 31, 2022, the Company recorded share issue costs of \$36,488 with respect to broker warrants granted as finders' fees. The weighted average fair value of these broker warrants was \$0.64 and was estimated using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair value are as follows:

	March 31, 2023	December 31, 2022
Risk-free interest rate	NA	1.00%
Expected life of options	NA	2
Annualized volatility	NA	200%
Dividend rate	NA	0%
Weighted average fair value per option	NA	\$0.64

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS*Fair values*

The Company's financial instruments consist of cash, receivables, long term investments, and accounts payable and accrued liabilities. Cash and long-term investments are carried at fair value, except for long-term investments in convertible debentures which are carried at amortized cost (refer to note 8 for a discussion of the level 3 fair value inputs). The fair values of receivables, and accounts payable and accrued liabilities approximate their carrying amounts due to their current nature.

The Company's financial assets measured at fair value on a recurring basis were calculated as follows:

	Balance	Level 1	Level 2	Level 3
March 31, 2023	\$	\$	\$	\$
Digital assets	299,100	-	299,100	-
Long-term investments	-	-	-	-
December 31, 2022				
Digital assets	176,473	-	176,473	-
Long-term investments	34,854	34,854	-	-

Management considers the fair value of digital assets to be Level 2 under IFRS 13 Fair Value Measurement ("IFRS 13") fair value hierarchy as the volume weighted average price taken from www.coingecko.com uses the volumes of multiple digital currency exchanges. There were no transfers between any levels during the period.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk associated with cash is minimal as the Company deposits the majority of its cash with a large Canadian financial institution. The Company's credit risk associated with its receivables, loan receivable, and investment in convertible debentures is monitored by management. The Company's maximum exposure to credit risk is the carrying value of the cash, and receivables.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure it has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from private placements to meet its working capital requirements, after taking into account existing cash and expected exercise of share purchase warrants and options. Management believes that it will be successful in raising the necessary funds however, given the current market conditions, management believes that the raising of the required funds will take longer than is normal and will be at prices that may be less than desirable. There are no assurances that additional funds will be available on terms acceptable to the Company or at all. All of the Company's financial liabilities have maturities of one year or less as at March 31, 2023 and December 31, 2022.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity prices, equity prices, and foreign currency fluctuations.

a) Interest Rate Risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company's investment in convertible debentures was at a fixed rate of interest (prior to conversion), as is its loan receivable. The Company is not exposed to significant interest rate risk with respect to these financial instruments as a change in the prevailing interest rates would not impact the future cash flows associated with the fixed rates of interest, nor would they be expected to impact the fair value of future cash flows unless and until such time as these financial instruments matured and were renewed or extended, instead of being collected.

b) Price Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Company is exposed to price risk associated with its long-term investments in marketable securities and warrants, classified in levels 1 and 3 of the fair value hierarchy, respectively. A 10% change in market prices of the common shares underlying the long-term investments in marketable securities would result in a gain or loss of approximately \$Nil.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Continued)

c) Currency Risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. At December 31, 2022 the Company held an insignificant balance of US dollar assets. A 10% change in the foreign exchange rate would not impact Statement of Loss and Comprehensive Loss by a material amount. The Company's investment in Love Hemp Group Plc is denominated in Pounds Sterling. A 10% change in the Pound Sterling versus the Canadian dollar would result in a gain or loss of approximately \$Nil.

11. DIGITAL ASSET RISK FACTORS

Fair Values

Digital assets are measured at level 2 of the fair value hierarchy on the consolidated balance sheet, determined by taking the rate from Coingecko.com. Digital asset prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is directly related to the current and future market price of digital assets; in addition, the Company may not be able liquidate its holdings of digital assets at its desired price if required. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its sales of digital assets.

Digital assets have a limited history of existence, and the fair value historically has been very volatile. Historical performance of digital assets is not indicative of their future price performance. The Company's digital assets currently consist of Bitcoin, Ethereum, Curve Governance Token, and The Sandbox.

At March 31, 2023 had the market price of the Company's holdings of Bitcoin and Ethereum increased or decreased by 10% with all other variables held constant, the corresponding asset value increase or decrease respectively would amount to approximately \$25,000 and \$3,400 respectively.

Credit Risk

Digital assets subject the Company to a concentration of credit risk. The Company self-custodies its crypto assets therefore it is not exposed to credit risk. The Company may also determine to limit its exposure to credit loss by placing its digital assets with Gemini Trust Company, LLC. ("Gemini"). Gemini is a New York trust company regulated by the New York State Department of Financial Services (NYSDFS). Gemini is subject to capital reserve requirements, cybersecurity requirements, and banking compliance standards set forth by the NYSDFS and the New York Banking Law. Gemini is also a fiduciary and Qualified Custodian (www.gemini.com).

12. CAPITAL MANAGEMENT

The Company's objectives for managing capital (defined as all components of equity) are to safeguard its ability to continue as a going concern and provide returns to shareholders and benefits for other stakeholders. The Company manages capital by issuing new common shares, options, and warrants, and may in the future issue new debt. There are no externally imposed capital requirements. There has been no change to the Company's capital management approach during the period ended March 31, 2023.

13. SUBSEQUENT EVENTS

Subsequent to March 31, 2023:

- a) The Company reached an agreement with Glanis Pharmaceuticals Inc. ("Glanis") whereby Glanis purchased 4,846 shares held by the Company in exchange for \$250,000 worth of shares to be issued upon the completion of a listing event of Glanis's common shares on a public securities exchange.
- b) The Company issued 873,999 units at a price of \$0.11 per unit raising gross proceeds of \$96,140. Each unit consists of one common share and one common share purchase warrant which entitles the holder to acquire an additional common share at a price of \$0.15 for a period of two years from closing. The Company paid cash finders fees of \$1,254 and issued 11,400 broker warrants on the same terms as the warrants forming part of the units.
- c) The Company entered a binding letter of intent to acquire 100% of the issued and outstanding common shares of Agapi Luxury Brands Inc. in exchange for 50,000,000 common shares of the Company. The Company also entered a secured bridge loan which accrues interest at an annual interest rate of 8%. The Bridge loan is repayable within six months of termination of the Definitive Agreement in accordance with its terms.

14. RESTATEMENT

During the preparation of the Company's condensed consolidated interim financial statements for the period ended March 31, 2023, a historical accounting error was identified that affected the March 31, 2022, period ended financial statements. For the period ended March 31, 2022, the Company incorrectly calculated depreciation expense in relation to data centre equipment.

The restatement of the condensed consolidated interim financial statements for the March 31, 2022, period resulted in the following adjustments to the reported balances:

- a. An increase in non-current assets as at March 31, 2022 of \$47,347
- b. A decrease in net loss for the period ending March 31, 2022, of \$47,347